



Claire McCaskill

Missouri State Auditor

December 2006

City of Pine Lawn, Missouri

Year Ended June 30, 2005



Office Of
Missouri State Auditor
Claire McCaskill

December 2006

The following findings were included in our audit report on the City of Pine Lawn, Missouri.

The Missouri State Auditor's Office has been petitioned by the citizens of Pine Lawn to audit the city three times in the last eleven years. Of the 37 recommendations reported in 2000 (Report no. 2000-108), only 6 were implemented and another 6 were partially implemented. Twenty-one findings were not implemented and the remaining 4 no longer applied. Multiple recommendations in this report are repeated from previous audit reports issued by our office.

The city of Pine Lawn is in poor financial condition and there was no evidence that the elected officials are providing the guidance and controls necessary to ensure the continuing operations of the city. Accounting records and financial reporting do not exist and, therefore, the Board and Mayor are unable to monitor and control the city's finances. In addition, controls over receipts and disbursements are poor, increasing the risk that monies could be misappropriated or misspent without the Board and Mayor's knowledge.

The city's General Revenue Fund balance has decreased from over \$208,000 at December 31, 2002, to just under \$50,000 at December 31, 2005. In addition, the city has transferred over \$239,000 from other accounts to cover General Revenue disbursements and payroll. As of March 2006, the city is in arrears on payments totaling over \$218,000.

Court receipts to the city do not agree between court and city receipt records and deposits and there are no reconciliations performed between the two receipt ledgers. Also, the composition of bond receipts is not recorded in the bond receipt ledger and deposited monies are not reconciled to the bond receipt ledger. Receipts totaling \$4,355 collected by the city through the municipal court and police department in May 2005 could not be traced to deposits.

No record of receipts is maintained in the city's general ledger computer system; however, General Revenue bank deposits totaled almost \$2,000,000 in 2005. No check ledger was maintained and disbursements totaling \$850,750 had no detail such as vendor name, check number, date, amount, and purpose recorded in the city's accounting system for the period of February 2005 through August 2005. General Fund disbursements per the bank for 2005 totaled approximately \$2,300,000. The city administrator indicated checks were written from the city's system, but the check information was not retained. As a result of this lack of records, the city has no accounting record indicating the amount of cash available at any time. No bank reconciliations have been performed for several months and those supposedly performed prior to April 2005 could not be located. Also, the city has 12 bank accounts; however, several of the accounts are not

YELLOW SHEET

utilized and accounting and record keeping duties are not adequately segregated.

The city has not prepared and adopted budgets or financial statements. In addition to being required by law, these reports would help the city to monitor and control their financial condition.

During 2005 and 2006, the city did not enter into written contracts for various services. In addition, the mayor entered into contracts for insurance and trash services totaling over \$430,000 without obtaining Board approval.

The city does not have a formal written bid/request for proposal policy. During 2005 and 2006 bid/proposals were not solicited for several different services. Additionally, several invoices were not submitted to the board for approval, invoices were not always paid timely, and some disbursements were not supported by invoices. Also, the city withheld but did not properly pay out more than \$3,000 from employee checks for child support and garnishments.

The city does not have a formal policy regarding cellular phone usage. From January 2005 through April 2006, more than \$12,900 was paid as usage for 12 cellular phones, with \$7,160 of this being fees for exceeding plan minutes.

The city is not separately accounting for trash operations and, as a result, cannot determine if the trash service is breaking even or losing money. In addition, the city does not have adequate procedures to pursue collection of delinquent trash fees. As of June 30, 2006, the city had approximately \$507,350 in delinquent trash fees. According to city records, over 70 customers owe more than \$1,000 in trash fees.

The Municipal Court receipts average over \$200,000 per year. A monthly listing of bond open items was not prepared and reconciled with the bond account cash balance. Upon our request, a list was prepared; however, the Court Clerk indicated most of the bonds on the list were old and probably closed. Also, bonds collected by the police department are not transmitted to the Court Clerk on a timely basis, and deposits are not made timely. The Crime Victim's Compensation and Peace Officer Standards and Training fees collected by the municipal court have not been disbursed to the state since September 2004. Finally, the court has not established procedures to pursue the collection of delinquent accounts and failure to appear cases. As of June 30, 2006, court records indicate that delinquent accounts total approximately \$378,000.

Also included in the report are recommendations related to planning and financial reporting, seized property, meeting minutes and ordinances, and city property records.

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

CITY OF PINE LAWN, MISSOURI

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STATE AUDITOR'S REPORT



CLAIRE C. McCASKILL
Missouri State Auditor

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

The State Auditor was petitioned under Section 29.230, RSMo, to audit the City of Pine Lawn, Missouri. The scope of our audit of the city included, but was not necessarily limited to, the year ended June 30, 2005. The objectives of this audit were to:

1. Perform procedures to evaluate the petitioners' concerns.
2. Review internal controls over significant management and financial functions.
3. Review compliance with certain legal provisions.
4. Review the city's implementation of recommendations made in our report of the city for the year ended June 30, 1999.

To accomplish these objectives, we reviewed minutes of meetings, written policies, financial records, and other pertinent documents; interviewed various personnel of the city, as well as certain external parties; and tested selected transactions. Our methodology included, but was not necessarily limited to, the following:

1. We obtained an understanding of petitioner concerns and performed various procedures to determine their validity and significance.
2. We obtained an understanding of internal controls significant to the audit objectives and considered whether specific controls have been properly designed and placed in operation. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.
3. We obtained an understanding of legal provisions significant to the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur.

Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting significant instances of noncompliance with the provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

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.

The accompanying History, 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 the audit of the city.

The accompanying Management Advisory Report presents our findings arising from our audit of the City of Pine Lawn, Missouri.

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

Claire McCaskill
State Auditor

June 1, 2006 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits: Thomas J. Kremer, CPA
Audit Manager: Alice M. Fast, CPA
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MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

CITY OF PINE LAWN
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1.	Lack of Financial Management
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The city of Pine Lawn is in poor financial condition and there was no evidence that the elected officials are providing the guidance and controls necessary to ensure the continuing operations of the city. Accounting records and financial reporting do not exist and, therefore, the Board and Mayor are unable to monitor and control the city's finances. Although some requests for financial reporting were made by members of the board, no reports showing the financial position of the city were provided. (See MAR No. 3.)

Controls over receipts and disbursements are poor, increasing the risk that monies could be misappropriated or misspent without the Board and Mayor's knowledge. There appears to be no attempt to improve the record keeping and controls in the city as several recommendations in this report are repeated from previous audit reports issued by our office. In addition, given the current lack of records, if asked to perform a financial audit, we would have to disclaim an opinion on the city's financial statements. We can give no assurance that money was not misappropriated or misspent, and as noted in MAR No. 2, some monies received by the city were not deposited to city accounts.

Based on bank information (as no other information was available), the city's General Revenue Fund balance has been declining over the past four years.

December 31,	2005	2004	2003	2002
General Revenue	\$49,714	\$76,497	\$80,210	\$208,736

In addition, to cover disbursements, the city transferred the following amounts to the general account:

<u>Amount</u>	<u>From</u>	<u>Date</u>
\$59,000	Trash Account	January 13, 2005
14,606	Trash Account	March 1, 2005
40,000	Trash Account	April 1, 2005
30,000	Seized Property	January 25, 2006
10,000	Bond Account	August 1, 2005

In addition, two transfers totaling \$25,000 from the Bond Account and one transfer totaling \$36,000 from the Trash Account were made to the payroll account, which is used to disburse paychecks and related payments. The payroll account is simply a clearing account and receives transfers from the General Funds.

The Trash, Seized Property, and Bond Accounts represent restricted monies that should not be used for general city operations (See MAR No. 8, 9, and 10).

In addition to the declining balance, as of March 2006, the city was in arrears on several payments including \$113,128 for trash services, \$78,266 for federal payroll taxes, \$16,503 for liability insurance, \$4,421 for utilities, \$3,904 for a bank credit card, and \$2,562 for phone service. (See MAR No. 7). In addition, the city has not paid the Crime Victim's Compensation and Peace Officer Standards and Training fees to the state as required (See MAR No. 10).

