

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

TOWN OF ROOSEVELT
CROW WING COUNTY, MINNESOTA

PETITION ENGAGEMENT

JANUARY 1, 2004, THROUGH DECEMBER 31, 2006

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The mission of the Office of the State Auditor is to oversee local government finances for Minnesota taxpayers by helping to ensure financial integrity and accountability in local governmental financial activities.

Through financial, compliance, and special audits, the State Auditor oversees and ensures that local government funds are used for the purposes intended by law and that local governments hold themselves to the highest standards of financial accountability.

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**TOWN OF ROOSEVELT
CROW WING COUNTY, MINNESOTA**

January 1, 2004, through December 31, 2006



Petition Engagement

**Audit Practice Division
Office of the State Auditor
State of Minnesota**

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**TOWN OF ROOSEVELT
CROW WING COUNTY**

PETITION ENGAGEMENT

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REPORT TO PETITIONERS AND TOWN

Petitioners
Members of the Town Board
Roosevelt Town

INTRODUCTION AND BACKGROUND

Electors from the Town of Roosevelt (Town), Crow Wing County, petitioned the Office of the State Auditor (OSA) to examine various issues involving the books, records, accounts, and affairs of the Town in accordance with Minn. Stat. § 6.54 for the period January 1, 2004, through December 31, 2006.

The Town is a public corporation. The elected Board of Supervisors is the governing body of the Town. The Town has a Clerk and Treasurer who are responsible for the administrative and financial duties of the Town. The Town does not meet the statutory requirements for an annual audit; therefore, the Town has not had a financial and compliance audit.

Communications with the Chief Petitioners assisted us in developing an understanding of the Petitioners' areas of interest and concern. Communications with Town Officers helped us understand the processes and procedures utilized by the Town. We want to thank the Petitioners and Town Officials for their cooperation. We established that some of the issues raised by the Petitioners were not within the scope of this review.

1. Town Expenditures

The Petitioners were concerned that the amount of Town funds spent appeared large in relation to other towns, that the Town's spending had greatly increased over the last couple years, and that the 2007 levy increased by 35 percent from the previous year.

Financial Comparisons, Expenditures, and Levy Information:

We compared the Town of Roosevelt to four other towns with similar population. The most current financial information available was from 2006.¹ Although there were no findings or recommendations in this area, we do see that the Town of Roosevelt’s spending and levy did increase. See the results below:

**Comparison of Expenditures to Other Towns
Year Ended December 31, 2006**

Town	Population	Expenditures	
		Total	Per Capita
Roosevelt	571	\$ 228,054	\$ 399
Arago	554	112,661	203
Gordon	558	82,002	147
Richardson	504	170,082	337
Wheeling	564	161,729	287

For 2004, the Town of Roosevelt ranked 595 out of 1,789 towns for expenditures; for 2005, it ranked 400 out of 1,770 towns for expenditures.²

Over the last three years (2004 to 2006), the Town of Roosevelt’s expenditures increased by \$71,140, or 45 percent, as evidenced below:

	2004	2005	2006
Expenditures	\$ 156,914	\$ 191,148	\$ 228,054

¹ From the Town Financial Reporting Forms submitted to the OSA, the OSA creates a database containing all of the financial data reported. From that data, the OSA prepares an annual report on finances of Minnesota townships. The report provides an overview of revenues, expenditures, debt, capital outlay, and economic development. This report is available on our website at www.auditor.state.mn.us. Also available on our website is the ability to compare finances between two or more towns under Township Financial Search. The expenditures are before transfers.

² The 2006 ranking has not been completed.

Over the last four years, the levies increased by \$103,700, or 61 percent. This increase equates to about \$177 per person. Listed below are the levies from 2004 to 2007.

Town of Roosevelt Tax Levies 2004 to 2007				
	2004	2005	2006	2007
Fund				
General	\$ 46,600	\$ 58,600	\$ 61,000	\$ 62,300
Road and Bridge	82,100	87,600	91,000	122,500
Fire Protection	16,000	16,000	16,000	16,000
Recycling	25,400	3,000	3,000	3,000
New Equipment/Materials	-	30,400	31,500	70,000
Total Levies	\$ 170,100	\$ 195,600	\$ 202,500	\$ 273,800
Population ³	562	561	571	571
Per Capita Levy	\$ 303	\$ 349	\$ 355	\$ 480

2. Supervisor Vacancy

The Petitioners were concerned that the procedure for filling a Supervisor vacancy in January 2006 may not have been appropriate.

Consistent with state law, the Minnesota Association of Townships advises towns that, “[t]he board should pass a resolution citing the condition(s) leading to the vacancy and declaring the position vacant. Once the vacancy is declared, the board would appoint someone to fill the position.”⁴ The Town Board generally has the authority under Minnesota law to fill a vacancy.⁵ When a vacancy occurs in the office of Supervisor, it must be filled by an appointment committee consisting of the remaining Supervisors and the Town Clerk.⁶

In the January 2006 meeting minutes, the resignation of one of the Supervisors was received by the Town Clerk. At the same meeting, a motion was made to appoint another individual to fill the vacancy. The motion was made by one remaining Supervisor and seconded by the other. The minutes indicate the “motion carried,” but individual votes are not recorded.

We recommend that when filling vacant Supervisors’ positions, the Town’s appointment committee be expressly formed and that the individual votes on the appointment be recorded in the minutes.

³ We used the 2006 population for 2007.

⁴ See “Filling Town Board Vacancies Minnesota,” by Troy Gilchrist, *Minnesota Township News*, September-October 2004.

⁵ Minn. Stat. § 367.03, subd. 6(a) (2007).

⁶ Minn. Stat. § 367.03, subd. 6(c) (2007).

3. Annual Board of Audit

The Petitioners were concerned that the Town Board was not providing notice for the annual Board of Audit meetings.

