

CITY OF MACKS CREEK, MISSOURI  
MANAGEMENT ADVISORY REPORT

1.

**Financial Condition**

The city of Macks Creek is in poor financial condition.

- A. The city has not remitted the state's portion of crime victims compensation fees since August 1992 and as a result, owes the state over \$46,000 (See Management Advisory Report (MAR) No. 11).
- B. The city has been amending traffic tickets to avoid exceeding the limits of traffic fine revenue the city may keep. The city may owe approximately \$20,000 in traffic fine revenue to the state (See MAR No. 3).
- C. The city may have to repay almost \$9,000 in federal grant reimbursements which are unallowable (See MAR No. 8).
- D. At August 31, 1996, the combined bank balance of all city funds was \$7,227. In addition, during 1995 and 1996, the city's bank balance was often below zero resulting in numerous bank charges assessed against the city for insufficient fund checks.
- E. The Board of Aldermen does not adequately monitor or control city expenditures. Bills are not always paid on a timely basis resulting in late charges assessed against the city. For example, the phone bills for May, June, July, and August 1996 were not paid until September 1996, resulting in late charges of \$36 assessed against the city.
- F. In addition, the city made several unnecessary expenditures of public funds (See MAR No. 5).

The Board of Aldermen needs to establish a plan to make repayments to the state and prepare a budget which reflects this plan. In addition, the board needs to ensure an effective system of accounting and administrative controls are in place, including an effective financial reporting system and procedures to monitor budgeted and actual activity (See MAR No. 6). The recommendations contained in the remaining MARs, if implemented will help establish these controls and procedures.

**WE RECOMMEND** the Board of Aldermen review the current financial situation of the city and make plans to pay the state amounts owed for crime victims compensation fees and excess fines collected.

**AUDITEE'S RESPONSE**

*A majority of the Aldermen (2 out of 3) agree with the audit recommendation.*

*Mayor Hoskins provided the following response and Alderwoman Beaman agreed:*

*Disagree - The stated total debt is erroneous as it has not yet been determined if the city owes any portion of traffic fines to the state from 1995.*

*Agree - Arrangements for payments of the CVC portion of debt have been made with state Department of Revenue.*

2.

**Questionable Transactions and Missing Deposits**

- A. The City Clerk is paid a salary on a monthly basis. The City Clerk indicated she is paid in the middle of the month for the previous month's work. She stated she never received a paycheck early. However, the City Clerk routinely received payroll checks in advance of when she was to be paid. Checks were issued as much as two months in advance of when the checks were due and recorded on the city's accounting records, as follows:

<u>Check Date</u>	<u>Date Recorded</u>	<u>Pay Period</u>	<u>Amount</u>
06/05/94	06/14/94	05/94	\$ 1,124
06/14/94	07/14/94	06/94	1,124
07/22/94	08/12/94	07/94	1,124
08/16/94	09/14/94	08/94	1,124
09/06/94	10/14/94	09/94	1,124
10/04/94	11/13/94	10/94	1,124
11/03/94	12/13/94	11/94	1,124
11/21/94	01/13/95	12/94	1,124
12/09/94	02/14/95	01/95	1,124
01/06/95	03/14/95	02/95	1,124
03/21/95	04/14/95	03/95	1,169
05/03/95	05/03/95	04/95	1,184
06/07/95	06/14/95	05/95	1,184
06/20/95	07/14/95	06/95	1,184
07/14/95	08/08/95	07/95	1,184
08/06/95	09/14/95	08/95	1,184
08/22/95	10/13/95	09/95	1,184
09/05/95	11/14/95	10/95	1,184

Since November 1995, payroll checks have been issued on the same day they were due and recorded on the accounting records, the middle of the month following the pay period.

The City Clerk routinely prepares all city checks on the city's computer system. However, the payroll checks which were issued to her in advance appear to have been manually prepared on a typewriter. The accounting records did not reflect these checks when issued and so concealed these advances. Payroll checks are signed by both the Mayor, who is the City Clerk's husband, and the City Treasurer. The current and former City Treasurer apparently sign checks without reviewing any supporting documentation for the checks. The Mayor indicated he was aware of the advances.

In addition, the City Clerk prepared her W-2 forms based on when the paychecks were recorded and not when the checks were written. Therefore, payments to the clerk were underreported in 1994 and overreported in 1995.

The City Clerk has issued payroll checks to herself in advance of when the payroll checks were actually earned. This appears to be a misappropriation of city funds, and the Board of Aldermen should investigate this matter and take appropriate action.

- B. In March 1995, the city purchased a used grader from Camden County to replace a 1946 grader they owned. There is a record on city letterhead dated March 14, 1995, which states that the city gave the 1946 grader to a used-car dealership in Camdenton in exchange for towing the grader. The letter was signed by the City Clerk and contained a signature indicated to be a representative of the dealership. However, the City Clerk indicated she did not know who gave her the letter, and the Mayor said he did not know who came in to sign the letter.

Jerry Eidson, currently a Macks Creek police officer, said he signed the dealership owner's name to the letter. He got the grader running, and drove it to the individual's home to whom he sold the grader for \$600. Mr. Eidson indicated he worked for the dealership in March 1995, and he had authorization from the dealership owners to dispose of the 1946 grader. The owners of the dealership in Camdenton said they did not know anything about the city grader and were not aware of the letter. They indicated their tow trucks were not large enough to tow the grader and Jerry Eidson was not authorized to sign the letter for them.

There is no documentation in the board minutes that the board approved this transaction or was aware that Jerry Eidson had signed the letter or driven the grader rather than towed it. The Board of Aldermen should investigate this matter and seek reimbursement of the \$600 from Jerry Eidson.

- C. The City Clerk indicated she takes city deposits to the bank daily and puts them in the bank's night deposit box. In addition, the City Clerk indicated she reviews monthly bank statements to ensure all deposits and checks clear the bank; however, two deposits totaling \$2,188 never cleared the bank. The deposit slips were dated October 5, 1995, but the City Clerk indicates she was unaware of this until we brought it to her attention over a year later, on October 7, 1996.

Of the \$2,188 in undeposited receipts, \$1,324 represents checks from the State of Missouri for grant reimbursements. These checks were never negotiated and the city has requested the state to reissue these checks. The remaining \$864 represents municipal court receipts and consisted of \$393 cash and \$471 checks and money orders. The checks and money orders have apparently not been negotiated, and the city has written letters to the individuals requesting new checks or money orders be issued to the city.

The Board of Aldermen should review this matter and ensure all missing monies are recovered. In addition, the board should ensure effective reconciliation procedures are in place so discrepancies such as this will be detected on a timely basis.

The Board of Aldermen should contact the city attorney and the county Prosecuting Attorney and determine what follow-up investigation or action is needed.