Because of the lack of accounting records and financial reporting, it is not clear whether the Board of Aldermen and Mayor are fully aware of the city's poor financial condition. Annual budgets and financial statements have not been prepared, accounting records are not maintained, and controls are lacking. (See MAR No. 2, 3, 4, and 7).

Given all the concerns noted in this report, it is apparent that no one is adequately monitoring the city. The Board of Aldermen and Mayor need to request accurate monthly financial reports and insist that the recommendations in this report are implemented on a timely basis to ensure the city is operated professionally and competently.

WE RECOMMEND the Board of Aldermen and Mayor ensure adequate accounting records are maintained and controls are established. The Board and Mayor should monitor the financial position of the city and require monthly financial reports showing budget to actual information. In addition, the Board and Mayor should ensure the recommendations in this report are addressed and implemented on a timely basis.

AUDITEE'S RESPONSE

The city's officials recognize the poor condition of the city's accounting records. The current administration inherited a city in total financial crisis, a city that lacked any written policy for internal controls and accounting. In April 2005, when there was a change in the office of Mayor, the city put in place a City Administrator who was charged with, among other things, the responsibility of formulating financial policies for the Mayor's and Board of Aldermen's review and approval. After approximately a year, it was apparent that this person was not qualified and the Mayor requested his resignation. Long story short, the financial policies were neither presented nor adopted by the Board.

The city will accept the recommendation cited in the report and draft an ordinance requiring the city administrator and/or the financial agent of the city to provide monthly financial reports to the Mayor and Board showing the budget to actual information. We estimate that this ordinance will be adopted at the December 11, 2006 Board of Aldermen meeting.

We note that there were several findings in the previous audit that have not been addressed and/or resolved. The city will review those findings and take the necessary steps to adhere to your recommendations. As you can imagine, the city has to roll up its sleeves and get to work on many fronts. Financial responsibility is priority and will receive the Mayor's and Board of Aldermen's immediate and constant attention. We will strive to make Pine Lawn fiscally responsible and accountable to the taxpayers of the city.

2.**Receipt Controls and Procedures**

Controls over city and court receipts are lacking. A one-write receipt ledger is used by the city clerk and the housing clerk to issue receipt slips for city monies. The court clerk maintains a separate court receipt ledger to record all monies received by the court. Periodically, the court clerk will total receipts per her ledger and record her receipts in total in the city's one-write receipt ledger. The court clerk then prepares the city deposit. The court receipt ledger is not reconciled to the city ledger and the monies deposited are not reconciled to the city or court ledger. In addition, some receipts are not recorded in the receipt records. Bond monies received by the police department are not reconciled to bond deposits. Because of the lack of controls over the city receipts, a detail review was performed for the month of May 2005, in an attempt to trace all receipts to deposits. Receipts totaling \$4,355 collected by the city through the municipal court and the police department could not be traced to deposits.

- A. Court receipts to the city do not agree between court and city receipt records and deposits. In May 2005, the court receipt ledger indicated \$6,707 in cash was received; however, only \$5,112 in cash was transmitted to the city for a shortage of \$1,595. In addition, checks totaling \$555 received in May were not transmitted to the city that month. No comparison is performed between the amount deposited with the amount recorded in the city ledger. In addition, there is no reconciliation performed between the court receipt ledger and the city receipt ledger.
- B. Receipt slips are not issued for some monies received. A check for \$150 was received by the city for a housing inspection which was deposited but not entered into the city receipt ledger. Checks totaling \$565 were transmitted by the court to the city and deposited; however, the checks were not receipted in the city receipt ledger. In addition, \$198 in cash was also received and deposited, but not entered into the city receipt ledger. Because there is no reconciliation between the city ledger and the deposits, these unrecorded receipts were not discovered.
- C. In May 2005, bond receipts totaling \$1,875 could not be traced to a deposit. The police department accepts cash, checks, and money orders for bond payments and enters the bonds in a bond receipt ledger. Periodically, the police department transmits bond monies to the municipal court clerk. For each transmittal from the police department, the court clerk initials the bond receipt ledger and places the bond monies in the safe located in the city clerk's office until the end of the week when she prepares the bond deposit ticket. The composition of bond receipts is not recorded in the bond receipt ledger and deposited monies are not reconciled to the bond receipt ledger. This weakness allowed discrepancies between the bond receipt ledger and the bond deposits to go undetected. A total of \$15,513 in bonds was received in May 2005, but only \$13,638 was deposited for a shortage of \$1,875.

- D. Bond fees totaling \$490 were recorded as received in the bond ledger for May 2005; however, only \$160 was recorded as received in the city receipt ledger for a shortage of \$330. The police department collects \$10 for each bond posted. These fees are included as part of the bond payment on the bond receipt ledger and are transmitted to the city on a monthly basis for deposit in the city account.

Adequate controls are necessary to ensure all receipts are accounted for properly. A prenumbered receipt slip should be issued for all monies received and the composition of deposits should be reconciled with the composition of receipt records.

WE RECOMMEND the Board of Aldermen and Mayor ensure prenumbered receipt slips are issued for all monies received and the composition of all receipts is recorded and reconciled to deposits. The Board and Mayor should investigate the differences noted and discuss any additional actions to take with law enforcement and their legal counsel.

AUDITEE'S RESPONSE

The city accepts the recommendation in your report under this section. Prior to your report, the city has adopted the practice of using pre-numbered receipt slips for all monies received and the composition of all receipts is recorded and reconciled to deposits.

On the issue of the unaccounted for funds cited in your report, the city will refer this issue to the prosecuting attorney for St. Louis County for review and appropriate law enforcement action.

3. Accounting Controls and Procedures
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The city is not maintaining adequate accounting records. Receipts and disbursements are not adequately recorded and the city does not track its cash balances. Bank reconciliations have not been performed on the city's bank accounts and the city has several inactive accounts. Accounting duties are not adequately segregated. In addition, the city has no list of the contents of its safe deposit box and at the time of our audit could not locate the keys to it.

- A. The city is not maintaining adequate accounting records. The only record of receipts is the receipt ledger discussed in MAR 2 above which is not reconciled to deposits. No record of receipts is maintained in the city's general ledger computer system; however, General Revenue bank deposits totaled almost \$2,000,000 in 2005. No check ledger was maintained and disbursements totaling \$850,750 had no detail such as vendor name, check number, date, amount, and purpose recorded in the city's accounting system for the period of February 2005 through August 2005. General Fund disbursements per the bank for 2005 totaled approximately \$2,300,000. The city administrator indicated checks were written from the city's system, but the check information was not retained. As a result of this lack of records, the city has no accounting record indicating the amount of

cash available at any time. Receipt, disbursement and cash information is necessary to prepare annual budgets and financial statements, perform monthly bank reconciliations, and support the city's accounting transactions. (See MAR No. 1).

- B. No bank reconciliations have been performed for several months and those supposedly performed prior to April 2005 could not be located. Several requests were made for the city to provide us with copies of bank reconciliations; however, no such records were provided.

Complete and accurate bank reconciliations are necessary to ensure accounting records are in agreement with the bank, and errors or discrepancies are detected and corrected timely.

- C. The city has 12 bank accounts; however, several of the accounts are not utilized. The city is currently using the main General Fund checking account, the payroll account, the bond account, and the two Capital Improvement accounts. There are three general revenue accounts not used - one checking, one savings, and one money market account. These account balances at December 31, 2005 totaled \$7,033, and had service charges totaling over \$90 in 2005. The city also has an inactive DARE checking account and law enforcement grant account with balances of \$1,320 and \$13,656 respectively at December 31, 2005. As discussed in MAR No. 9, the city is not properly using the Trash Account and MAR No. 8 discusses the Seized Property Account. The city should consider eliminating and consolidating the unused bank accounts to save record keeping time and service charges.

- D. Accounting and recordkeeping duties are not adequately segregated. The city administrator is responsible for the recordkeeping duties of the city, including duties which would normally be performed by a city treasurer and city clerk. The administrator's duties include preparing and distributing checks, signing checks, and maintaining all financial records and bank accounts. The Board of Aldermen approve some bills for payment; however, as discussed in MAR No. 7, concerns were noted with their review. In addition, the mayor or an alderman must sign the checks in addition to the city administrator. However, no person independent of the recordkeeping functions reviews the work of the city administrator.