The Board of Audit meeting may occur during a regular Board meeting without separate notice. We were informed by the Town Clerk that the Board of Audit was generally held during regular Town Board meetings. Therefore, separate notice was not required.

The OSA would generally expect to see on the Town's agenda as well as reference in Town Board meeting minutes that the Board of Audit met and its findings. Information from the Minnesota Association of Townships advises that when the Board of Audit meets during a regular meeting, the meeting minutes should specifically indicate that the Board of Audit met, what it did, and its findings.⁷ We reviewed the Town's meeting minutes for reference to the Board of Audit, what it did, and its findings.

Based upon our review, we found that in 2004 the Board of Audit met during the annual Town meeting. There was no information in the annual Town meeting minutes as to what the Board of Audit did and its findings. For 2005 and 2006, the Board of Audit meeting was held as part of the February regular monthly Board meetings. The 2005 Town Board meeting minutes also did not contain reference to the Board of Audit, what it did, and its findings.⁸ In 2006, the meeting minutes did contain information that the Board of Audit met what it did, and its findings. In 2007, the Board held a separate annual Board of Audit meeting, provided notice, the minutes of which also contained what the Board of Audit did and its findings.

Although we would have expected to see in Town meeting minutes more information regarding the Board of Audit, what it did, and its findings in 2004 and 2005, we do note that the Town improved its reporting of the Board of Audit in 2006 and 2007 meeting minutes.

4, 5, and 6. Claims and Supporting Documents

The Petitioners asked the OSA to review Town claims for compliance with correct procedures for paying claims, supervisory approval (A), and supporting documents (B).

A. Review of Claims

Currently, as part of the monthly review of claims, the Town Board Chair reviews the claims and supporting documents prior to the meeting. The Board members then receive the list of the claims they are to review, vote upon during the meeting, and initial. The pre-meeting review of claims by the Chair is additional effort that we commend. We recommend that the

⁷ See Minnesota Association of Townships document titled *Preparing for and Conducting the Annual Town Meeting*, page 2.

⁸ The agenda for the February 2005 meeting was posted on the Town's website.

claims list, as well as the Treasurer's report, not only be made available to those attending the Board meeting, but become a part of the Board meeting minutes and be accessible to members of the public requesting to see the minutes.

As a method of increasing the Board's understanding of township expenditures, providing additional internal control and greater continuity in governance, we suggest that the pre-meeting review of claims currently undertaken by the Board Chair be rotated among all the members of the Board of Supervisors on a regular basis.

In relation to reviewing claims during the annual Board of Audit, there appears to be some confusion over the role of the Board of Supervisors acting as a Board of Audit. One of the statutory roles of the Board of Audit is to audit and allow (or disallow) all claims presented against the Town. To the extent the Town Board of Supervisors approves claims at its monthly meeting, it fulfills this role of the Board of Audit. If bills are processed and paid in this manner, the Board of Audit need not examine every claim at the annual Board of Audit meeting held before the annual meeting of electors.

B. Supporting Documents for Claims

We reviewed various claims and invoices. The invoices are generally attached to the CTAS claim form that contains the check number, date paid, and the account coded.⁹ We found one CTAS claim did not have an attached invoice. The Town obtained a copy of the invoice after it was requested.

We recommend that before claims are paid, all supporting documents, such as a detailed invoice or bill, are attached to the CTAS claim form.

7. Town Road Agreements

The Petitioners asked if Crow Wing County pays the Town for work done on Oxcart Road and trails. In addition, they questioned whether the Town is paid for work done for other towns, organizations, and individuals. The petitioners noted that the Town Board did not consistently discuss during Town Board meetings the work being done on shared roads as well as the costs involved.

⁹ CTAS is a city and town automated accounting system created by the Office of the State Auditor.

Findings and Recommendations:

Town Line Road Maintenance Agreements with Other Local Governmental Units

The Town has, over the years, worked with a number of towns and Crow Wing County regarding maintaining town line roads and trails. The petitioners questioned whether the Town gets paid by the County to grade Oxcart Road and whether the Town maintains any trail systems, specifically Spring Lake Trail. The Town received a letter dated March 22, 2004, from Crow Wing County regarding the maintenance of Oxcart Road and Spring Lake Trail. Oxcart Road is a minimum maintenance road and is bladed twice a year at the Town's expense. Spring Lake Trail is bladed twice a year by the Town, and the County is charged \$60 per hour for these services. We were informed that the Town does not do any other trail work.

The Towns of Garrison, Kathio, Platte Lake, and Richardson work with the Town of Roosevelt and share maintenance on certain roads. Written contracts or agreements for shared road maintenance existed but had not been updated for some time, until recently. Two of the four town line road maintenance agreements were approved in 2007. The minutes did not detail whether these agreements would include billing between the Towns. The Town has the following shared road agreements:

- Town Line Road Maintenance Agreement with the Town of Garrison - the Town of Roosevelt maintains Camp Lake Road and charges the Town of Garrison as indicated.¹⁰ The April 2, 2007, Town Board meeting minutes include the approval of the Town of Garrison maintenance agreement.
- Town Line Road Maintenance Agreement with the Town of Platte Lake - the Town of Roosevelt maintains Bellview Drive, and the Town of Platte Lake maintains Imm Road.
- Town Line Road Maintenance Agreement with the Town of Richardson - the Town of Roosevelt maintains S. Platte Lake Road, and the Town of Richardson maintains Hanna Lake Road.
- Town Line Road Maintenance Agreement with the Town of Kathio - the Town of Kathio maintains Blauer Road and charges the Town of Roosevelt. The new agreement was effective January 1, 2007, per the January 8, 2007, meeting minutes.¹¹

¹⁰ The March 13, 2006, meeting minutes also stated that the Clerk will work on updating all other maintenance agreements and will bring them to the next month's meeting. There is no discussion in the April 4, 2006, meeting minutes that the maintenance contracts were reviewed and/or approved.