**WE RECOMMEND** the Board of Aldermen:

- A. Discuss the unauthorized payments and determine what action should be taken. In addition, the board should contact the IRS regarding the incorrect W-2 forms filed for the City Clerk.
- B. Seek reimbursement of the \$600 from Officer Eidson.
- C. Ensure all missing monies are recovered.

**AUDITEE'S RESPONSE**

*A majority of the Aldermen (2 out of 3) agree with the audit recommendations.*

*Mayor Hoskins provided the following response and Alderwoman Beaman agreed:*

- A. *Disagree - Over the past it has been a practice of the city to grant payroll advances to long-term employees if they had a need for such. This was always done with full knowledge of the board and any past members will verify. The time they were entered on the computer payroll file was done to keep the computer file in order, and was in no way an attempt to cover up the true date of issue, as the canceled checks and bank statements are a matter of record also. I feel this is to be somewhat harsh to label this as misappropriations of funds as it was done with full knowledge and agreement of city administration, it was always picked up and the payroll has been current for well over a year.*  
  
*Agree - This is a bad policy and will be discontinued. As to the W-2 forms, this should be between the employee and IRS, and she has been advised it would be to her benefit to pursue this matter to correct any possible deficiencies.*
- B. *I made every effort to dispose of this old grader in the best and most efficient manner possible. There was no market for a 1946 irreparable road grader. No offers were forthcoming by either implement companies or private individuals. Having a need to remove this salvage from the operator's property to make room for the new grader, I let it be known, with the knowledge and approval of the board, that anyone who would remove it and sign the disposal form could have it. A representative from the used car dealer (Jerry Eidson) brought the city a signed form, picked up and removed the salvage property. Any member of the board, at that time will attest to the fact they were informed and had full knowledge of this. Whatever happened to that equipment after the city requirements for removal were complied with should no longer be the concern of city officials.*
- C. *Whatever happened to this deposit may never be known; however, every effort is being made to recover the funds from checks and money orders. When this is exhausted the board should decide what, if anything, is to be done about the remaining balance. Steps have been taken to insure that there will be no window of opportunity for an incident such as this to happen again. If the board should vote to initiate an investigation by proper authorities concerning this matter, I would be in agreement.*

3.

### Traffic Violation Fines

The municipal court, at the direction of the city prosecuting attorney, has established procedures and policies to amend traffic violations and exclude fines assessed from the definition established in House Bill 118, First Regular Session of the Eighty-Eighth General Assembly. The city is circumventing the state law and retaining approximately \$20,000 annually which is due to the schools.

House Bill 118, effective August 1995, states:

“If any city, town or village receives more than forty-five percent of its total annual revenue from fines for **traffic violations occurring on state highways**, (emphasis added) all revenues from such violations in excess of forty-five percent of the total annual revenue of the city, town or village shall be sent to the director of the department of revenue and shall be distributed annually to the schools of the county . . .”

The majority of traffic tickets issued by the city are for speeding violations on the state highway that runs through the city. The city prosecuting attorney has had a policy for a number of years in which speeding violations for certain offenders may be amended to a violation which will result in no points being charged to the offenders’ driving records. When the violation is amended, the city doubles the fine that would have been charged on the original violation.

Prior to August 28, 1995, the city prosecuting attorney’s policy was to amend speeding violations to defective equipment violations. Subsequent to August 28, 1995, the city prosecuting attorney changed the policy, and speeding violations are now amended to illegal parking violations and the locations of the violations are now amended from the state highway to a city street.

A significant amount of the fines assessed from traffic offenses occurring on the state highway is now amended to illegal parking violations on a non-state highway. Since August 1995, traffic fines from state highway offenses have averaged 55 percent of the city’s total revenues. Based on annual city receipts of \$200,000 and total traffic fines from state highway offenses of \$110,000, the city should pay approximately \$20,000 to the state which would be distributed to the schools. Because the charges are being amended to illegal parking on a city street, the city of Macks Creek is not including about half of the fines as fines defined by House Bill 118 (now Section 302.341, RSMo) and will pay nothing to the state and schools.

**WE RECOMMEND** the Board of Aldermen comply with the state law.

### **AUDITEE’S RESPONSE**

*The Mayor and three aldermen agree with the audit recommendation.*

*The City Prosecuting Attorney provided the following response:*

*I feel that the criticisms of this section apply to my actions and are matters of which I have knowledge. House Bill 118 became effective at the end of August 1995. The city of Macks Creek brought action in Cole County to ask the court to declare that this law was invalid in its creation because of certain legislative procedures which are not relevant to this discussion. The opposing side, the Attorney General, argued several reasons why our lawsuit should be dismissed. One of those, and I think the one the Judge found persuasive, was that our suit was not ripe for determination and we could not state that we had standing as we could not state that this law had actually impacted our city. Thus, the suit was dismissed. The law enacted indicates that it is to be determined upon the 45 percent measure of the "total annual revenue" of the city. Therefore, it must be measured on a calendar year. Since the law applying in 1995 only applied to a partial year (end of August to December 31), we could not state to the court that we had been impacted. In fact, we would have to wait until the end of 1996 to determine if this law impacted the city. Based upon actual 1996 computations, I do not believe the city is required to remit any monies. Therefore, the city may never be able to challenge this law, that we believe is invalid.*

*Secondly, criticism has been made of a decision by me to make certain amendments to tickets. Clearly, it is within the discretion of the prosecuting attorney, whether it be of a city or county to make charges and amend those as they deem fit. All over the state of Missouri, speeding tickets and other tickets are routinely amended to different (non-point) charges to avoid certain results to various parties. Missouri law states "In the exercise of his discretion a prosecuting attorney has the right to choose a course of action or nonaction". See *State ex rel. Lodwick v. Cottey*, 497 S.W.2d 873 (Mo. App. 1973); *State v. Smith*, 422 S.W.2d 50 (Mo. banc. 1967). Thus, it is my position that I have the authority to amend tickets to different charges than were originally filed, especially with the consent of the defendant or his attorney. It is well within my authority to make such amendments and to continue to do so.*

*Lastly, I do not believe the State Auditor's office has made their computations accurately as they cannot state how many dollars are generated by amended tickets. They imply that the city is not paying \$20,000 that they should pay but I believe this implication is inaccurate and misleading.*

### **AUDITOR'S COMMENT**

The Judge's dismissal of the city's lawsuit did not indicate that the effect of this new law could not be measured until calendar year 1996 was completed. Our finding is based on average city revenues and fine amounts since August 1995.

We are not questioning the city prosecuting attorney's authority to amend charges on traffic tickets. We are simply stating that by not including the fines from the amended tickets that originally occur on the state highway, the city is circumventing the law which restricts the amount of fine revenue it may keep.

4.