As mentioned in other parts of this report, the recordkeeping of the city needs much improvement. The city clerk performs limited cash collection duties and the city does not have a city collector or a city treasurer. The current procedures do not allow the separation of duties necessary for a proper evaluation and review of financial transactions.

- E. The city pays over \$200 a year for a safe deposit box. City officials indicated that a list of the items held in the city's safe deposit box was prepared; however, the listing could not be located by the city. In addition, the city was unable to locate

the keys to the city's safe deposit box. The city believes there are some old coins obtained through police seizure in the box; however, we were unable to verify what was held in the safe deposit box.

A log of the contents in the city's safe deposit box is necessary to properly account for and control this property. In addition, an actual physical inventory of the items should be performed periodically and compared to the log to ensure the accuracy and completeness of the records. Keys to the box should be kept in a secure location.

Similar conditions to B and D were noted in the previous audit report and the city indicated at that time they would implement the recommendations.

WE RECOMMEND the Board of Aldermen and Mayor:

- A. Ensure accounting records are maintained including a record of all receipts and disbursements and the cash balance.
- B. Ensure monthly bank reconciliations are prepared and maintained for all city accounts.
- C. Consider eliminating and consolidating some of the city bank accounts.
- D. Ensure the accounting duties and custody of financial assets are adequately segregated or that appropriate reviews of accounting records are performed and bills are approved prior to payment.
- E. Ensure adequate records are maintained of the contents of the city's safe deposit box and perform periodic physical inventories and compare these records to the inventory records. Access to the box should be obtained either through finding the keys or discussion with the bank.

AUDITEE'S RESPONSE

A&B. Though the city is certainly not where it should be in maintaining adequate accounting records, it certainly has improved with its current city administrator.

The city accepts your recommendations under this section. The Board will adopt a financial accounting policy which will require monthly bank reconciliations and ensure accounting records are maintained (including a record of all receipts and disbursements and cash balances.) The city has requested a copy of the financial controls and procedure policies of other fourth class cities and will adopt a written policy no later than January 2007.

C. The city has eliminated and/or consolidated some of the city bank accounts.

- D. *The city intends to adopt an accounting and record keeping policy, and job descriptions for each position in the city, which should resolve the issues cited in this section. Additionally, the city intends to appoint a city treasurer no later than January 2007.*
- E. *The city intends to pass a resolution authorizing the City Administrator to enter into the safe deposit box, inventory its contents, and thereafter the city, with the advice of counsel, will take appropriate action to either dispose of the property or tender it to the State of Missouri's unclaimed property. Lastly, the city has begun to inventory all of its personal and real property.*

4. Budget, Planning and Financial Reporting
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Annual financial reports, semi annual financial statements, and annual budgets have not been prepared as required by state law. The city has not separately accounted for its parks and storm water control sales tax proceeds and has not adopted a long term plan for the proceeds of this tax or the capital improvement sales tax.

- A. Annual financial reports or audited financial statements have not been prepared since the fiscal year ended June 30, 2003. In addition, the city has not filed financial statements with the State Auditor's office since June 30, 1999. Section 105.145, RSMo, requires political subdivisions to file annual reports of the financial transactions of the political subdivision with the State Auditor's office.
- B. The city has not prepared and published semi-annual financial statements as required by state law. Section 79.160, RSMo, requires the Board of Aldermen to prepare and publish semi-annual financial statements. These statements are to include a statement of receipts and disbursements and indebtedness of the city for the preceding six month period. In addition, Section 79.165, RSMo, states the city cannot legally disburse funds until the financial statement is published.
- C. The city has not prepared and adopted budgets for the city as required by Section 67.010, RSMo. No budget was adopted for the year ended June 30, 2006. Although a budget was prepared for fiscal year 2005, it did not have all the required elements and only included one previous year's actual amounts in addition to the budgeted amounts. No periodic comparisons between budgeted and actual amounts were performed.

A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful 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 disbursements. A complete budget should include separate receipt and disbursement 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 a comparison of actual receipts and disbursements for the two preceding years.

- D. The city collects a one half of one percent sales tax for the purpose of improving parks and storm water control in the city and another one half of one percent sales tax for general capital improvements. Proceeds from both of these taxes are deposited into the Capital Improvement bank account and are not accounted for separately. In addition, the city does not have long term plans for the proceeds from these two sales tax issues. Monies have been used for several projects including \$113,286 during fiscal year 2006 for new police cars, small demolition projects and tree removal services. At February 2006, the Capital Improvement Fund had a balance of \$1,141,971.

Section 644.032, RSMo, requires the parks and storm water control tax monies to be deposited and accounted for separately and used only for the funding of storm water controls and local parks.

Given the city's poor financial position as noted in MAR No. 1, it is important that the city properly plan for the use of these monies. These monies are restricted and cannot be used for general city operations. A formal long term capital improvement plan should be prepared and updated each year in conjunction with the annual budget. This plan should include a description of the projects to be worked on, the type of work to be performed, an estimate of the quantity and cost of materials needed, the date such work could begin, the amount of labor required to perform the work, and other relevant information. In addition, a public hearing should be held to obtain input from the city residents and the plan should be approved by the Board.

Similar conditions were noted in our prior audit report and the city indicated at that time they would implement the recommendations.

WE AGAIN RECOMMEND the Board of Aldermen and Mayor:

- A. Submit financial reports to the State Auditor's office as required by state law.
- B. Prepare and publish semi-annual financial statements as required by state law.
- C. Prepare annual budgets that contain all information required by state law to provide a complete financial plan for the city. In addition, the Board should monitor the budget and periodically compare budget to actual amounts throughout the year.
- D. Establish separate funds for the two separate sales tax issues to ensure the receipts are spent in accordance with the purpose of the sales tax. In addition, the Board of Aldermen and Mayor should prepare a long term capital improvement plan and update this annually as part of the budget.

AUDITEE RESPONSE

The city accepts your recommendations in this section. We will submit financial reports to the State Auditor's Office, prepare annual budgets that contain all information required by state law, prepare and publish semi-annual financial statements as required by law, monitor the budget, establish separate funds for the two separate sales tax issues, and prepare a long term capital improvement plan and budget. The city intends to implement these recommendations immediately.

5. Meeting Minutes and Ordinances
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The new codification of city ordinances has not been formally adopted by the board and a complete set of ordinances with all changes is not maintained. Board minutes were not signed by the mayor and a tentative agenda was not prepared and posted for some meetings. A review of the board meeting minutes noted concerns regarding compliance with the Sunshine Law. In addition, annual tax rates were not established in accordance with state law and housing inspection fees were increased without a vote of the people.

- A. In 2005, the city paid \$4,433 for a new codification of the city ordinances. Although the new ordinance codification is being used by the city, it has not been formally adopted by the board. City officials indicated they have not been able to approve the ordinances due to problems with retaining board members. In addition, a complete set of ordinances was not maintained and changes to ordinances were not tracked. Since ordinances represent legislation which has been passed by the Board of Aldermen to govern the city and its residents, it is important that the city's ordinances be maintained in a complete and up to date manner. An index of all the ordinances passed and repealed by the city could help keep track of additions and changes made to the city ordinances. In addition, a complete set of original signed ordinances should be maintained at city hall.
- B. The city has not adopted ordinances which are required by state law or would provide helpful guidelines for city operations:
 - 1) Compensation paid to city officials and employees has not been set by city ordinance. Section 79.270, RSMo, requires salaries of all officers and employees be set by city ordinance.
 - 2) Duties of the City Administrator have not been established by ordinance. Documentation of duties and job descriptions would clarify the duties and responsibilities of each official and employee and prevent misunderstandings. In addition, Section 79.290, RSMo, requires that appointed positions be set by ordinance. A similar condition was noted in our two previous reports of the city.