¹¹ The December 11, 2006, Town meeting minutes stated that the contract between the Town and the Town of Kathio for Blauer Road was approved with corrections regarding "agreement of both parties to cost over \$500."

We recommend the Town Board review its written road maintenance agreements regularly and update them as necessary. We strongly encourage all public entities to enter into written contracts when appropriate.

8. Contracting and Bidding for Road Work, Review of Contracts, Payments to Vendors, Purchase of Town Computer

The Petitioners were concerned about open meeting law violations when discussing Town business outside Town meetings. Additionally, the Petitioners asked the OSA to review the Town's procedures for hiring part-time employees and companies for work done. They specifically noted that Town meeting minutes would indicate quotes were being obtained for work, but nothing would show up in subsequent minutes listing the quotes and whether someone was hired. They noted that in some instances, vendors were hired without discussion in the minutes, and contracts were entered into.¹² The Petitioners specifically noted the lack of discussion in meeting minutes regarding work done for the Town by Dirt Doctor (A.1), a surveying firm (A.2), and mowing (A.3) as well as the final purchase of the Town's computer (B). In addition, the Petitioners questioned whether individuals hired by the Town were issued 1099s (A.3).

Findings and Recommendations:

A. Review of Contracts and Payments to Vendors

State law requires all town meetings to be open to the public. A town board cannot act without voting on an action or resolution at an open meeting. Certain authorities to act can be delegated. We found no evidence of contract delegation in the minutes. Vendors were hired without action on the part of the Board. In addition, contracts were not consistently entered into, and 1099s were not issued as required.

If the amount of a contract is estimated to exceed \$10,000 but not to exceed \$50,000, the contract may be made either upon sealed bids or by direct negotiation, by obtaining two or more quotes when possible, and without advertising for bids or complying with the competitive bidding requirements. All quotations obtained must be kept on file for at least one year after receipt.¹³ For individuals who are not employees of the Town, but who have been hired to perform services, the Town must issue a form 1099 when payments total \$600 or above annually, according to the IRS.

¹² The Petitioners questioned whether Board Supervisors can make Town decisions over the telephone. In this Town, a quorum of the Board is two Supervisors. Therefore, two Supervisors cannot discuss Town business or make decisions regarding the Town over the telephone. Such a conversation would violate the Minnesota Open Meeting Law.

¹³ Minn. Stat. § 471.345, subd. 4 (2007).

1. Services Provided by Dirt Doctor, Inc.

The vendor, Dirt Doctor, Inc., was hired without the Town obtaining quotes or approval by the Board. Between 2005 and 2006, the Town paid this vendor \$41,034.98 to clean ditches, put in culverts, and restore ditches. We were informed that the Road Supervisor and maintenance employee talked to the vendor and did not think it would be that much work or money. In addition, there was no contract with this vendor.

We recommend that all Board actions be reflected in the minutes. The Board cannot enter into contracts without action of the Board either approving the contract or delegating the authority to contract. We also recommend that all quotes received be retained for one year as required by statute and that the Town, whenever possible, have written contracts with vendors and independent contractors hired. Written contracts/agreements should, at a minimum, outline the services to be provided, the time period of the contract and work, the payment amount, and who is responsible for the insurance.

Petitioners were concerned that the work done by Dirt Doctor, Inc., benefited a Board member. In these types of situations, several factors are considered by the courts in determining whether a member of a governing board has a conflict of interest. Residing on a road that is receiving maintenance in itself does not result in a conflict of interest for a Board member. To hold otherwise would mean that once a citizen was elected to a governing board, no maintenance could even be done on the street or road on which they reside.

2. Work Done by a Surveying Firm

The Town hired a surveying firm, which is a professional service vendor, and did not have a contract with this firm. Under Minnesota law, bids or quotes are not required for professional services. Between 2004 and 2005, the Town paid the surveying firm over \$7,000. From Town Board meeting minutes, the surveying firm did not complete the surveys in a timely manner.

The Minnesota Association of Townships recommends that all agreements be in writing. It further states that “[a] good contract contain clear statements as to who is responsible fore [sic] what, at what cost, by what deadline, and under what conditions.” We recommend that the Town enter into written agreements for future such services.

3. Mowing and Help with Road Work

Individuals were hired to help with mowing and road work; however, the hirings were not documented in the minutes, and 1099s were not issued as required.

An individual was hired to help with Town mowing in 2005 and 2006. In the July 2005 minutes, it is approved that the Town would add an independent contractor to mow roads and possible hauling for 80 hours @ \$12/hour. The minutes for 2005 do not state who was hired or whether any other individuals were interested or even whether the Town contacted local mowing companies to compare costs. In the 2006 minutes, it states that the maintenance employee inquired about hiring the same individual to assist in mowing. Another person indicated that they knew a person who might be interested. We did not see anything in the minutes approving the hiring of an individual for such service. For 2005 and 2006, the Town paid the individual \$912 and \$2,808 respectively, for mowing and did not issue 1099s. Also, the Town paid K&D Lawn for mowing between June and September 2006 at a cost of \$550, and the minutes included no discussion of this hiring. Another individual, who worked for another town, was hired to help with road maintenance in 2004. The Town issued a W-2 in 2004 to this individual. We noted no payments made to this individual in 2005 or 2006 recorded on CTAS.

We recommend that all Board actions be reflected in the minutes. The Board cannot enter into contracts without action of the Board either approving the contract or delegating the authority to contract. We also recommend that all quotes received be retained for one year as required by statute and that the Town, whenever possible, have written contracts with vendors and independent contractors hired. Written contracts/agreements should, at a minimum, outline the services to be provided, the time period of the contract and work, the payment amount, and who is responsible for the insurance. Also, we recommend that the Town comply with IRS regulations, which require that a 1099 be issued for individual nonemployee compensation exceeding \$600 per year.