**Nepotism and Conflicts of Interest**

- A. The August 1995 board minutes indicate the Mayor appointed his first cousin, a relative in the fourth degree, to fill an unexpired term on the Macks Creek Park Board. Article VII, Section 6, of the Missouri Constitution provides that any public official who names or appoints to public office or employment any relative within the fourth degree shall forfeit his office.

The Mayor provided a copy of a letter he prepared dated November 23, 1990, to the park board which states the Mayor delegated his power to appoint new park board members to the board itself. However, the park board bylaws state the Mayor shall appoint new board members and it is uncertain whether the Mayor has the authority to delegate this duty.

- B. City ordinance number 26A states the mayor shall appoint the city treasurer with the consent and approval of the majority of the members of the board of aldermen. The Mayor appointed the current City Treasurer in November 1995 and reappointed her in May 1996. The City Treasurer is a relative in the fourth degree to two alderwomen, the daughter of Alderwoman Beaman and the sister of former Alderwoman Kincaid. (Alderwoman Kincaid resigned her position in November 1996 because she no longer resides in Macks Creek.)

The minutes do not document board approval of the City Treasurer's initial appointment in November 1995. In May 1996, the minutes indicate a board member objected to the reappointment of the City Treasurer. The minutes do not document board approval of the reappointment, but the minutes indicate the Mayor stated the appointment would stand.

These circumstances indicate either the appointment of the City Treasurer is invalid because it was not approved by the board, or the remaining three board members who did not raise objection to the reappointment actually approved the reappointment. Since two of the three remaining board members were relatives of the appointee, the constitutional prohibition of nepotism would have been violated by participation in the appointment. The city should review this situation to ensure the City Treasurer is validly appointed or whether Alderwoman Beaman forfeited her office for participating in this appointment.

- C. The city pays \$500 annually to a tax-preparation business owned by the City Clerk to prepare quarterly payroll tax returns and annual W-2 forms. There is no documentation that bids or proposals were solicited for these services.

In addition, the city's computer has a payroll software program that contains all payroll information. The city purchased blank W-2 forms from that payroll software company, and it appears the City Clerk prepared the W-2 forms on the city's computer.

The City Clerk is responsible for preparing and maintaining the city's accounting records. The preparation of payroll tax returns and W-2 forms are standard

accounting functions and it is not clear what additional services were performed by the City Clerk's business for the additional compensation.

- D. In February 1995, the board approved the hiring of the City Clerk's parents to clean city hall and the police station. Payments of \$1,020 were made to the City Clerk's parents in 1995. However, in 1994, \$210 was paid to the City Clerk's parents for cleaning and in 1995, \$100 was paid to the City Clerk's father for cement work, and there is no documentation that the board approved these additional payments. In addition, most of the checks issued for the City Clerk's parents to clean were made out to cash, and the City Clerk, who prepares the city's checks, could not provide an explanation why these checks were made out to cash.

The city's maintenance man began performing these cleaning duties in 1996 so no payments are currently made to the City Clerk's parents.

In addition, a Form 1099-Miscellaneous was not prepared for the payments in 1995. Sections 6041 through 6051 of the Internal Revenue Code require nonemployee payments of at least \$600 in one year to an individual or unincorporated business be reported to the federal government on Form 1099-Miscellaneous.

- E. During 1995, the city paid \$568 to the husband of an alderwoman to operate the city's road grader. The February 1995 board minutes indicate that three individuals were considered for the position and the alderwoman abstained from the discussion. These minutes also indicate that a decision would be made at the next meeting; however, the decision to hire the alderwoman's husband was not documented in any of the subsequent board minutes. One of the city's police officers has operated the road grader since the beginning of 1996, so no payments are currently made to the alderwoman's husband.

Officers and agents of a city serve in a fiduciary capacity. Personal interests in business or legal matters of the city create the appearance of conflicts of interest. The Missouri Supreme Court has stated "A public officer owes an undivided loyalty to the public whom he serves and he should not place himself in a position which will subject him to conflicting duties or expose him to the temptation of acting other than in the best interests of the public. . ." State v. Cumpton, 240 S.W. 2d 877, 886 (Mo banc. 1951).

Discussions and decisions concerning transactions where nepotism or a potential conflict of interest exists should be completely documented so that the public has assurance that no city official or agent has profited improperly. In addition, the Board of Aldermen should consider establishing an ordinance which addresses these types of situations and provides a code of conduct for city officials.

**WE RECOMMEND** the Board of Aldermen follow up and take any action necessary regarding the appointment of the Mayor's first cousin to the Park Board. In addition, the city should review the appointment of the City Treasurer and take appropriate action.

The board should more closely examine city appointments and transactions to identify and avoid nepotism and apparent and actual conflicts of interests. City officials that have a conflict that is unavoidable should fully disclose their interests and should not vote on matters which involve them personally. Such matters and transactions should be completely

documented so that the public has assurance that no city official or agent has profited improperly. The city should consider adopting a code of conduct for city officials.

### **AUDITEE'S RESPONSE**

*The majority of the Aldermen (2 out of 3) agree with the audit recommendation.*

*Mayor Hoskins provided the following response and Alderwoman Beaman agreed:*

- A. Disagree - I have documentation and testimony from all involved that I have never solicited, selected or appointed any member to the city park board with the exception of the original members, none of which were kin to myself in any degree, irregardless of what is recorded in the minutes or by-laws. Should any choose to seek to have quo-warrants issued, I would welcome the opportunity to refute this on appeal.*
  
- B. This was an oversight as the City Treasurer's term was not up in 1996. Minutes of November 7, 1995, state I appointed Angie Arnold and reported this to the board and there were not objections raised at the time to her appointment, so we must assume the board approved; her term is up November 1997. Any action in May 1996 was not valid as she was not due for reappointment at that time. As concerns Alderwoman Beaman, she has never taken any action concerning Angie Arnold's appointment as treasurer. I feel you cannot violate anything if you do not participate in any manner and do not support any further review of this.*
  
- C. The clerk has a tax preparation business and is registered as a preparer with IRS. Nowhere do I find in statutes or local ordinance that part of the City Clerk's duties is to prepare quarterly and annual payroll taxes for the city. In fact, many agencies have no qualified clerk to perform these duties and out source this to a licensed tax preparer. The board solicited the clerk to perform these duties at a charge considerably under the normal rate, and she agreed to do so with the city furnishing necessary forms. This can be attested to by members of the board at that time. She did not solicit the board for these extra services and has expressed that should the board decide to bid this job out to some other preparer it would be more than agreeable with her. I would also support any board decision relating to this.*
  
- D. For a period of time, the City Clerk's parents cleaned the facility as we could find no cleaning service. This was all approved by the board in every instance. The clerk has no powers relating to hiring city workers, and to my knowledge has never attempted to do so. Any personnel hired by the city has been reviewed and approved by the board before being utilized. They preferred their checks be made out to cash as they did not bank locally and it would be an inconvenience to take them several miles to their bank before having access to these funds. This was a temporary arrangement and the board was always aware of the times cleaning was to be performed and the rate of pay for this service.*

*Regarding the \$100 paid to the clerk's father for cement work - once again, the clerk has no hiring powers for general maintenance or clean-up workers. The clerk's father bid the concrete work for the construction of the new city hall and was accepted for all the concrete work to the new facility. The city ran low on funds before constructing the concrete entryway at the front entrance. It was agreed that this being a part of the new construction*

*under the original bid that when the funds and weather permitted, he would return and complete the project, which he did and was paid \$100 upon completion.*

*Agree - The city needs better documentation and I will make every effort to do henceforth.*

- E. Alderwoman Beaman's husband was on the list for operators. He was the only available operator at times when immediate grading was needed. Due to health he is no longer furnishing this service.*

5.