- 3) Personnel policies and procedures included in the ordinances do not provide guidelines for hiring new employees. A written personnel policy addressing this issue is necessary to provide assurance all employees are treated equitably and to prevent misunderstandings.
- C. The board minutes were prepared by the city clerk and approved by the board at the following meeting; however, they were not signed by the mayor, city clerk or any of the board members. Section 610.020, RSMo, requires minutes be taken and retained for meetings. The minutes should be signed by the clerk and mayor immediately upon approval to provide attestation that the minutes are a correct and approved record of the matters discussed and actions taken during the board meetings.
- D. A tentative agenda was not prepared and posted for all meetings. Section 610.020, RSMo, requires public entities to give notice of the time, date, and place of each meeting, and its tentative agenda, to advise the public of the matters to be considered. The notice shall be given at least 24 hours prior to the meeting.
- E. A review of closed meeting minutes noted the following concerns:
- 1) Open meeting minutes did not always document all items required by the Sunshine Law including the related vote to close the meeting and the specific reasons for closing the meeting. Section 610.022, RSMo, requires that before any meeting may be closed, the question of holding the closed meeting and the reason for the closed meeting shall be voted on at an open session. In addition, this law provides that 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.
 - 2) The city did not document how some items discussed in closed session complied with state law. These items included budget concerns, collection of delinquent trash accounts, inspection fees, approving sales tax rates, renovation of the senior citizens building, and bank account issues.
- Section 610.021, RSMo, 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.
- F. The Board of Aldermen did not prepare ordinances establishing the annual tax rates as required by Section 94.190.3 and 94.210, RSMo. In addition, the board did not hold public hearings on the proposed property tax rates. Section 67.110, RSMo, requires each governing body to hold at least one public hearing prior to approval of the proposed tax rates at which citizens may be heard. The section

also provides guidance on what information is to be included at the public hearing.

- G. In August 2005, the Board of Aldermen increased the housing inspection fee from \$75 to \$200 per house and the occupancy permit fee from \$5 to \$30. No documentation was provided to justify these rate increases or to document the total cost of providing these services to the residents. A portion of the cost is paid to the building commissioner who is paid \$80 for each residential inspection. The fees charged were established without a vote of the residents as required by Article X, Section 22(a) of the Missouri Constitution, commonly known as the Hancock Amendment. This section prohibits political subdivisions from increasing existing taxes, licenses, or fees above levels authorized at the time of passage of the Hancock Amendment without voter approval. However, Section 67.042, RSMo, allows political subdivisions to adjust existing fees and licenses to maintain funding of services provided at the time of passage of the Hancock Amendment. The Missouri Supreme Court, in its decision in Beatty V. Metropolitan St. Louis Sewer District applied a five-pronged analysis to determine whether a governmental charge was a tax, thus requiring a public vote, or user fee which could be revised without a vote. This court case also indicated that if the analysis did not clearly indicate the charge was a user fee, the issue should be put to a vote. No review of this issue was performed prior to the board increasing the fee.

Similar conditions to B and E were noted in the previous audit report and the city indicated at that time they would implement the recommendations.

WE RECOMMEND the Board of Aldermen and Mayor:

- A. Formally adopt the ordinance codification and review all additional ordinances to ensure a complete set of all ordinances is maintained and complied with.
- B. Establish by ordinance the compensation and duties of all officials and employees. In addition, the Board should establish guidelines for hiring new employees.
- C. Ensure all minutes are signed by the mayor and city clerk.
- D. Ensure that proper notification and agendas for public meetings are given or reasons for any deviation are documented in the minutes in accordance with applicable statutes.
- E.
 - 1) Ensure the board minutes document the vote to go into closed session, state the reasons for going into closed session and publicly disclose the final disposition of all applicable matters discussed in closed session.
 - 2) Ensure only allowable, specified subjects are discussed in closed session.

- F. Hold public hearings on proposed property tax rates and establish the tax rates by ordinance, as required by state law.
- G. Seek legal guidance from the City Attorney and determine whether this fee is a user fee or should be put to public vote.

AUDITEE'S RESPONSE

The city accepts each of the recommendations in this section.

- A. *The city will at its January 2007 meeting adopt its Municipal Code Book, which has been under review by the Board for several months.*
- B. *The city intends to adopt an ordinance at its December 2006 meeting, establishing the compensation and duties of its appointed officials. Additionally, a formal hiring policy will be adopted by February 2007.*
- C. *The City Clerk will hereafter sign and get the signature of the Mayor on all minutes.*
- D. *The new City Clerk has been made aware of the issue cited in your report and will make the necessary corrections in posting notices and recording minutes.*
- E. *The City Attorney has discussed with the City Clerk the concerns raised in this section and we are confident that these issues are resolved.*
- F. *The city has and will hereafter hold public hearings on proposed tax rates and establish tax rates by ordinance.*
- G. *The city will discuss this issue with legal counsel.*

6.	City Property Records
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The city has not established adequate records to account for city property and concerns were noted with real estate transactions. Vehicle and gasoline usage records are not adequate.

- A. The city has not established adequate records to account for city property. The police department has a list of their vehicles and the street department has a partial list of equipment and vehicles they own. However, the lists do not include all necessary information including cost and date obtained. Other property owned by the city is not included on any lists. In addition, the city does not perform physical inventories and does not tag or otherwise identify the items as property of the city.

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

- B. The city owns several pieces of real estate property that have been obtained through non payment of taxes or abandonment. The city does not have a list of property owned or sold and does not have a written policy documenting what records should be kept on such property or what procedures to follow in the sale of the property.

In one instance, commercial property was sold for \$31,000 to a business owner. The appraised value per St. Louis County was \$227,000. Although the city did not obtain an independent appraisal, they did have a market value estimate from an appraiser of \$100,000. The city had no record of bids or receipt of monies for the sale of this property. In addition, it does not appear that the sale was approved by the board.

The January 2006 board minutes indicated the sale of this property was finalized and bids were taken. However, we saw no votes approving the sale of this property and no bids. St. Louis County records indicate the deed and title were transferred on February 22, 2006.

To ensure the best possible price is obtained for property sold and to ensure all interested parties are given equal opportunities to participate, the city should develop a written policy for all real estate property sales. This policy should address how the city will handle real estate sales including obtaining board approval, soliciting of bids, requiring a professional appraisal, and retaining documentation of the sale proceeds. In addition, the city needs to maintain a list of all real estate property obtained and sold.

- C. The city, through its various departments, owns and operates several vehicles. Each time gasoline is pumped from the city fuel tank into a vehicle, the vehicle number, date, mileage and amount of gasoline are recorded. In addition, a daily activity log is maintained for police vehicles that records the beginning and ending odometer readings and the calls and locations. During our review of the city vehicles and gasoline usage, we noted the following concerns:

- 1) The information on the fuel logs is not utilized to verify the validity of the gasoline bills. Gallons purchased per the fuel billings are not reconciled to the gallons dispensed as recorded in the logs. Periodic reconciliations of

the fuel usage and purchases to the calculated fuel on hand are not performed. To monitor the reasonableness and propriety of fuel usage and purchases, the fuel usage logs should be periodically reviewed and recorded usage should be reconciled to fuel purchased and on hand. Failure to account for fuel usage could result in theft or misuse.

- 2) The mayor has been assigned a city vehicle for his use and no log is maintained documenting its use. During the period from April 28, 2005 to April 25, 2006, a total of 18,271 or approximately 1,500 miles per month were put on this vehicle. The city of Pine Lawn is less than five square miles and there is no documentation of why so many miles were driven. Some of the mileage may be for personal use or commuting. IRS guidelines require the full value of the provided vehicle to be reported if the employer does not require the submission of detailed logs that distinguish between business and personal use. The city should be reporting the full value of the vehicle to the IRS as compensation to the mayor.

Similar conditions to A and C were noted in our last two audit reports and the city indicated at that time they would implement the recommendations.

WE RECOMMEND the Board of Aldermen and Mayor:

- A. Establish complete and detailed property records that account for all property items of the city. These records should be updated for any property additions or deletions as they occur. In addition, all items should be tagged or otherwise identified as city property and an annual physical inventory should be taken of all city-owned property.
- B. Implement a written policy or procedure for handling real estate property sales which would include obtaining board approval, soliciting bids, requiring a professional appraisal, and retaining documentation of the sale proceeds. In addition, the Board should ensure a list of all real estate property obtained and sold is maintained.
- C.1) Ensure complete fuel inventory records are maintained and that fuel usage logs are periodically reviewed for completeness and reasonableness of usage and reconciled to fuel purchased and on hand.
 - 2) Require logs be maintained for the mayor's vehicle that reflect business and personal miles driven and review these logs periodically for reasonableness. Personal mileage should be reported to the IRS as taxable compensation.