B. Purchase of a Computer

The Town purchased a computer for more than was authorized in the minutes by the Town Board. The September 6, 2005, Town Board meeting minutes stated that the Town is looking “at towers for computer - \$300-\$400.” The Board approved a purchase up to \$400, but “anything higher brings back to the Board.” The October 4, 2005, Town Board meeting minutes stated that it was cheaper to purchase a whole computer than only a tower and that it will continue to be investigated. We did not find subsequent meeting minutes stating that a computer had been purchased and the amount.

Documents obtained from the Town showed that it purchased a Dell computer costing \$478.19 in November 2005. The total cost is broken down as follows:

- \$350.00 for the computer;
- \$99.00 for shipping and handling; and
- \$29.19 for tax.

Costs associated with getting an item to the place of business and ready for use are added to the base cost of the asset and considered the value or basis of the asset. Therefore, the total cost of the computer was \$478.19. Since it was over the Board-approved \$400, it should have been brought back to the Board for discussion and vote.¹⁴

9. Conflicts of Interest

The Petitioners wanted the OSA to review conflicts of interest relating to employees and supervisors when the Town purchased goods and services from businesses owned by the Town employee and a supervisor.

Findings and Recommendations:

Under Minn. Stat. § 365.37, a statutory conflict of interest occurs when a supervisor is directly or indirectly interested in a contract or payment made by the Town Board; however, exceptions to this law are provided in Minn. Stat. §§ 471.87 to 471.89.

The Petitioners were concerned that the Town was purchasing items from a business that the maintenance employee is a part owner in, V&C Farm. The Town made two payments to V&C Farm in 2005 totaling \$270.74. The payments were for hay bales, wire, and posts. The minutes contained no discussion regarding the purchase of these items; however, the items were on the claims list, which is approved by the Board. It appears that the maintenance employee purchased items for the Town, and the Board approved the purchases or reimbursed the maintenance employee after they had been purchased. The purchase was made from a business connected to the maintenance employee. The claims indicated the general items purchased but did not include what the items were used for. We also received information that the Town purchased a used brush saw/chain saw from the brother of a Town Supervisor.

Based on the information received, the instances above do not appear to create statutory conflicts of interest. First, the V&C Farm purchases were not made by a Supervisor nor do the Town Supervisors have any direct or indirect interest in the payment. Second, the purchase of the brush saw/chain saw from a Supervisor's brother does not involve the type of personal financial benefit prohibited by state law.

¹⁴ Based upon the Town's claim procedures, it would have been approved by the Board as an item on the claims list. The purchase was coded to Refunds and Reimbursements and was not a purchase directly through Dell, but it appears through another individual.

10. Maintenance Employee Contract, Salary, Time Record Approval, Compensation, Cellular Telephone, and Comp Time

The Petitioners asked the OSA to review the maintenance employee's contract and log, including use of comp time, flex time, and vacation time. The Petitioners believe that excessive comp time was accumulated (G). The maintenance employee's logs and time were not reviewed by a Supervisor (D). The Petitioners were unable to determine how much the Town paid its maintenance employee (C and E). The Petitioners' concerns also included cell phone costs (F) and the coding of cash in lieu of insurance (E).

Finding and Recommendations:

A. Record Retention

We requested the maintenance employee's contracts from 2004 to present as well as the maintenance employee's time records. We were informed that the Clerk did not have the 2004 maintenance employee's contract and did not have time records from February 2004 through October 2004. The Clerk told us that the only thing different in 2004 from 2005 was the salary and that a previous supervisor may have misplaced the time records.

Minnesota law states that, "[a]ll officers and agencies of the . . . towns . . . shall make and preserve all records necessary to a full and accurate knowledge of their official activities."¹⁵ The chief administrative officer is responsible for the preservation of the agency's government records, including contracts and other records, including time records, made or received in connection with the transaction of public business.¹⁶ It is the duty of the Town and the chief administrative officer (for towns; it is the town clerk) to carefully protect and preserve government records from deterioration, mutilation, loss, or destruction.¹⁷

Minn. Stat. § 138.17 discusses the requirement for local governments, including towns, to manage their records and does not allow local governments to destroy records unless they do so pursuant to a record retention schedule adopted by the Board of Supervisors and approved by the State Records Disposition Panel, or they receive permission to do so by way of an approved disposition form submitted to the Records Disposition Panel.

¹⁵ Minn. Stat. § 15.17, subd. 1 (2006).

¹⁶ Minn. Stat. § 15.17, subd. 2 (2006).

¹⁷ *Id.* Minn. Stat. § 138.17 discusses the requirement for local governments, including towns, to manage their records and does not allow local governments to destroy records unless they have an approved schedule by the state records disposition panel or unless they have adopted the General Record Retention Schedule promulgated by the Information Policy Analysis Division of the Minnesota Department of Administration. A person who intentionally and unlawfully removes, mutilates, destroys, conceals, alters, defaces, or obliterates a record filed with the public officer, or a public officer or employee who knowingly permits any other person to do any of the foregoing acts, is guilty of a misdemeanor. *See* Minn. Stat. § 138.225.

We were informed that the Town has not adopted an approved record retention schedule; rather, it follows the Minnesota Association of Townships general record retention policy which requires time sheets to be maintained for six years.

We recommend that the Town formally adopt the Township Association's general record retention schedule, since it is utilizing it. We further recommend that all records be maintained in compliance with the record retention law.

B. Maintenance Employee Job Description

The Town has not had a job description for the maintenance employee. However, the Clerk is working on this issue and has obtained copies of two job descriptions for positions at Crow Wing County, which would include some of the maintenance employee's duties. The County job descriptions were provided to the Board of Supervisors to review, and the Town plans on creating a job description for the maintenance employee.

We recommend that the Town Board complete the maintenance employee's job description.

C. Maintenance Employee Salary

The Petitioners were unable to determine the salary of the maintenance employee. The gross salaries of public employees and officers are public information under the data practices act which applies to all public entities except towns.