**Expenditures**

A. The following expenditures from city funds do not appear to be necessary or appropriate expenditures of public funds:

1. The city spent \$140 in 1995 and \$75 in 1994 for Christmas fruit baskets for employees. In addition, \$123 was spent on Christmas candy, \$109 for Christmas decorations, and \$109 for Halloween candy.
2. In October 1995, the city spent \$46 for a purse with a hidden compartment to conceal a hand gun for the City Clerk. The City Clerk indicated that she is required to carry a gun because she serves as a guard when transporting female prisoners. The city's Police Department Rules and Regulations Manual does not indicate that transportation guards are required to carry guns and there is no documentation that the City Clerk has served as a guard. In addition, there is no documentation in the minutes that the board approved this expenditure.
3. In September 1994, the city paid \$159 for the Mayor to attend a street survival training seminar in Cheyenne, Wyoming. The Mayor was provided a \$500 travel advance, but because of car trouble the Mayor did not make the trip. The \$500 was redeposited into the city's account, but the \$159 was not refunded by the seminar sponsor to the city. According to the Mayor, the seminar sponsor indicated he could attend the seminar at a later date; however, he has not yet attended this seminar. In addition, there is no documentation in the minutes that the board approved this expenditure.

The Mayor is designated as the supervisor of the Police Department. However, the benefit to the city of sending the Mayor to Wyoming for this training is not readily apparent.

4. The city paid \$540 for an alarm system for a pharmacy located in the city. In 1995, the city paid \$90 to replace the security dialer for the system. The decision to purchase the alarm system is not documented in the board minutes. The Mayor indicated that the decision was made by himself and the police department due to the large number of break-ins occurring at the pharmacy. According to the pharmacist, the alarm system has not been working for several months.

The decision to provide a security system to a local merchant should be presented to the Board of Aldermen and documented in the board minutes. In addition, the Board of Aldermen should review this expenditure to determine whether it is a necessary and appropriate use of public funds.

5. The city spent \$188 for 300 neon pens with the Macks Creek Police Department's name. The pens are to be given away to city patrons. In addition, the city reimbursed \$10 to a police officer for cigarettes while attending training, and the city spent \$320 for 300 trash bags purchased from a handicapped organization (similar trash bags sell for about 25 cents apiece

at a local retail store). These do not appear to be reasonable or prudent expenditures.

Public funds should be expended only for costs necessary to operate the city. Some of the expenditures noted in Part 1. above could be funded through an employee contribution fund or association. The remaining expenditures noted above appear to be questionable uses of public funds. The city's residents have placed a fiduciary trust in their public officials to expend city revenues in a necessary and prudent manner.

- B. In December 1993, the city purchased a radar unit costing \$1,998. The city apparently did not have the funds to pay the entire \$1,998, so the vendor allowed them to pay in monthly installments over a two-year period. The city paid finance charges of \$835 which computes to an interest rate of 36 percent. In addition, the city purchased another radar unit for \$1,999 in October 1995, and has been assessed \$721 in finance charges (31 percent interest) to pay it off in monthly installments for two years. The vendor indicated that early payoff of the radar unit would reduce the amount of finance charges.

The amount of interest paid appears unreasonable. There is no indication in the board minutes that this financing arrangement was approved by the Board of Aldermen, nor is there a written agreement with the radar company. In addition, the city's purchasing policy indicates that all purchases over \$1,000 should be bid; however, no bids were solicited for the purchase of the radar units.

All financing arrangements should be in writing and approved by the Board of Aldermen, and the city should ensure all finance charges are reasonable. In addition, bids should be obtained for all purchases over \$1,000 in accordance with the city's bid policy.

- C. In addition to the checks issued for cleaning city hall (See MAR No. 4), checks for travel advances to the Mayor were made out to cash. To ensure disbursements are adequately safeguarded for loss or misuse, checks should be made out to the payee.
- D. The City Clerk routinely purchases items for the city and is reimbursed for these items. During 1995, the City Clerk was reimbursed for over \$1,200 in purchases made for the city. It appears many of these purchases could have been billed directly to the city.

To help ensure the propriety of all expenditures, purchases should be billed directly to the city whenever possible.

- E. The city does not issue Forms 1099-Miscellaneous as required. In addition to the payments for cleaning city hall (See MAR No. 4), payments for mowing the city park (\$1,146) and excavation work at the city park (\$2,730) in calendar year 1995 were not reported to the Internal Revenue Service.

Sections 6041 through 6051 of the Internal Revenue Code requires nonemployee payments of at least \$600 in one year to an individual or unincorporated business be reported to the federal government on Forms 1099-Miscellaneous.

- F. The city purchases fuel from a nearby service station. Logs are maintained indicating the amount of fuel purchased, the vehicle, the date, and the employee's signature. Our review of fuel purchases noted the following concerns:
1. The city's maintenance man is allowed to put fuel in his personal vehicle as needed for the performance of his job. No records are maintained to indicate the number of miles driven, the destination, or the purpose of the trip. During the four-month period from April 1996 through July 1996, a total of \$193 or approximately 160 gallons in fuel was put in this employee's personal vehicle. Assuming this employee's vehicle averages 15 miles per gallon, the employee received gas for about 600 miles per month during this time.
  2. The Mayor is allowed to put fuel in his personal vehicle when he uses his vehicle for city purposes. The Mayor indicated he maintains logs for the use of the fuel, but the logs were in his files at his residence. Several days later the Mayor provided the logs; however, the logs do not agree to the fuel purchased. For instance, the city was charged \$32 for fuel in the Mayor's personal vehicle on Monday, June 12, 1995; however, the usage log provided to us by the Mayor does not show any fuel was placed in his personal vehicle on that date.

The city's current policy provides little assurance that employees and officials are reimbursed only for travel for official city business. The board should adopt a policy of requiring documentation of the number of miles driven, destinations, and purpose of trips before reimbursing employees and officials for travel in personal vehicles.