AUDITEE'S RESPONSE

The city accepts the recommendations in this section.

- A. *The city is in the process of creating an inventory of all “city owned property”. All property will be tagged, identifying it as city owned property and an inventory check will be conducted yearly.*
- B. *The city will adopt by ordinance a written policy on handling real estate property sales no later than January 2007. Your report indicates that a city owned commercial property was sold for \$31,000 when it was appraised by the county at \$227,000. Further, you indicate that there was no appraisal, no bids taken, and the Board did not approve the sale. The former City Administrator was responsible for this transaction and it was the Board’s understanding that an appraisal was obtained and bids taken. The referenced property was, and still to this day is, a public nuisance and has been in a deplorable condition for years. The city welcomed the opportunity for redevelopment of this property. The city has been unable to identify which city account these funds were deposited. If resolution to this deposit issue is not obtained in the next few weeks, the city will refer the matter to St. Louis County for investigation.*
- C. *The city will adopt by ordinance a policy for fuel inventory and usage. Said policy will set out requirements for fuel usage logs and how they will be reviewed for completeness and reasonableness of usage and reconciled to fuel purchased and on hand. This ordinance will be presented for approval by January 2007.*

The city will adopt by ordinance a policy requiring a travel log be utilized in all city owned vehicles that are operated by the mayor, city administrator, police chief, and police captain. Any personal mileage will be reported to the IRS as taxable compensation.

AUDITOR'S COMMENT

- B. The city obtained a copy of the title company check made payable to the city for \$28,666; and traced this check to a deposit in March 2006.

7.

Disbursements

The city purchased services without contracts and also entered into agreements without board approval. A formal bid policy has not been established, invoices are not paid timely, there is no cellular phone policy and employee deductions for child support and garnishment orders were not handled properly.

- A. During 2005 and 2006, the city did not enter into written contracts defining services to be provided and benefits to be received for the following items:

Tree Services	\$22,300
Demolition Services	15,000
Legal Services	19,315
Accounting Services	6,575

In addition, the mayor entered into contracts for insurance for \$162,759 and trash services for \$271,069 without obtaining approval from the board. Section 432.070, RSMo, requires contracts to be in writing. Written contracts approved by the board are necessary to ensure all parties are aware of their duties and responsibilities and to prevent misunderstandings.

- B. The city does not have a formal written bid/request for proposal policy. During 2005 and 2006 bids/proposals were not solicited for the following services:

Trash Service	\$271,069
Insurance	162,759
Building Inspections	39,096
Legal Services	19,315
Accounting Services	6,575

Bidding procedures for major purchases provide a framework for the economical management of city resources and help assure the city it receives fair value by contracting with the lowest and best bidder. To show compliance, documentation of bids/proposals should include a vendor listing and request for proposals, a newspaper publication notice when applicable, the bids/proposals received, and the basis and justification for awarding the bid/proposal.

A similar condition was noted in our prior audit report and the city indicated at that time they would implement the recommendation.

- C. Several invoices were not submitted to the board for approval and invoices were not always paid timely. In addition, some disbursements for legal services, building inspections, and cell phones did not have invoices. To ensure the obligation was actually incurred and properly approved, all disbursements should be supported by a properly approved invoice. In addition, procedures should be in place to ensure bills are paid timely to avoid late charges and interest. (See MAR 1).
- D. The city does not have a formal policy regarding cellular phone usage or guidelines to determine whether a cellular phone is needed or of benefit to the city. From January 2005 through April 2006, a total of more than \$12,900 was paid as usage for 12 cellular phones, with \$7,160 of this being fees for exceeding the plan minutes. These totals do not include amounts for three monthly phone bills that could not be located by the city.

While cellular phones can help increase productivity, they are costly. A policy is needed to ensure that cellular phones are used for business purposes only. Such a policy should address which employees need a cellular phone, proper use of the phone, and a reimbursement policy if the board authorizes the phone to be used for personal purposes. Effective procedures should be implemented to monitor cellular phone usage and review invoices for propriety.

- E. During 2005, the city did not properly handle child support and garnishment payments withheld from employee paychecks. The city underpaid five employee child support cases by over \$2,800 and one bankruptcy case by \$390. There were several instances in which there were no disbursements made to the child support cases for a three month period even though the deductions had been withheld. In addition, there were two instances where the city did not withhold the correct amount stated in the court order. A monthly amount was paid instead of the bi-weekly amount. This caused the deduction not to correspond with the amount stated in the court order.

To ensure monies are handled appropriately and ensure compliance with state laws, employee withholdings for child support and garnishment orders need to be remitted correctly.

WE RECOMMEND the Board of Aldermen and Mayor:

- A. Enter into written agreements for all services provided and require approval from the Board prior to signing all contracts.
- B. Establish a formal bid policy with provisions for documenting the justification for selecting and rejecting bids or proposals.
- C. Ensure all invoices are properly approved and paid timely. The Board should require adequate supporting documentation for all disbursements.
- D. Develop a cellular phone policy regarding the use of cellular phones including an assessment of which employees need a cellular phone and procedures to monitor their use. In addition, the monthly billings need to be retained so that usage can be monitored.
- E. Properly remit employee withholdings.

AUDITEE'S RESPONSE

The city accepts each of your recommendations in this section.

- A. *The city has a policy requiring all contracts be approved by the Board; however, this policy will be communicated to all city officials so that they are aware and govern themselves accordingly.*

- B. *The city has obtained bid processes from other municipalities and will implement same by January 2007.*
- C. *The city will adopt an ordinance requiring all bills for payment to be accompanied by an invoice documenting the service or product. This ordinance should be in place by January 2007. The city will make timely payment of its bills as funds are available. Additionally, the city will, in the next budget year, make concessions in spending to assure adequate funds are available to meet its expenses.*
- D. *The city will adopt a cell phone policy and conduct a needs assessment by January 2007.*
- E. *The city has and will continue to properly remit employee withholdings.*

8. Seized Property

Adequate controls over seized property have not been established. A complete log of seized property is not maintained and periodic inventories of the property on hand are not conducted. In addition, the city improperly transferred \$30,000 of seized monies to the city general revenue account.

- A. The police department does not maintain a log of the seized property on hand. Adequate internal controls are essential and would significantly reduce the risk of theft or misuse of the stored items. An inventory control record should include information such as description, persons involved, current location, case number, and disposition of such property. Officers should be required to sign the inventory record each time evidence is removed from the room. In addition, periodic physical inventories should be performed and the results compared to the inventory records to ensure that seized property is accounted for properly.
- B. The city deposits seized money into a bank account. As of February 2006, the city was holding \$36,841 in seized property monies. Most of the seizures were conducted several years ago. During 2005, the city transferred \$30,000 of these monies to the city's General Revenue Account without a proper court order. The city should return the \$30,000 to the seized property account and begin forfeiture proceedings on any money subject to forfeiture. All other monies should be returned to its owners.

Similar conditions were noted in our two prior audit reports and the city indicated at that time they would implement the recommendations.

WE AGAIN RECOMMEND the Board of Aldermen and Mayor:

- A. Ensure the police department maintains a complete inventory record of all seized property including information such as a description, persons involved, current

location, case number, and disposition of such property. In addition, the Board should ensure that periodic inventories of seized property are performed.

- B. Consult with legal counsel and determine the proper disposition of these monies. In addition, the Board should ensure that the money improperly transferred to the General Revenue Account is paid back into the Seized Property Account.

AUDITEE'S RESPONSE

The city accepts your recommendations in this section.

A&B. The city has implemented a policy to properly inventory all property seized. The Board will adopt by ordinance a policy to review the inventory and disposition of said property no later than February 2007.

The city will transfer back the funds transferred from the seized property account to the general account by the end of the fiscal year.

9. Trash Account

The city is not properly restricting trash fees collected for trash operations only. The city has a separate trash bank account for the collection of payments from residents and to make payments to the provider. Transfers were made from this account to other accounts and the city is intermingling trash monies with other city monies. In addition, the city does not have adequate procedures to pursue the collection of delinquent trash fees.