Based on our review of Town records, the maintenance employee's W-2 gross wages totaled \$34,070.00, \$34,727.30, and \$35,578.70 for 2004 through 2006, respectively.

By making this information available to interested citizens, the Town may have reduced the concerns that resulted in this petition audit.

D. Supervisory Approval of Time/Log Records

In the past, the maintenance employee's time records and logs were not reviewed and approved by a Supervisor.

As a matter of background, the maintenance employee submits his time to the Clerk monthly on a claim form. The claim form includes monthly hours worked, hourly rate, total compensation, requests for reimbursements including mileage and supplies or items purchased, and charges for election judge time. Time logs and time records existed in 2005 and 2006, detailing work completed and hours. For 2005 and 2006, the maintenance employee's time records were not approved. However, the Board Chair, who is also the Road Supervisor, began reviewing and approving these records in 2007, which was after the petition audit request.

We commend the Board Chair/Road Supervisor for realizing the need to have staff time reviewed and approved. Supervisory review of staff time records is an important internal control procedure.

E. Maintenance Employee Compensation

The maintenance employee's total annual compensation was difficult to calculate as it was coded to various accounts. In addition, some amounts were taxable, and others were not. However, we attempted to determine annual compensation for the maintenance employee as the Petitioners indicated that this was a concern to them.

The maintenance employee's 2004 to 2006 total claim form amounts did not consistently match to the earnings record on CTAS or the W-2. The claim forms are the basis for the salary amounts and are the source documents utilized to enter information into the CTAS payroll system. The claim forms should match to the earnings records and W-2 and did not.

The Petitioners questioned whether the cash in lieu of insurance amount was recorded. We found that it was automatically coded through the payroll system to wages and salaries for the Road and Bridge Fund under the Highways, Streets, and Roads account.

The maintenance employee was paid the following:¹⁸

	<u>2004</u>	<u>2005</u>	<u>2006</u>
Gross wages	\$ 34,070.00	\$ 34,727.30	\$ 35,578.70
Cash of lieu of insurance	2,619.84	2,619.84	2,619.84
Election judge wages	650.00	650.00	650.00
PERA - Town's contribution	1,884.06	1,920.42	2,134.72
Total	\$ 39,223.90	\$ 39,917.56	\$ 40,983.26
Hours charged to Town	1,892	1,882	1,882
Reimbursements			
Purchases/supplies	\$ 1,552.93	\$ 1,785.96	\$ 1,371.90
Mileage	495.40	926.02	1,074.49
Total	\$ 2,048.33	\$ 2,711.98	\$ 2,446.39

¹⁸ The information from the tables was obtained from W-2s, claim forms, and the Town Clerk.

Mileage reimbursed was based on the following miles per claim forms.

<u>Year</u>	<u>Total Miles</u>
2004	1,653
2005	2,590
2006	2,431

Mileage was coded in the Road and Bridge Fund to the refunds and reimbursements account and should have been coded to a mileage or travel account so the Town could monitor how much was being spent on mileage.

We recommend that the Town set up and use general ledger accounts more reflective of the type of disbursement. Mileage reimbursements should be coded to a mileage or travel account code rather than to a refunds and reimbursements account. In addition, we recommend that claim forms for compensation match to CTAS earnings records and W-2s.

F. Maintenance Employee Cellular Telephone

The maintenance employee had a personal cellular telephone on the Town's cellular telephone account for which he reimbursed the Town.

In August 2005, the maintenance employee added a personal cellular telephone to the Town account and was reimbursing the Town on a monthly basis for the separate phone charges. During our review of the cellular telephone bills, charges, and receipts, one of the maintenance employee's checks to the Town for reimbursement had not been cashed.

For 2005 and 2006, the Town paid \$619.55 and \$972.48 for the cellular telephone bill. These amounts were coded in the General Fund to utility services. The maintenance employee reimbursed the Town \$140.34 in 2005 and \$417.36 in 2006. The amounts paid to the Town were coded in the General Fund miscellaneous revenue account.

When inquiring about the maintenance employee having a separate cellular telephone, we were informed that the Town would remove the personal cellular telephone from the account.

We recommend that the Town not provide cellular phone service for any personal cell phones. Furthermore, the cellular telephone costs related to Town business should have been recorded in the Road and Bridge Fund, not the General Fund. We further recommend that all costs associated with the Road and Bridge Fund be accounted for in such fund and have line items that are descriptive of the type of cost incurred.

G. Analysis of Maintenance Employee Time Records Regarding Vacation, Flex, and Comp Time

The maintenance employee's 2005 and 2006 employment contracts allow for paid time off, compensatory time, and flex time. Vacation time is included in contracts as paid time off (PTO). The amount of PTO is based upon length of service for a "Full Payroll Period." Based on our review of the 2005 and 2006 maintenance employee time records, PTO was accumulated at a reduced amount when working below 40 hours a week.

Flex time is also included in the contracts at a rate of 1 hour off for 1 hour worked and may be allowed by the Road Supervisor determined by the needs of the Town. Based upon our review of the 2005 and 2006 maintenance employee's time records, we found that flex time was generally documented as earned and utilized leaving zero balances at both year ends. However, we did not see any Road Supervisor approval for flex time on the employee's time record or time log.

Compensatory time was also included in the employment contracts at a rate of 1½ hours off for 1 hour worked. It was unclear under the 2005 and 2006 contracts when compensatory time became applicable. The contracts were silent as to whether compensatory time was on a per week or a per day basis.¹⁹ Compensatory time was applied on a per day basis.²⁰ Compensatory time "earned" per the time logs (accumulated at time and a half) totaled 200.5 hours in 2005 and 188 hours in 2006. This equated to approximately \$3,877 in 2005 and \$3,635 in 2006.