- G. In April 1996, Officer Eidson was paid a total of \$354 for 30 hours for taking inventory of city assets and 9 ½ hours for police record maintenance. These payments do not appear reasonable and documentation is not sufficient to show that Officer Eidson worked these hours.

The city had no documentation that Officer Eidson took inventory in April 1996 or performed police record maintenance. Time sheets indicate Officer Eidson worked 15 hours each on two different days to take inventory, from 8:00 a.m. until 11:00 p.m. Based on the number of items on the city's inventory listing, it does not appear that it would take 30 hours to conduct the inventory. The city's weekend dispatcher normally conducts the inventory of city assets.

The Board of Aldermen did not specifically approve these payments. The board should review these payments and take action deemed appropriate.

**WE RECOMMEND** the Board of Aldermen:

- A. Carefully evaluate expenditures to ensure city resources are used only for necessary city operations with a definite public purpose. In addition, the board should consider requesting repayment for some of the items noted above.
- B. Ensure all financing arrangements are approved by the board and avoid unreasonable interest charges. The board should consider early payoff of the radar unit. In addition, bids should be obtained in accordance with the city's bid policy.

- C. Ensure checks are made out to the payee rather than to cash.
- D. Ensure all purchases are billed directly to the city whenever possible.
- E. Ensure payments totaling greater than \$600 to nonemployees and unincorporated businesses are reported to the Internal Revenue Service. The city should contact the Internal Revenue Service to determine the proper method to report the 1995 payments.
- F. Develop a written policy regarding the reimbursement of expenses associated with using personal vehicles for city business which requires adequate documentation before reimbursement is made.
- G. Determine if the payments to Officer Eidson for taking inventory and performing police record maintenance were legitimate and take appropriate action.

### **AUDITEE'S RESPONSE**

*A majority of the Aldermen (2 out of 3) agree with the audit recommendations.*

*Mayor Hoskins provided the following response and Alderwoman Beaman agreed:*

- A.1. *Agree - Expenditures for items such as fruit baskets, Halloween and Christmas candy and decorations will be discontinued.*
- 2. *Disagree - The clerk is a sworn reserve officer of the city. On occasion she is called upon to assist with the transporting of persons of the female gender. Policy requires that a female officer assist with the transporting of female prisoners if possible for liability purposes. These individuals may be in a highly agitated state, drunk or drugged and capable of creating a dangerous situation for officers who must deal with them. The city has an obligation to provide these officers with whatever equipment they feel necessary for their safety and well being. The \$46 handgun purse was a reasonable and prudent request as she furnishes her own weapon to carry on these duties.*
- 3. *I originally developed this small police department: I wrote the codes, policies and manual for the department. By board appointment I am the police administrator for the agency. I carry a sworn commission, attested and signed by the President Pro-tem of the board. I have the duty and obligation to oversee every function of this department. I have from the beginning attended training sessions and seminars to further my knowledge in correct and effective law enforcement standards. I have passed this on to the officers through training sessions and materials. The \$159 was for 3 days training in areas critical for officer safety and survival. Where officers cannot be freed to go, I go and bring back information from training sessions and seminars. Should anyone choose to check with the seminar sponsor, they would find this is still available when we can free up someone to attend.*
- 4. *This system has been installed for some time. The board was aware of this decision when it was originally installed. There was a high rate of break-ins at this business and this seems to have resolved the problem and is much more cost effective than having an officer on duty. I did the installation at no charge to hold down on overall cost. I still support this decision*

*as being the most efficient and cost effective way of protecting one of our major business establishments.*

5. *The cigarettes were an oversight and have been reimbursed. Pens will be discontinued and will seek lowest prices on items such as trash bags.*
  
- B. *Disagree - We always take phone bids on lease-purchase items. The radar units came with a two year warranty included in the purchase price (this can be verified). Units through other suppliers were almost comparable in price and carried only a short time warranty. The company we used is a reputable company, always available to periodically certify our current units on the work site. The board was aware of these purchases and current members at that time will attest to this.*  
  
*Agree - We need to document these things better.*
- C. *Agree - Checks from henceforth should always be made out to payee.*
- D. *Agree - We will make every effort to have all purchases billed directly to city hall.*
- E. *Agree - We will see this is done from now on.*
- F. *Somewhat agree:*
  - 1) *Considering the work performed and the travel involved, this may not have been out of line for this four month period as this would average about 150 miles per month. I agree that from now on the mileage reimbursement system should be used for employee vehicles.*
  - 2) *The Mayor will no longer charge the city for gasoline he uses for city purposes. For many years I furnished my own gasoline and will once again do so to avoid any appearance of impropriety. When you attempt to keep records on an irregular basis there is room for omissions and errors. Should there be a consensus that I would stiff the city for \$32, then I stand ready to reimburse this amount.*
- G. *Disagree - After some research we have located the original work assignment given to Officer Eidson for these hours. He had in his effects the original and only copy. There should have been copies of this on file but apparently none were made. Work performed for these 30 hours included removal and clean up of patrol car equipment, checking for correct inventory numbers, personal equipment, detailing and maintenance of patrol vehicles inside and out, maintenance and repair on road grader and various other functions. His original assignment sheets log the jobs and time spent on each. This should have been transferred in detail to time records but was not. Officer Eidson has and can produce documentation as to duties performed and hours involved. Generally the department will out source detailing of units at a much greater cost than can be done by our own personnel at hourly pay. Once again, the only error here seems to be in the recordkeeping and we will take steps to prevent this in the future. The city's weekend dispatcher performed inventory only once and apparently did not have time to do an efficient job as many items were not personally checked such as the Mayor's signed out equipment. I personally reviewed this inventory and corrected errors so the listings of signed out items would be accurate.*

6.

**Accounting Controls and Financial Information**

- A. The city's financial records do not reflect accurate cash balances, and reconciliations between the bank account balance and the city's financial records are not performed. The cash receipt and disbursement records contained several errors and omissions which should have been detected by reconciliation procedures.

When bills are paid, the City Clerk calls the bank for the balance in the account to ensure sufficient funds are available. However, the bank balance will not necessarily reflect the actual cash balance because reconciling items such as outstanding checks will not be included in the bank balance. As a result, the city has incurred overdraft charges from the bank.

In addition, the city operates from four funds (general, street, law enforcement training, and park). Although receipts and disbursements are recorded separately for each fund, the City Clerk does not maintain accurate records of the cash balance of the general, street, and law enforcement training funds. The park board maintains records of the cash balance of the park fund which appear to be accurate.

Accurate and complete monthly financial statements are necessary to provide accurate and timely financial information to city officials upon which effective management decisions may be made. The city should maintain accurate cash balances for each fund and perform monthly reconciliations between the bank account and the city's records. In addition, the Board of Aldermen should be provided summaries of monthly receipts, disbursements, and cash balance for each fund for their review and approval.