- A. During 2005, the city made several transfers from the Trash Account to the General Account totaling \$113,606 to pay general expenses of the city. In addition, \$36,000 was transferred to the payroll account to pay for employee salaries. Board approval of these transfers was not documented. Trash fees represent payments from residents to help defray the cost of trash services and should not be used to cover salaries of city employees and pay general expenses of the city.

In past years, the General Account transferred monies to the Trash Account; however, the city did not keep track of these amounts and did not indicate if these were loans or permanent transfers.

As of July 2005, the city began depositing trash fees into the city's General Revenue Account with other city monies and paying the provider directly from this account. There is no separate accounting of the trash operations and, as a result, the city cannot determine if the trash service is breaking even or losing money. Revenues restricted for a specific purpose should be maintained in a separate fund and should not be used for general operating expenses of the city.

- B. The city does not have adequate procedures to pursue collection of delinquent trash fees. As of June 30, 2006, the city had approximately \$507,350 in delinquent trash fees. According to city records, over 70 customers owe more than \$1,000 in trash fees. The city passed an ordinance in 2002 to collect delinquent trash fees when housing inspections or business licenses are required 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. In addition, the city should review the list of unpaid bills to verify that the list is correct.

A similar condition was noted in our prior two reports.

WE RECOMMEND the Board of Aldermen and Mayor:

- A. Ensure a separate accounting of trash revenues and expenses is maintained, and only expenses related to trash services should be paid from the Trash Account. In addition, the city should consider returning transferred money to the Trash Account.
- B. Discuss with legal counsel options available to ensure collection of delinquent trash accounts. The Board and Mayor should also review the list of delinquent fees to ensure it is accurate.

AUDITEE'S RESPONSE

The city accepts your recommendations, in part, in this section. The city will ensure a separate accounting for trash revenues and expenses is maintained. However, the city does not understand the logic in your recommendation that they reimburse the trash account for transfers made from it to the general revenue account. The trash account owes general revenue in excess of \$500,000, which is evident from the delinquencies. The city will discuss with legal counsel ways to collect on the delinquent trash fees owed to the city.

10.

Municipal Court

Monthly listings of open items are not prepared and the court has not implemented adequate procedures to follow up on old bonds. Bonds collected by the police department are not transmitted to the Court Clerk on a timely basis and bond forms are not prenumbered and accounted for as they are used. CVC and POST fees have not been disbursed. Deposits are not made timely and checks and money orders are not restrictively endorsed. Procedures have not been established to follow up on cases needing to have warrants issued. Court receipts average over \$200,000 per year.

- A. A monthly listing of bond open items is not prepared and reconciled with the bond account cash balance. Upon our request, the municipal court prepared a list as of April 30, 2006. The open items list totaled \$685,109 while the bond account

bank balance was only \$77,808. An additional \$35,000 was due from the General Fund to the Bond Account due to unauthorized transfers made (see MAR No. 1). This resulted in a difference of \$572,301 between the open items list and the monies available. The court clerk indicated most of the bonds included on the list are old and probably closed. These older bonds were transferred from the old computer history during the last computer change several years ago and they have never been able to find the time to clean up the older bonds from the system. In addition, the court has not implemented adequate procedures to follow up on old bonds held for more than one year.

A complete and accurate bond open items listing should be prepared monthly and reconciled to the cash balance to ensure records are in balance and sufficient funds are available for the payment of all liabilities. An attempt should be made to determine the proper disposition of these bonds. In addition, a review should be made of any bonds posted by persons who failed to make the required court appearance to determine if bonds should be forfeited and monies paid over to the city treasury as provided by Section 479.210, RSMo. For those bonds which are held on closed cases and remain unclaimed, Section 447.500 through 447.505, RSMo, which relate to unclaimed property, should be used to disburse these monies. Any unidentified amounts should be investigated and resolved.

- B. Bonds collected by the police department are not transmitted to the Court Clerk on a timely basis. Bonds are transmitted approximately once or twice a month. A cash count made in February 2006 revealed \$18,963 in bond receipts not transmitted. Some of these monies had been held for almost one month. In May 2005, two transmittals were made totaling \$6,113 and \$7,525. To adequately safeguard bond receipts and reduce the risk of loss or misuse of funds, transmittals should be made daily or when accumulated receipts exceed \$100.
- C. Bond forms are not pre-numbered and accounted for as they are used by the police department. To ensure all bonds are accounted for and deposited, pre-numbered bond forms should be used and the numbers accounted for properly.
- D. Crime Victim's Compensation (CVC) and Peace Officer Standards and Training (POST) fees collected by the municipal court have not been disbursed to the state since September 2004. The court deposits these fees into the city's General Fund. The total CVC and POST due the state were not determined; however, between July 2004 and June 2005 the city collected \$14,062 in CVC payable to the state and \$1,852 in POST fees.

The city is responsible for remitting the CVC and POST fees to the state. Section 595.045.6, RSMo, requires 95 percent of the CVC fees be paid monthly to the state. POST fees should also be disbursed monthly to the state. To ensure compliance with state law, the city should attempt to determine the amounts due from prior years, and begin turning monies over to the state monthly.

- E. Deposits are not made timely. Once a week the court clerk totals the court receipts and enters the amount in the city one-write receipt ledger. She then prepares the total city deposit. Deposits are made when a police officer is available. This is usually once a week, sometimes every other week. Deposits made in May 2005 were for \$22,073, \$14,625, \$1,513 and \$10,259. In addition, checks and money orders are not restrictively endorsed immediately upon receipt.

To reduce the risk of loss or misuse of funds, deposits should be made on a timely basis and checks and money orders should be restrictively endorsed immediately upon receipt.

- F. The court has not established procedures to pursue the collection of delinquent accounts and failure to appear cases including issuing warrants. As of June 30, 2006, court records indicate that delinquent accounts (over 120 days old) total approximately \$378,000. Cases with delinquent balances or failure to appear cases have not had warrants issued in over a year. Proper and timely issuance of warrants for amounts due to the court helps to maximize court revenues along with providing equitable treatment for those citizens who are paying fines and costs when they are due.

Similar conditions to A, B, D, E, and F were noted in our two previous audit reports and the city indicated at that time they would implement the recommendations.

WE RECOMMEND the city of Pine Lawn Municipal Division:

- A. Prepare monthly listings of bond open items and reconcile the listing with the cash balance. In addition, the Municipal Division should request the \$35,000 back from the General Fund and should implement adequate procedures to follow up on bonds being held and dispose of them in accordance with state law.
- B. And the Police Chief ensure that bonds are transmitted to the court on a timely basis.
- C. And the Police Chief ensure bonds are pre-numbered and the numbers are accounted for properly.
- D. Develop procedures to ensure all CVC and POST fees are remitted to the state in accordance with state law and on a timely basis.
- E. Deposit all monies on a timely basis and restrictively endorse all checks and money orders immediately upon receipt.
- F. Establish procedures to routinely follow up on older cases needing to have a warrant issued.

AUDITEE'S RESPONSE

The city accepts your recommendations in this section.

- A. *The city has already and will continue to prepare monthly listings of bond open items and reconcile the listing with the cash balance. The city will return the \$35,000 to the bond account from the general revenue account by the end of the fiscal year.*
- B. *The city intends to make daily deposits of receipts in excess of \$100. This procedure will be a part of the accounting policy adopted by the city.*
- C. *The Chief of Police and the Court Clerk have created a procedure to ensure all bonds are pre-numbered and accounted for properly.*
- D. *The city has adopted a procedure for remitting CVC and POST fees on a timely basis.*
- E. *The Board will adopt an ordinance on deposits of monies and endorsement of checks and money orders.*
- F. *The city will implement a procedure for following up on older cases needing to have a warrant issued.*

FOLLOW-UP ON PRIOR AUDIT FINDINGS

CITY OF PINE LAWN, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS

This section reports the auditor's follow-up on action taken by the City of Pine Lawn on findings in the Management Advisory Report (MAR) of our prior audit report issued for the year ended June 30, 1999. The prior recommendations which have not been implemented, but are considered significant, are repeated in the current MAR. Although the remaining unimplemented recommendations are not repeated, the city should consider implementing those recommendations.