The maintenance employee's employment contract did not define compensatory time and flex time. It was unclear when flex time should have been used in relation to compensatory time. They were both accumulated on a per day basis and were both earned when working over the per day hours as well as on scheduled days off.²¹

In 2005 and 2006, the maintenance employee earned and used 19 hours of flex time in comparison to 388.50 hours of comp time earned in 2005 and 2006. Comp time comes at a higher cost to the Town.

Beginning in 2007, the Town Board Chair reviewed the maintenance employee's time records, and flex time was deleted from the 2007 employment contract. Thus, all additional time worked in 2007 was compensatory time.

¹⁹ Under the "Work Schedule" portion of the contract, the maintenance employee was to work a 40-hour work week Monday through Friday, with the option of working four 10-hour days, and a three-day work week, eight hours per day, during the winter months.

²⁰ The employment contracts allowed for different work hours in summer and winter months. In the winter months, the maintenance employee could work 24 hours a week (three 8-hour days) and 40 hours a week in the summer, either four 10-hour or five 8-hour work days.

²¹ There were instances when the maintenance employee noted on his time log that he traveled to a certain location for supplies and equipment on his scheduled day off and accumulated comp time. We question whether it was a necessity to work on a scheduled day off and accumulate comp time.

Under prior contracts, the employee earned compensatory time at the rate of 1½ hours for every hour worked outside of the regular work schedule, which is 24 hours per week in the winter months.

The 2007 contract provides some clarity. It states “[a]ny hours the employee works outside the regular work schedule will be compensated at the rate of 1½ hours off for 1 hour worked.” The contract goes on to define the employee’s work schedule. It states the employee’s January 1 - March 31 work schedule as “24 hour work week - Monday thru Wednesday (8 hours/day) 7AM -- 3:30PM.” It sets the employee’s April 1 – December 31 work schedule as “40 hour work week - Monday thru Thursday (10 hours/day) 6AM - 4:30PM.” We generally see compensatory accumulations of overtime paid after working 40 hours in a work week.

11. Town Road Procedures, Plans, and Notifications

The Petitioners asked the OSA to review the Town’s procedures for road projects, including the Town’s short-term and long-term plans (A); and notification to property owners, hearings, taking of property, and the complaint process (B).

Findings and Recommendations:

A. Road Inspections and Road Plans

The Town performs an annual road inspection, generally in April or May of each year. The Town reviews roads for those requiring emergency maintenance, roads that have wash-out issues, or other higher priority concerns. It also reviews roads that will need work in the near or distant future. Town meeting minutes document that a road inspection took place (see minutes from May 4, 2004; May 3, 2005; and May 2, 2006, Town Board meeting minutes).

We were informed by the Board Chair that the Town’s engineer will accompany the Town on future inspections. In addition, the engineer will work with the Town on the 5-, 10-, and 15-year road plan as well as help the Town prioritize road projects. We were further informed that every year roads are inspected. However, the road plans have not always been revisited and updated. The Town is working with its engineer to annually revisit the road plan, reviewing work completed, not completed, new priorities, changes, safety concerns, and the value of the changes that need to be completed.

We recommend that the Town include in the Town Board meeting minutes when road plans are changed and/or updated.

B. Road Projects

The Town's process in contracting for road projects is to follow the Minnesota Township laws regarding written notification to residents. Notification to residents is required only in certain circumstances. The Town indicated that it sends property owners written notification when required. For projects that do not require written notification, the Board has responded to inquiry from residents during Town Board meetings, held meetings specifically for certain road projects, and sometimes Board members have talked with affected property owners.²²

During our review, we were provided with copies of letters to property owners complying with the notification requirement. We did not review all notification issues. Property owners have a right to pursue private legal action if they believe the Town did not comply with statutory notification requirements.

We were informed that the Town does not document oral notifications. The Town may want to consider documenting oral notifications in the future.

12. Access to Town Information and Landowner Property Issues

The Petitioners asked the OSA to review all information and concerns sent in by landowners and voters. One of the issues included citizens having difficulty gaining access to or obtaining copies of Town documents, specifically Town meeting documents supporting the agenda (A). Most of the other issues sent in by landowners and voters are addressed in this letter or involve private property issues (B).

A. Access to Information

The Minnesota Government Data Practices Act regulates the handling of all government data created, collected, received or released by a state entity, political subdivision, or statewide system. However, most towns, including the Town of Roosevelt, are not subject to the Data Practices Act. Rather, the Open Meeting Law provides that town meeting minutes must be available to the public. At any open meeting, at least one copy of any printed materials relating to the agenda items of the meeting prepared or distributed by or at the direction of the public body or its employees must be made available in the meeting room for inspection by the public while the public body considers the matter if the materials were:

- (a) distributed at the meeting to all members of the Board,
- (b) distributed before the meeting to all members, or
- (c) available in the meeting room to all members.

²² For example, work on White Pine Road involved the Road Supervisor talking to the affected property owners. However, there were no Town documents specifying who was contacted and when.

We note that, in the past, copies of the Treasurer's and Clerk's financial information provided to Board members were not provided to the citizens; however, one copy of the information is now provided at each meeting as required.

Even though the Town is not governed by the Minnesota Government Data Practices Act, it has a policy addressing information requests. The requests need to be made in writing, and the Town charges for copies. To make it easier for citizens, the Town posts its monthly and annual meeting minutes to its website. We encourage the Town to continue to work towards openness in government; however, we realize the limitations towns face.

Many town clerks are part-time, and sometimes information requested is not readily available in the format requested or classified as not public under Minnesota law (such as individuals' social security numbers or home addresses). We commend the Town for setting up a process for access to information and for posting its minutes on its website.

We encourage the Town to maintain an environment of openness in government and to provide citizens with information they request when allowable. The Town may want to work with its attorney and/or the Minnesota Association of Townships regarding information that would be considered not public under Minnesota law.