- B. The Mayor appoints one board member to review and approve city expenditures. The City Clerk prepares weekly summaries of the city's expenditures for the board member to review and approve. These summaries are not detailed and only include total disbursements for general categories of expenditures, such as payroll or police supplies. In addition, the board member does not always review supporting documentation, such as vendor invoices and the checks prepared by the City Clerk, prior to approving the expenditure summaries.

Because detail listings of checks issued were not available, some checks prepared by the City Clerk including the payroll advances to the City Clerk and a payment for contract labor, were not reviewed.

The city's computer system prepares listings of all checks issued. The designated board member should review these listings and all supporting documentation prior to approving expenditures. All board members should be provided summaries or copies of the check listings for their review.

- C. Although the city prepares annual budgets for each fund, the Board of Aldermen does not periodically compare actual revenues and expenditures to the budgeted amounts. In addition, the prior year's actual revenues and expenditures included on the budgets are not accurate and do not agree with the city's accounting records.

Budgets are a planning tool and should serve as a guide throughout the year to monitor revenues and expenditures. In addition, to be of maximum benefit to the Board of Aldermen and to adequately inform the public, the budgets should accurately reflect the two prior year's actual revenues and expenditures.

- D. The city's published financial statements were not accurate. The financial statement for the six months ended June 30, 1996, overstated municipal court revenue by \$2,595 and sales tax revenue by \$263, and understated grant revenue by \$252. The city should ensure the published financial statements required by Section 79.160, RSMo 1994, are accurate.
- E. The duties of receiving, recording, and depositing receipts, preparing checks, recording disbursements, and reconciling bank accounts are not adequately segregated. The City Clerk performs all of these duties. The city has designated a board member to review all expenditures and a board member to review municipal court receipts, but it appears these reviews have been ineffective in detecting errors, omissions, and inappropriate expenditures.

City ordinance number 26A establishes the City Treasurer as custodian of city monies; however, the current City Treasurer's only duty is to sign checks. The city could accomplish adequate segregation of duties by following its ordinance and requiring the City Treasurer to be custodian of the city's bank accounts. The City Treasurer would be responsible for reconciling the bank records to the accounting records prepared by the City Clerk.

- F. The city is not periodically audited. Periodic audits of all city funds would better enable the Board of Aldermen to ascertain the stewardship of public officials who handle and are responsible for the financial transactions and ascertain whether financial transactions have been properly recorded.

In addition, the city has approved revenue bonds for the construction of a sewer system, and the city plans to begin construction in the near future. Section 250.150, RSMo 1994, requires annual audits of city sewer systems.

- G. The Mayor and City Treasurer sign checks but are not bonded. Failure to adequately bond all persons with access to assets exposes the city to risk of loss.

**WE RECOMMEND** the Board of Aldermen:

- A. Ensure accurate and complete financial information is prepared and includes cash balances for each fund, and ensure the financial records are reconciled monthly to the bank balances. In addition, the board should receive and review monthly financial summaries.
- B. Ensure the board member responsible for approving expenditures reviews all invoices and other supporting documentation. In addition, each board member should be provided summaries or copies of the check listings for their review.

- C. Periodically compare actual revenues and expenditures to budgeted amounts. In addition, actual revenues from the prior two years should be accurately reflected on the budgets.
- D. Ensure the published financial statements are accurate.
- E. Adequate segregate accounting duties by requiring the City Treasurer to be custodian of the city's bank accounts and requiring the City Treasurer to reconcile the bank accounts to the accounting records.
- F. Obtain annual audits of city financial records.
- G. Obtain bond coverage for the Mayor and City Treasurer.

**AUDITEE'S RESPONSE**

*A majority of the Aldermen (2 out of 3) agree with the audit recommendations.*

*Mayor Hoskins provided the following response and Alderwoman Beaman agreed:*

*A,B,  
&G. Agree.*

*C. Disagree - Although there were minor discrepancies in some budgeted revenues, the budget always states estimated for the new fiscal year. Due to time restraints between the end of the prior fiscal year and the January deadline for having approved budgets, there may be minor errors in prior years' actual receipts and expenditures. I see no way at this point to improve this as every effort is already being made to make these as accurate as possible and it would serve little or no purpose to intentionally inflate or deflate these figures.*

*Agree - The board could and should periodically review the budget.*

*D. Disagree - The clerk still believes financial statements were accurate at time of publishing. She has not been shown these discrepancies.*

*E. We will review for feasibility, but would need to pay the treasurer for additional duties.*

*F. Agree if funds are available.*

**AUDITOR'S COMMENT**

D. These discrepancies were discussed with the City Clerk on two different occasions and the City Clerk did not indicate any objections to these discrepancies.

7.

**Payroll and Personnel Matters**

A. Our review of the City Clerk's payroll procedures noted the following concerns:

1. The City Clerk also serves as the Court Clerk and is considered a full-time employee. The City Clerk normally works four-hour days at city hall four days per week (16 hours per week). In addition, the police department's phone is forwarded to her home at night and she provides dispatching services from her home at night. The City Clerk is currently paid a salary of \$19,468 for calendar year 1996. The city also pays wages of approximately \$11,000 per year to the Deputy City Clerk who works at city hall during normal business hours when the City Clerk is not at city hall.

The Board of Aldermen should review the duties of the City Clerk and consider obtaining dispatching services from Camden County, which has provided dispatching services for other cities and fire districts in the county. It would appear the salary of the City Clerk could be reduced significantly if the night dispatching duties were eliminated. Some of these monies could be used to pay for any dispatching charges by the county.

2. During 1996 and 1995, the City Clerk was paid \$1,136 and \$1,053, respectively, for unused vacation leave. According to the City Clerk, she did not use any vacation time during 1996 and 1995 and was entitled to full compensation of her vacation leave. Because the City Clerk does not prepare time sheets, there is no record to document that the City Clerk did not take any vacation leave. In addition, these payments were not specifically approved by the Board of Aldermen prior to payment.

Compensation for leave earned but not used should be specifically approved by the Board of Aldermen before any payments are made.

B. The City Treasurer receives compensation of \$25 per month, but there is no ordinance which sets the City Treasurer's compensation. Section 79.270, RSMo 1994, requires the salary of all officers be set by ordinance.

C. In June 1995, the city hired two police officers. There was no documentation in the board minutes that the initial employment of the two officers was approved by the Board of Aldermen. One of the officers was brought before the board in August 1995 after a probationary period, and the board minutes indicate that the board approved his continued employment. The board minutes contain no documentation of the approval of continued employment of the other officer.

City ordinance number 62A states, "the Board of Aldermen shall have the final approval of all personnel hired within the Police Department." To ensure the hiring of police officers is in compliance with the city's ordinance, approval by the board should be documented for the hiring of police officers.