1. City Expenditures

- A. Monthly expense allowances and uniform allowances were not properly reported to the Internal Revenue Service.
- B. There were expenditures for which the public purpose was questionable including sending flowers to funerals, and the reimbursement of older residents' franchise taxes on utility bills.
- C. The city did not always obtain bids or solicit proposals for purchases.
- D. Although the city indicated it solicited proposals for engineering services, no documentation of this was maintained.
- E. The city did not document its approval of purchases made with the city's credit card.
- F. The city did not have a formal travel expense policy.

Recommendation:

- A. Require the police officers and Street Commissioner to submit itemized reports of uniform expenses or report the allowances as other income on the employees' W-2 forms. In addition, the city should consider filing amended W-2 forms for the unreported employee compensation.
- B. Ensure expenditures are limited to those necessary to properly operate the city and within the city's authority.
- C. Ensure bids are solicited for all applicable purchases in accordance with city ordinance. Documentation of the bidding process should be maintained in all cases. If the city feels that it is not practical to obtain bids on certain purchases, documentation explaining why bids were not obtained should be maintained.
- D. Solicit and document proposals for engineering services.

- E. Ensure expenditures made with the city's credit card are properly approved and approval documentation is retained.
- F. Adopt a formal policy for travel expenses which includes a definition of ordinary versus extraordinary expenses.

Status:

- A. Partially implemented. Paid receipts for uniform expenses were filed with the payroll reports; however, this procedure was not consistently applied to all disbursements. Although not repeated in this report, our recommendations remain the same.
- B. The city's records were insufficient to determine if all disbursements were limited to those necessary to properly operate the city and within the city's authority. Although not repeated in this report, our recommendation remains the same.
- C. Not implemented. See MAR finding number 7.
- D. Per city officials, the city did not incur any engineering services during the time reviewed.
- E. Implemented. The city rarely used the city credit cards; however, purchases were approved and documentation was retained for the disbursements incurred.
- F. Implemented.

2. Inadequate Planning

- A. The city did not properly plan for the building of a proposed community center and did not properly obtain proposals from architectural firms when selecting the architect for the project.
- B. The city paid \$3,300 to purchase and install park equipment in a playground the board voted to demolish six months later.

Recommendation:

- A. Ensure adequate funding is in place to complete the project before putting a project up for a vote of the citizens or signing any contracts for work. In addition, the city should solicit and document proposals for architectural services.
- B. Consider the future use of property before making improvements to the property to ensure city funds are put to the best possible use.

Status:

A&B. No similar capital improvement disbursements were noted and city officials indicated none were made during our audit period. If similar projects are done in the future, the city should implement the recommendations.

3. Evidence and Seized Property Controls and Procedures

- A. The police department did not maintain an adequate record of evidence and seized property.
- B. The city had \$40,343 in seized money that had been held in a separate account for many years.

Recommendation:

- A. Require a complete log of all seized property be maintained, prenumbered evidence receipts be obtained, and the numerical sequence of the evidence receipts issued be accounted for properly. In addition, a periodic inventory should be taken and reconciled to the log.
- B. Consult with legal counsel and determine the proper disposition of these monies.

Status:

A&B. Not implemented. See MAR finding number 8.

4. Delinquent Trash Collection Fees

The city had not properly pursued the collection of delinquent trash collection fees and as of June 30, 1999, the city had approximately \$656,000 in delinquent fees.

Recommendation:

Ensure citations are issued to the property owners who are delinquent in excess of 90 days, and ensure no permits or licenses are issued to any property owner who appears on the delinquent list. The board should consider instituting other procedures to collect the delinquencies as the city deems appropriate. Amounts that are deemed uncollectible should be written off the city's records.

Status:

Partially implemented. The city does not actively pursue the collection of delinquent trash account balances; however, permits and licenses are not issued if trash accounts are past due. See MAR finding number 9.

5. City Business Licenses

The city did not have an adequate system in place to ensure compliance with city business license and building code ordinances. The city made payments to a towing company for various services that was operating without a city business license.

Recommendation:

Ensure that a system is in place to enforce city ordinances regarding business licenses and building codes. In addition, the city should discontinue the practice of utilizing the services of a business that does not have a current business license.

Status:

Partially implemented. The city does not have a complete and up to date record of the ordinances. See MAR finding number 5. However, the city discontinued its contract with the previous towing contractor and the current towing contractor has a current business license.

6. Board Meetings and Ordinances

- A. The city discussed items in closed session that were not allowed under the provisions of the Sunshine Law. In addition, the items were not included on the closed session agenda.
- B. The city had not adopted ordinances regarding duties of several city employees and the use of the Senior Citizens Building.

Recommendation:

- A. Ensure minutes and agendas state the specific reasons for going into a closed session, as required by state law, and only the items specified in the agenda are discussed in the closed meeting. In addition, ensure that only items allowed in Section 610.021, RSMo, are discussed in closed meetings.
- B.1. Enact an ordinance establishing duties and descriptions of all city positions that are not currently in the City Code.
 - 2. Enact an ordinance establishing policies regarding the rental of the Senior Citizens Building.

Status:

- A&
- B.1 Not implemented. See MAR finding number 5.

- B.2 Not implemented. The Senior Citizens Building was rarely used for anything. Although not repeated in this report, our recommendation remains the same.

7. Budgets and Financial Reporting

- A. The city did not publish semiannual financial statements.
- B. Budgets were not approved on a timely basis for fiscal years 1998 and 1999.
- C. The Board of Aldermen did not receive complete financial information to make informed decisions and properly manage city monies.

Recommendation:

- A. Prepare and publish semiannual financial statements in accordance with state law.
- B. Adopt the city budget prior to the beginning of the city's fiscal year, as required by state law and lease provisions.
- C. Require complete information regarding the financial position of the city, including balances of funds held by the city and a comparison of budgeted and actual revenues and expenditures to date each month. In addition, the Board of Aldermen should ensure expenditures for individual funds do not exceed the amounts approved in the budget, unless proper and timely amendments are made prior to the expenditures.

Status:

- A, B
&C. Not implemented. See MAR finding number 4.

8. City Property Records

- A. The city had not established records to annually inventory and account for city property.
- B. The city did not reconcile the gallons of gas purchased to gallons of gas pumped and on hand. Complete logs were not maintained for city-owned vehicles documenting their use.

Recommendation:

- A. Establish complete and detailed property records that account for all property items of the city. These records should be updated for any property additions or dispositions as they occur. In addition, all items should be tagged or otherwise identified as city property and an annual physical inventory should be taken of all city-owned property.
- B.1. Maintain records of the gallons of gas pumped and reconcile these records to the gallons of gas recorded on the vehicle logs and the gallons of gas purchased.
 - 2. Establish a written policy for the use of city vehicles and require a complete and accurate log be maintained for each vehicle.

Status:

A&

- B.1. Not implemented. See MAR finding number 6.
- B.2. Partially implemented. The city has established a written policy for the use of city vehicles. Logs are maintained for the vehicles used by the police department; however, no log is maintained for the car used by the mayor. See MAR finding number 6.

9. Miscellaneous Records and Procedures

- A. Several city employees did not maintain time sheets.
- B. Leave records were not updated timely and did not appear to be complete.
- C. Law enforcement training and domestic violence shelter fees were not properly handled by the city.
- D. The city did not separately account for restricted sales tax monies.
- E. Occupancy permits were not required to be on file for all candidates for city office.

Recommendation:

- A. Require all city employees to prepare detailed time sheets.
- B. Ensure records are maintained for all employees to document vacation and sick leave earned, taken and accumulated on a monthly basis.

- C.1. Establish a separate fund or accounting of the local law enforcement training fees to ensure these funds are spent only for the purposes of police training.
- 2. Determine the total amount of POSTC fees due the state and remit these fees in accordance with the law.
- 3. Determine the total amount of domestic violence fees owed to St. Louis County and remit as required.
- D. Establish a separate fund for sales tax monies to ensure these receipts are spent in accordance with the purpose of the sales tax.
- E. Require all candidates for elected office in the city to have an occupancy permit on file with the city in order to validate residency.