B. Landowner Issues

We read the Petitioners' letters and documents regarding property issues. However, the OSA did not initiate a detailed review of private property issues. Private landowners have the option to pursue private legal action if they believe the Town violated laws that affected them. The Town Board in its capacity as a road authority has wide discretion in these matters.

ADDITIONAL ITEMS

During the course of the OSA's review of the Petitioners' concerns, the following items came to our attention. Although these items were outside the scope of our review, we think that, if implemented, the recommendations will improve the operations of the Town.

06-1 Financial Reporting Forms

Towns are required by law to annually file a financial reporting form with the OSA. The financial reporting form includes the beginning cash balance, revenues, expenditures, and ending cash balance. For the Town of Roosevelt, we reviewed the 2004 through 2006 financial reporting forms. We found that the beginning and ending cash balances on the 2006 reporting forms differed from the Town's CTAS accounting system.

We recommend that the Town ensure that the ending cash balance from the previous year is the same as the current year beginning cash balance.

06-2 Transfers Between Funds

The Town made no transfers in 2004. In 2005, transfers totaled \$20,006 and, in 2006, transfers totaled \$36,331. In 2005 and 2006, \$20,000 and \$35,000, respectively were transferred to the Road and Bridge Fund.

All transfers were approved by the Board and documented in the minutes; however, the dollar values for three of eight transfers were not documented in the meeting minutes. We recommend that the dollar value of all transfers be approved and documented in the minutes.

06-3 Minutes

Minnesota Stat. § 13D.01 requires that minutes be kept for each board meeting and at a minimum the vote of each member be recorded. We reviewed the minutes of the Town Board of Supervisors from 2004 through 2006 and noted the following:

- The minutes were not approved by a Board member, Board Chair, and/or the Clerk from 2004 to 2006. Beginning in January 2007, the Board Chair signed the minutes.
- Votes of each of the Board members were not recorded as required by Minn. Stat. § 13D.01.

We recommend that the minutes be signed by the Town Clerk once prepared, and then by a Board member, preferably the Chair, at the time they are adopted by the Board, usually at the next meeting. In addition, the votes of each member must be recorded as each vote, and the claims approved by the Board and the Treasurer's report presented to the Board should be part of the official minutes.

06-4 More Detail in Town Meeting Minutes

While the following is not an exhaustive list, some additional items that the Town could consider in its meeting minutes include:

- type of meeting (regular, adjourned regular, adjourned special, recessed, or emergency);
- date and place the meeting was held;
- time the meeting was called to order;
- list of Town Board members present and absent;
- approval of minutes of the previous meeting, with any corrections noted;
- appointments of representatives to committees or outside organizations;
- Board Chair appointment, Road Supervisor, and other appointments;
- reports of the officers;
- authorizations and directions to invest excess funds and information on investment redemptions and maturities;

- list of all sealed bids, proposals, or quotes received;
- identity of parties to whom contracts were awarded;
- abstentions from voting due to a conflict including the Board member's name and reason for the abstention;
- reasons the Town Board determines to award a particular contract to a bidder other than the lowest bidder;
- granting of variances or special use permits;
- approval of hourly rates paid for services provided, salaries, mileage rates, meal reimbursement amounts, and per diem or meeting amounts;
- listing of all bills (including per diems) allowed or approved for payment, noting the warrant number, claimant, purpose, and amount;
- listing of total funds received including major sources;
- cash and investment balances;
- transfers of funds, and
- reason the meeting was concluded and the time the meeting concluded.

In accordance with Minn. Stat. § 367.11, the minutes should be recorded by the Town Clerk.

06-5 Reporting for Wages and Salaries

For 2004, 2005, and 2006, the amounts reported on the salary and wages line items in the Interim Financial Report for all funds did not match to the Town's W-3 (total salaries reported on all W-2s) and should have.

We recommend that the wages and salary line items in the Town's Financial Report match to the annual W-3.

06-6 Receipts, Cash, and Collateral

A. Receipting Process

We reviewed the receipting process and found that the Treasurer's Monthly Report, Receipts, Bank Reconciliation, and Treasurer's Cash balance is in the minute book for every month. However, the minutes do not specify that these reports are maintained with the Town's official minutes and should. In the past, Board members were not provided with copies of the cash and receipt reports. However, now all Board members are provided with copies of the receipts and disbursement information. Also, one copy is now available to citizens attending the monthly Board meetings.

We recommend that the Town minutes include the specific financial documents attached to the minutes and that they be considered part of the official Board meeting minutes.

B. The Need for Prenumbered Receipts

The Town does not maintain a manual prenumbered receipt book. Rather, if citizens ask for a receipt, one is written up using a plain piece of paper. The deposit tickets are utilized like a receipt, listing out the payee and the amount received.

We recommend that the Town use a prenumbered receipt book identifying the date the funds were received, the amount, from whom, and the type of payment (cash, check, electronic). The information from the prenumbered receipt book should then be used to fill out the deposit ticket, enter the information into CTAS, and reconcile receipts to deposits. Also, if an individual wants a receipt, it would be available.

C. Findings From Receipt Testing

We reviewed receipts for the months of May 2006, June 2005, and February 2004 and compared them to deposits. We found the following:

- A \$6,000 donation was not deposited for 18 days;
- Collections from three different sources were combined on one receipt; and
- Various Town receipts were coded to miscellaneous accounts.

We recommend that large checks be deposited more timely to effectively safeguard the Town's assets and to maximize interest earnings. In addition, we recommend that prenumbered receipts be utilized for separate collections. Furthermore, the Town should have separate line items/accounts for continuing types of receipts. For example, copies and donations were recorded in a miscellaneous account. Financial reports would be more informative if receipts for copies and donations were recorded in separately titled accounts.

D. Lack of Collateral

We reviewed the Town's bank statements for 2006. We found that for three months in 2006, the Town's balance was over the \$100,000 FDIC insurance. The Town's bank has not pledged any collateral when the Town's account exceeds \$100,000, and the Town did not have a pledge agreement with the bank in violation of Minn. Stat. § 118A.03.