**WE RECOMMEND** the Board of Aldermen:

- A.1. Consider requesting Camden County to provide dispatching services for the city and re-evaluate the salaries and duties of the City Clerk and Deputy City Clerk.
2. Ensure payments for unused leave are specifically approved by the board.
- B. Adopt an ordinance setting the compensation of the City Treasurer.
- C. Ensure board approval is documented for the hiring of police officers.

**AUDITEE'S RESPONSE**

*A majority of the Aldermen (2 out of 3) agree with the audit recommendations.*

*Mayor Hoskins provided the following response and Alderwoman Beaman agreed:*

- A.1. *Strongly disagree - The City/Court Clerk performs a wide range of duties for the city of Macks Creek; MULES terminal supervisor (required by MSHP), oversees all activities and personnel involved with the MULES and NCIC systems, is certified as a Level 3 MULES System Operator.*

*Reserve Patrolman - Available for transport of female prisoners, trained and certified B.A.C. machine operator for D.W.I. suspects (at present she is the city's only certified B.A.C. operator).*

*Court Clerk - Will complete required training in May 1997 to be Missouri Certified Court Clerk. Attends many training seminars relating to municipal court. Handles all affairs of the municipal court at most times through the day and evening hours.*

*City Clerk handles all payroll and accounting duties and is general overseer of city business and offices through normal working hours. She fills in for any and all clerical or dispatching personnel when they have need to be absent. She works all holidays and days when Camden County cannot handle extra dispatch duties.*

*I can think of few, if any times the City/Court Clerk has worked as few as 16 hours in one week. She organized and set-up the court system and worked 7 day weeks for many years at below minimum wage. She is the nucleus around which this city government turns and if other personnel were hired to take some of her duties the city could not meet payroll. She does many other things than those listed, she does not nor has ever drawn pay for City Clerk services performed. She has now taken over the hours of the weekend dispatcher and is working all Saturdays and Sundays. I do not believe we could hire another individual who would take on this work load and responsibilities for the salary.*

2. *The City Clerk has never felt she should be out of service to take vacation days. The regulations state any unused vacation leave must be taken by the end of their employee year or be paid for leave not taken, or it will be lost as it will not be carried into the next year. She was not aware that it took board approval for her to comply with city policy of any kind. The problem seems to be time sheets; she states she will try to keep a log of her hours from henceforth and document unused leave.*

B. *Agree - An ordinance has been drafted.*

C. *Agree.*

8.

**Federal Grants**

The city receives federal assistance from the U.S. Department of Justice under the COPS FAST program for the purpose of increasing the number of law enforcement officers. The city also receives funds through the state Department of Public Safety from the U.S. Department of Justice under the Show Me Safe and Sober Enforcement Project for the purpose of funding overtime wages for traffic officers. Our review of these two grants noted the following concerns:

- A. The COPS FAST program reimburses the city for the wages of a third officer added to the city's police force in 1995. In addition, in June 1995, the city added a fourth police officer. Since May 1996, the city only employs and pays two officers; however, the city has continued to request reimbursement for the wages of one of the two police officers. According to the grant requirements, the city no longer qualifies for federal reimbursement under the COPS FAST Program when the city fails to employ a third officer. As a result, the city has received at least \$7,505 in federal funds that appear to be unallowed under the program guidelines.
- B. One of the city's police officers is paid to operate the city's road grader, and in April 1996, the city paid him \$269 to inventory the city's assets. The city has requested reimbursement under the COPS FAST program for this officer's total wages, including the wages paid for operating the city grader and conducting the inventory. As a result, the city has requested and received a total of \$910 in reimbursements which do not appear allowable.
- C. The Show Me Safe and Sober Enforcement Project reimburses the city for overtime wages paid to traffic officers. The grant does not allow reimbursements of overtime wages for officers whose wages are funded through other federal programs. The city has claimed and received \$499 in reimbursement under the Safe and Sober Project that was also claimed and reimbursed under the COPS FAST program. As a result, the city received \$499 in reimbursements which do not appear allowable.

The Board of Aldermen should contact the applicable federal and state grantor agencies to resolve these issues. In addition, the city should ensure future compliance with all federal regulations.

**WE RECOMMEND** the Board of Aldermen consult with the grantor agencies to resolve these issues. In addition, the Board of Aldermen should ensure future compliance with all federal regulations and only claim reimbursement for allowable costs.

**AUDITEE'S RESPONSE**

*A majority of the Aldermen (2 out of 3) agree with the audit recommendations.*

9.

**Street Maintenance**

- A. The city has not established a plan for the construction, repair, or maintenance of city streets. A formal plan of street improvements noting the more critical needs of the city is needed to support the expenditures made by the city. This plan is necessary to show whether financial resources are sufficient to meet the critical needs, to provide financial support for budget preparation and expenditures for street repairs, and to answer any questions raised by the public.
  
- B. In November 1995, the city signed a written agreement with a nearby village to grade roads in the village for \$11 per hour. During our review of this agreement, we noted the following concerns:
  - 1. Records of billings to the village are not retained. City records indicate that \$55 and \$99 were received in February 1996 and June 1996, respectively. In addition, documentation of time spent grading for the village is not maintained. The City Clerk indicated that the grader operator just tells her the number of hours spent grading the village's roads.

To ensure all amounts are properly billed and to adequately support revenues received, documentation of grading time and amounts billed the village should be retained.
  
  - 2. The city has not reviewed the hourly rate of \$11 to ensure the amount charged adequately covers the cost of the service. The city's original estimated hourly costs reflect the costs for fuel, oil, grease, blades, tires, and wages. It did not include costs for insurance, social security and medicare, worker's compensation insurance, and depreciation. The city should include all costs and periodically review the hourly rate charged to the village and ensure the rate covers the entire cost to operate the grader.

**WE RECOMMEND** the Board of Aldermen:

- A. Prepare formal annual plans for maintenance and improvements to city streets.
  
- B.1. Maintain documentation to support hours charged and amounts billed for grading services.
  - 2. Periodically review the rate charged for grading services to ensure actual costs are adequately covered.

**AUDITEE'S RESPONSE**

*A majority of the Aldermen (2 out of 3) agree with the audit recommendations.*

*Mayor Hoskins provided the following response and Alderwoman Beaman agreed:*

- A. *Agree.*

- B. *Disagree on cooperative agreement - Cooperative services between political subdivisions were not meant to be revenue generating. We attempted, with the help of our County Commissioner to set our charges at a rate that would cover all our incurred expenses for providing this service. We will review this for any changes on the 1997 budget and keep better documentation of hours.*

10.

### City Property

- A. The city's property records from 1989 indicate that the city owned three .357 caliber handguns. The city's current property records include two handguns. The city has no record of disposing of any of the handguns.

One of these is in the Police Chief's custody and it matches the serial number for a handgun on the 1989 property record.

