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Missouri State Auditor

FOLLOW-UP REPORT ON AUDIT FINDINGS

City of Pine Lawn

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City of Pine Lawn

Follow-Up Report on Audit Findings

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THOMAS A. SCHWEICH

Missouri State Auditor

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

We have conducted follow-up work pursuant to the Auditor's Follow-Up Team to Effect Recommendations (AFTER) program on certain audit report findings contained in Report No. 2011-29, *City of Pine Lawn*, issued in June 2011. The objectives of the AFTER program are to:

1. Identify audit report findings that require immediate management attention and any other findings for which follow up is considered necessary at this time, and inform the Mayor and Board of Aldermen of the City of Pine Lawn about the follow-up review on those findings.
2. Identify and provide status information for each recommendation reviewed. The status of each recommendation reviewed will be one of the following:
 - Implemented: Auditee fully implemented the recommendation, either as described in the report or in a manner that resolved the underlying issue.
 - In Progress: Auditee has begun to implement and intends to fully implement the recommendation.
 - Partially Implemented: Auditee implemented the recommendation in part, but is not making efforts to fully implement it.
 - Not Implemented: Auditee has not implemented the recommendation and indicates that it will not do so.

Our methodology included working with the city prior to completion of the audit report, to develop a timeline for the implementation of corrective action related to the audit recommendations. We reviewed documents and other evidence indicating the level of implementation for each recommendation reviewed.

As part of the AFTER work conducted, we reviewed a report summarizing the status of our recommendations and supporting documentation provided by the city, and held discussions with city officials. Documentation included copies of contracts, budgets, ordinances, board meeting minutes, and invoices. This report is a summary of the results of this follow-up work, which was substantially completed during September 2011.

A handwritten signature in black ink that reads "Thomas A. Schweich".

Thomas A. Schweich
State Auditor

City of Pine Lawn

Follow-Up Report on Prior Audit Findings

Status of Findings

1. Financial Condition

The General Fund and Trash Fund were in poor financial condition and were not expected to improve significantly, which could put citizens at risk of reduction or loss of some services.

The Trash Fund was in poor financial condition due to several factors. The city did not charge residents a rate sufficient to cover costs, nor did the city actively pursue delinquent accounts, which totaled approximately \$1.4 million as of January 4, 2011. As a result, the city was unable to pay its trash vendor on time, and had incurred late fees.

The condition of the Trash Fund affected the financial condition of the General Fund. The city made several transfers from the General Fund to cover shortages in the Trash Fund. The city also made transfers from the General Revenue Fund to the Capital Improvement Fund to repay a portion of a loan, further straining the condition of the city's funds.

The city did not have a specific plan to improve its financial condition.

Recommendation

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

Status

In Progress

City officials stated the Board of Aldermen have become more involved in the finances and operations of the city. The Board is asking questions about city procedures and options for reducing city expenditures. They are also attempting to plan for an anticipated decrease in sales tax revenue due to the decline in population following the 2010 census. In addition, the city is making various changes to the trash service in an effort to increase revenues (see MAR finding number 2).

The city has hired a certified public accounting firm to conduct an audit for the year ended June 30, 2011. City officials stated they plan to implement any recommendations from the audit in an effort to improve the city and its finances.

2. Trash Services

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

2.1 Trash Rate

The trash rate charged to city residents did not cover amounts paid to vendors for trash hauling and payment collection services. As a result, the city was forced to cover the difference using other revenue sources.



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Status of Findings

Recommendation

The Board of Aldermen evaluate ways to increase fees for trash services to a level sufficient to cover the costs of the service.

Status

In Progress

City officials indicated an increase in the trash rate will require a vote of city residents, which they anticipate will be difficult to accomplish due to the current economic conditions of the area. The city is hoping to reduce costs by handling trash billings and collections in-house. Currently, the vendor handling these duties retains 8 percent of the monies collected. In addition, the vendor is unable to provide collection services for delinquent accounts which could be performed in-house. However, the City Administrator indicated he has not performed an analysis of potential savings from performing these services in-house.

2.2 Delinquent Accounts

The city did not adequately pursue collection of delinquent trash accounts, which affected the financial condition of the city. As of January 4, 2011, the delinquent accounts list included 799 of the total 1,266 customers, and totaled approximately \$1.4 million.

Recommendation

The Board of Aldermen discuss with legal counsel options available to ensure collection of delinquent trash accounts.

Status

In Progress

The city has hired an attorney to provide assistance in collecting delinquent accounts. The attorney has experience handling collections at the municipal level, and city officials believe progress can be made through this means. The city is also reviewing individual accounts to ensure active collection site data, as well as all financial and billing information, is accurate.

The city also passed a new ordinance to assist in collecting delinquent accounts by requiring landlords and multiple-property owners to pay all delinquent trash accounts for all properties before the city will issue any new occupancy permits.

3. Budget Procedures

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

3.1 Budget overspending

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



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Recommendation

The Board of Aldermen review budget to actual statements on a monthly basis to improve monitoring of city finances and refrain from approving disbursements in excess of budgeted amounts.

Status

Implemented

The city now prepares budget-to-actual reports for use by the city staff and Board of Aldermen. City staff review the reports on a weekly basis, and the Board of Aldermen receives the reports monthly. City officials hope the reports improve monitoring of the budget and reduce future overspending. However, the city spent approximately \$284,000 more than budgeted during the year ended June 30, 2011, as noted in the city's audit report for that year.

3.2 Budget preparation

The city did not prepare a new budget for the year ended June 30, 2010. The budget for the year ended June 30, 2009, was used; however, it was not approved until November 30, 2009. Additionally, the budget was only for the General Fund, and did not include several elements required by state law.

Recommendation

The Board of Aldermen develop policies and procedures to ensure budgets are prepared for all funds in a timely manner and contain all information required by state law.

Status

Implemented

The city passed a budget for all funds for the year ended June 30, 2012, in June 2011, which included actual amounts for the previous 2 years.

4. Closed Meetings

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

- A roll call vote to go into a closed meeting was not always taken and/or recorded in the minutes of the open meeting.
- The minutes for open meetings did not always document the specific reasons for closing the meeting.

Recommendation

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

Status

Implemented

The city provided an example of a recent closed meeting in which a roll call vote was properly taken. The reason for closing the meeting appeared proper and specific reasons for closing the meeting were cited.



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6. Payroll and Fringe Benefits

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

6.1 Salary advances

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

Recommendation

The Board of Aldermen discontinue allowing payroll advances.

Status

Implemented

The city provided an internal memo informing city employees that payroll advances were no longer provided.

6.2 Compensation ordinances

The city could not provide ordinances establishing the compensation of city officials and employees.

Recommendation

The Board of Aldermen establish compensation of all city officials and employees by ordinance.

Status

Implemented

The city passed an ordinance establishing the compensation of city officials and employees.

6.3 Commuting miles

The Mayor was allowed to use a city vehicle to commute between home and work; however, the amount of personal (commuting) mileage was not recorded on his W-2 forms as required by IRS guidelines. The Mayor was not required to maintain a mileage log indicating business and personal use.

Recommendation

The Board of Aldermen comply with IRS guidelines for reporting fringe benefits related to commuting in city-owned vehicles. In addition, mileage logs should be required when vehicles are used for commuting.

Status

Not Implemented

City officials indicated they disagree with the recommendation. As indicated in the city's original response, they believe the commuting mileage incurred through the use of the city vehicle is de minimis (minimal) and thus not required to be reported under IRS regulations.