Status:

A&B. Implemented.

C. Not implemented. See MAR finding number 10.

D. Not implemented. See MAR finding number 4.

E. Implemented.

10. Municipal Court Division

- A. Several weaknesses were noted in the internal control procedures and accounting records of the municipal court. Bank reconciliations were not performed, checks were not restrictively endorsed, and duties were not adequately segregated over receipting and depositing court monies.
- B. Monthly listings of open items were not prepared, bonds held for more than one year were not followed up on properly, bonds collected by the police department were not transmitted timely, and bond fees were not always accounted for on the ledger.
- C. The police department did not account for the numerical sequence of traffic tickets and summonses issued.
- D. Procedures had not been established to monitor the collection of delinquent accounts and failure to appear cases.

Recommendation:

- A.1. Ensure monthly bank reconciliations are performed and documented.

2. Restrictively endorse all checks and money orders immediately upon receipt.
 3. Properly segregate duties between available employees and/or establish a documented periodic review of municipal division records by an independent person.
- B.1. Prepare monthly listings of open items and reconcile this listing to the balance in the bank account.
2. Implement adequate procedures to follow up on bonds being held and dispose of them in accordance with state law.
 3. Transmit bond receipts daily or when accumulated receipts exceed \$100.
 4. Ensure that the bond fee is always recorded in the bond ledger.
- C. Work with the police department to ensure records are maintained to account for the numerical sequence of all tickets and summonses issued.
- D. Monitor to ensure all warrants are prepared and activated in a timely manner.

Status:

- A. Not implemented. See MAR finding number 3 and 10.
- B.1, 2
&3. Not implemented. See MAR finding number 10.
- B.4. Partially implemented. The bond fee is tracked on the city clerk's ledger instead of the police department bond ledger. See MAR finding number 2.
- C. Implemented. The numerical sequence of traffic tickets is reported back to the police department on a monthly basis by the court.
- D. Partially implemented. The court issues a warrant after two missed court appearances. They are currently working on the older cases which may need to have warrants issued. See MAR finding number 10.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

CITY OF PINE LAWN, MISSOURI
HISTORY, 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 population of the city in 2000 was 5,083.

The city government consists of a mayor and eight-member board of alderman. The members are elected for 2-year terms. The mayor is elected for a 4-year term, presides over the board of alderman, and votes only in the case of a tie. The Mayor, Board of Alderman, and other officials during the year ended June 30, 2005, are identified below.

<u>Mayor and Board of Alderman</u>	<u>Dates of Service During the Year Ended June 30, 2005</u>	<u>Compensation Paid for the Year Ended June 30, 2005</u>
Adrian Wright Sr, Mayor	July 2004 – March 2005	\$ 6,650
Sylvester Caldwell, Mayor	April 2005 – June 2005	2,000
Kittie Billups, Alderman (1)	July 2004 – June 2005	6,000
Pelton Jackson, Alderman	July 2004 – June 2005	6,000
Sylvester Caldwell, Alderman	July 2004 – March 2005	4,500
Nicole Jones, Alderman (2)	June 2005 – June 2005	500
Tracey Adair, Alderman (3)	July 2004 – June 2005	6,000
Johnson White Sr, Alderman (4)	July 2004 – June 2005	5,250
Cheris D. Metts (4)	April 2005 – April 2005	500
Johnny O'Kain, Alderman (5)	July 2004 – June 2005	6,000
Chester Brown, Alderman	July 2004 – June 2005	6,000
Richard Laususe, Alderman	July 2004 – June 2005	6,000

Other Principal Officials	Dates of Service During the Year Ended June 30, 2005	Compensation Paid for the Year Ended June 30, 2005
Tom Roedell, City Administrator	July 2004 – December 2004	\$ 13,632
Carolyn Page, City Administrator	December 2004 – May 2005	8,641
Karl Taylor, City Administrator (6)	May 2005 – June 2005	4,051
Huedell McGee, City Treasurer (7)	July 2004 – June 2005	600
Charlotte Graham, City Clerk (8)	July 2004 – June 2005	29,195
Nakisha Ford, Court Clerk (9)	July 2004 – June 2005	24,933
Mark H. Zoole, City Attorney	July 2004 – April 2005	*
Donnell Smith, City Attorney	May 2005 – June 2005	1,304
James Sievers, Prosecuting Attorney	July 2004 – June 2005	3,200
Charles Kirksey, Municipal Judge	July 2004 – June 2005	2,550
Dean Plocher, Municipal Judge	June 2005 – June 2005	850
Donald Hardy, Police Chief	July 2004 – May 2005	44,293
Steven Haynes, Police Chief	May 2005 – June 2005	5,904
Al Winton, Building Commissioner (10)	July 2004 – June 2005	*
George Prophete, Street Supervisor (11)	July 2004 – June 2005	32,438

*The city did not have information on the amounts paid to these individuals or their companies.

- (1) Kittie Billups resigned from the board in August 2005 and was replaced by James Brooks.
- (2) Nicole Jones resigned from the board in February 2006. She was replaced by Rosalyn Halk in March 2006.
- (3) Tracey Adair resigned from the board in August 2005. Her seat was vacant until she was replaced by Donna Gillespie in the April 2006 election.
- (4) Johnson White was replaced by Cheris Metts in the April 2005 election. Alderwoman Metts was removed after her election by court order. Mayor Caldwell appointed Myra Perkins in July 2005 to the vacant position. Johnson White replaced Myra Perkins in the April 2006 election.
- (5) Johnny O'Kain was impeached in April 2006. He was replaced by Myra Perkins in May 2006.
- (6) Karl Taylor was replaced by Janice Jones in June 2006.
- (7) Huedell McGee passed away in August 2005. His position remains vacant.
- (8) Charlotte Graham was replaced by Robin Dees in September 2005. In August 2006, Carolyn Calender was appointed City Clerk.
- (9) Nakisha Ford was replaced by Angela Chatman in April 2006.
- (10) Al Winton was replaced by J.B. Garris in July 2005.
- (11) George Prophete was replaced by Earl Ganaway in November 2005.

In addition to the officials identified above, the city employed 35 full-time employees and 9 part-time employees on June 30, 2005.

Assessed valuations and tax rates for 2005 and 2004 were as follows:

ASSESSED VALUATIONS	2005	2004
Real estate	\$ 14,464,483	12,080,930
Personal property	3,431,387	3,233,990
Total	\$ 17,895,870	15,314,920

TAX RATE(S) PER \$100 ASSESSED VALUATION

General:	2005	2004
Real estate	.0252	.0267
Commercial	.0218	.0267
Personal property	.0258	.0258

TAX RATE(S) PER \$1 OF RETAIL SALES

Capital improvement	.0050
Parks and storm water control	.0050

A statement showing receipts, disbursements, and changes in cash by each bank account for the year ended December 31, 2005 follows. This was the only financial information available for the city.

CITY OF PINE LAWN
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BY BANK ACCOUNTS
YEAR ENDED DECEMBER 31, 2005

	US Bank						Keystone Bank						Total All Bank Accounts
	General Revenue-Interest Checking	Payroll-Checking	Bail Bond-Checking	General Revenue-Savings	Seized Property-Interest Checking	General Revenue-Money Market	General Revenue-Checking	Capital Improvement-Checking	Capital Improvement-Money Market	D.A.R.E. Board-Checking	Trash Account-Money Market	LLEBG-Money Market	
Receipts	\$ 1,995,869	901,156	236,742	628	4,006	1,040	113,606	0	297,117	225	155,564	218	3,706,171
Disbursements	2,026,603	893,063	207,939	0	36	0	111,322	8,097	67,889	747	172,609	0	3,488,305
RECEIPTS OVER (UNDER) DISBURSEMENTS	(30,734)	8,093	28,803	628	3,970	1,040	2,284	(8,097)	229,228	(522)	(17,045)	218	217,866
CASH, JANUARY 1	73,415	7,204	19,976	1,857	32,864	1,224	1	41,190	866,573	1,841	23,768	13,438	1,083,351
CASH, DECEMBER 31	\$ 42,681	15,297	48,779	2,485	36,834	2,264	2,285	33,093	1,095,801	1,319	6,723	13,656	1,301,217