Since it appears the city owned three handguns in 1989 and the city has no record of disposing of any of the handguns, the board should review this matter to determine the disposition of the third handgun.

- B. Several city-owned assets were not on the property inventory records maintained by the city. Assets with costs totaling \$1,073 located at the Mayor's residence were not on the inventory records. In addition, city-owned land and buildings are not included on the inventory records.
- C. Property records are not maintained in a manner that allows beginning balances, additions, and deletions for each year to be reconciled to balances at the end of each year.
- D. The city's real and personal property, except for the police cars, is not covered by property insurance. City officials indicated this was an oversight and are now in the process of obtaining insurance coverage. To protect the city from possible loss, property insurance should be obtained for all significant assets.

Adequate property records are necessary to secure better control over city assets and provide a basis for determining proper insurance coverage.

**WE RECOMMEND** the Board of Aldermen:

- A. Determine the disposition of the third handgun which was recorded on the 1989 property records.
- B. Ensure all assets are included on the city's property records, including city-owned land and buildings.
- C. Maintain property records in a manner that beginning balances, additions, and deletions can be reconciled to year-end balances.
- D. Obtain insurance for all city-owned property.

## **AUDITEE'S RESPONSE**

*A majority of the Aldermen (2 out of 3) agree with the audit recommendations.*

*Mayor Hoskins provided the following response and Alderwoman Beaman agreed:*

*A. As to a third .357 handgun owned by the city, there is no record of this city ever having owned, or disposing of a .357 handgun other than the two now in city property. Officers have borrowed handguns, switched handguns among themselves, and there have been numerous handguns held for evidence or stored in lock-up for individuals. It is possible that some of these handguns may have been .357's. The city owns two .357 handguns which were purchased at the inception of the police department. We have investigated this as far as possible and plan no further action on this matter.*

*B&D. Agree - This has been corrected.*

*C. Agree - This will be done.*

## **AUDITOR'S COMMENT**

The city's current property records show 2 handguns are owned by the city. The city indicates it has no record of disposing of any handguns. However, three handguns were listed on the city's property records in 1989.

We contacted the Missouri State Highway Patrol regarding the missing handgun. They indicated this gun was purchased by the city of Macks Creek in 1987. The city was contacted to reconfirm the serial numbers of the two guns they had located.

Subsequently, police officer Eidson (currently the acting police chief) contacted us and indicated the missing gun was his personally, but he could not recall if he had reimbursed the city. If the city sold the gun to Mr. Eidson the city should have a record of the sale, and a permit would have been required for Mr. Eidson to purchase a gun. However, the Camden County Sheriff's department has no record of a gun permit being issued to Jerry Wayne Eidson. With no permit and no record of the city disposing of the gun, it would appear the gun is city property.

## 11.

### Municipal Court

- A. The following concerns related to bonds were noted:
1. Bond forms issued by the police department serve as the receipt slip to the defendant; however, these bond forms are not prenumbered. In addition, receipt slips are not issued for bonds collected for counties and other municipalities and these bonds are not recorded on the bond ledger. To adequately account for all bond monies received, prenumbered receipt slips or bond forms should be issued for all bonds and their numerical sequence accounted for properly. In addition, all bonds should be recorded on the bond ledger.
  2. The City/Court Clerk does not prepare monthly listings of open items (liabilities). At August 31, 1996, approximately \$150 in the bond bank account could not be identified. It appears some of this difference is due to interest earned on the bank account which is not recorded on the bond ledger.  
  
Monthly listings of open items are necessary to ensure proper accountability over open cases and to ensure monies held in trust are sufficient to meet liabilities. Any differences between open items and the cash balance should be investigated.
  3. The bond account requires two signatures for all disbursements; however, the checks are sometimes signed in advance by the City Alderwoman responsible for overseeing the municipal court. Signing checks in advance does not allow for proper review of the documentation to support the disbursement and diminishes the control intended by dual signatures.
- B. The police officers who issue traffic tickets also collect fines, court costs, and bonds when the City/Court Clerk is not available. The duties of issuing traffic tickets and collecting the related fines and court costs should be segregated. Proper segregation helps provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. To ensure proper segregation of duties, police officers who issue traffic tickets should not be allowed to collect fines and court costs.  
  
In addition, one of the police officers who collects monies is not bonded. Failure to bond all employees with access to cash exposes the city to risk of loss.
- C. The City Attorney files court cases in which the charges are amended from the original violation. The Municipal Judge and City Attorney have provided authorization for the City/Court Clerk to double the original fine for all amended charges unless another arrangement is made between the defendant and the City Attorney. However, on some court cases with amended charges, the fine collected did not agree with the municipal division's standard procedure and there was no documentation to indicate that an arrangement had been made between the defendant and the City Attorney.

To ensure all fines are properly assessed and collected, fines assessed other than those prescribed by standard procedures should be adequately documented and approved by the Municipal Judge or City Attorney.

- D. The \$5 Independent Living Center (ILC) fee is not collected on alcohol-related offenses. Section 561.035, RSMo 1994, requires this fee to be assessed on any person who is convicted of or pleads guilty to an alcohol-related traffic offense. This fee should be paid monthly to the state.
- E. The city has not disbursed the state's portion of the Crime Victims' Compensation (CVC) fees to the state director of revenue since August 1992. During our audit of the Macks Creek Municipal Division for the two years ended December 31, 1991, the municipal division responded that CVC fees would be remitted monthly. However, at August 31, 1996, the city owed \$46,300 to the director of revenue. Section 595.045.3, RSMo 1994, requires 95 percent of the CVC fees to be paid monthly to the state.

**WE RECOMMEND** the Municipal Judge ensure:

- A.1. Prenumbered receipt slips or bond forms are issued for all bond monies received and their numerical sequence is accounted for properly. In addition, all bonds should be recorded on the bond ledger.
  - 2. Monthly listings of open items are prepared and reconciled to the bond bank account. Differences between open items and the cash balance should be investigated.
  - 3. The practice of signing checks in advance is discontinued.
- B. Police officers who issue traffic tickets are not allowed to collect fines and court costs and all employees who collect monies are adequately bonded.
- C. Fines assessed on all court cases agree with standard procedures or are adequately documented and approved by the Municipal Judge or City Attorney.
- D. The ILC fee is collected and remitted to the state in accordance with state law.
- E. CVC fees are remitted to the director of revenue monthly in accordance with state law. The city should contact the director of revenue and make arrangements to pay all past due amounts.

**AUDITEE'S RESPONSE**

*The Municipal Judge provided the following response:*

*I have reviewed your concerns and recommendations regarding Macks Creek Municipal Court. I have discussed those with the municipal court clerk and the city attorney. I am satisfied that the issues raised have been or are being addressed.*

\* \* \* \* \*