We recommend that the Town review this issue with its bank. Based on our inquiry, we were informed that the Treasurer is working with the bank on this issue.

06-7 Disbursement Testing Results

We tested 20 disbursements and found that the Town does not stamp “paid” on the invoices. However, the invoices are generally attached to the CTAS claim form that contains the check number, date paid, and the account coded. We found that one invoice was not mathematically correct, and one CTAS claim did not have an attached invoice. The Town obtained a copy of the invoice after it was requested; however, it should have initially been in the Town’s records and attached to the CTAS claim. Also, checks paid to election judges were not signed by all three signatories.

We recommend that all invoices/bills be stamped as “paid”, all invoices/bills be reviewed for accuracy, all invoices/bills be attached to a CTAS claim, and all Town checks have the proper signatures.

06-8 Expense Reimbursement Claims for the Maintenance Employee

The Town does not have a written travel policy and does not use a detailed expense form. The maintenance employee submits mileage and purchases for reimbursement monthly on claims forms (receipts for purchases are attached). The claims forms have the required declaration per law.²³ The total miles for the month are provided on the monthly claim form along with the mileage rate. No details as to the date of travel, the start and end location of travel, total miles per trip, or purpose are included. Although some of this information is located in the maintenance employee’s daily log such as date of travel, total miles per day, and purpose of the travel, the log and time records do not contain the specific start and end locations of travel for each trip and, in some instances, the name of the City traveled to is not noted.

We recommend that the Town adopt an expense policy. The Town should use a standard itemized expense reimbursement form that includes date of travel, starting and ending locations, purpose of travel, total miles per trip, meal, and parking as well as other types of travel and reimbursement of expenses.

06-9 More Detailed Account Coding Needed

We identified reimbursements for items described as purchases and computers were coded to refunds and reimbursements. We also found a number of items coded to miscellaneous. Coding purchases to refunds and reimbursements and coding various items to miscellaneous does not accurately describe the true type of cost to the Town.

We recommend that the Town create more detailed accounts to more properly reflect how Town funds were expended. This will help the Town keep better track of how its funds are spent.

²³ Minn. Stat. § 471.38 (2007).

06-10 Capital Asset Files

The Town has not maintained capital asset records over the years. However, the Town Clerk did put together a list of assets when we requested the information. The capital asset list was based on insurance coverage listed in the insurance policy. Annual inventories have not been done in the past.

We recommend that the Town maintain a file of capital assets and inventory them on an annual basis. From the annual inventory, the insurance policy should be updated to reflect the appropriate coverage.

06-11 Lack of Public Notice for the Purchase of Backhoe/Lack of Sealed Bids

The Town should have solicited public notice for the purchase of a backhoe. In September 2002, the Town purchased a backhoe from Ziegler for over \$50,000 (total price with financing totaled \$59,993.94). The Town Board minutes stated that the backhoe was purchased from Ziegler “thru the State of Minnesota purchasing plan with Ziegler, Inc. for \$52,184.00.” With financing charges and a document fee, the total cost of the backhoe was \$59,993.94. The Town was making payment on the backhoe from 2002 until it was paid off in 2007.

We contacted the Minnesota Department of Administration’s Material Management Division to determine whether the Town was a member of the Cooperative Purchasing Pool, which would allow the Town to purchase items through State contracts. We were informed that Crow Wing County had purchased and paid for a Comprehensive Membership for September 2002. A county comprehensive membership means that a county has paid for its towns to purchase off State contracts; however, towns may utilize the membership only if they have completed the necessary application and agreed through action of the governing body to be a member. In September 2002, the Materials Management Division did not have a completed application on file for the Town of Roosevelt (the first application for the Town of Roosevelt appeared in the State’s fiscal year 2006). Therefore, the Town was not allowed to purchase items off the State contract previous to July 2005.

Pursuant to Minn. Stat. § 471.345, subd. 3, the Town should have solicited by public notice for sealed bids on the purchase of the backhoe.

06-12 Bartering for Services

During a review of the maintenance employee’s log, we found that the maintenance employee bartered for services. An individual did some welding on the Town truck in exchange for sand put in the individual’s back yard by the Town. This was the only time bartering was mentioned in the log. We recommend that the Town not barter in the future as it distorts actual Town costs.

06-13 MPCA Fines

The Town received two Administrative Penalty Orders from the Minnesota Pollution Control Agency (MPCA). The first letter and penalty from the MPCA was dated March 24, 2006, for violations on the North Camp Lake and Cooley road reconstruction projects. The Town was fined and paid \$10,000 on April 30, 2006. The second letter and penalty from the MPCA was dated December 13, 2006, for \$7,000; and the Town paid the fine on January 7, 2007.

In both orders, the Town did not obtain required permits for storm water discharge. In light of the fines, the Board Chair informed us that the Town will be working with an engineering firm on all future road reconstruction projects. The engineering firm will draft the plans, make sure surveys are done, and allow citizen input. Also, the Town and the engineering firm will work with the MPCA before starting projects to make sure that all necessary permits are obtained and issued before starting any road reconstruction project.

We discussed with the Board Chair and the Clerk whether the Town had insurance coverage or had contacted the Town's attorney regarding these fines. We were informed that they pursued help after the fines were paid.

We recommend that the Town work with its attorney and the Township Association in the future before settling such claims.

06-14 Need for Line-Item Budget

The Town does not utilize line-item budgets. We recommend that the Town prepare detailed line-item budgets. Line-item budgets for receipt and disbursement amounts should be estimated by the various funding sources as well the estimated amounts to be spent on all functions, activities, and services provided by the Town. Monitoring activities should also be performed on a regular basis. Periodically, throughout the year, the Town should compare the actual receipts and disbursements to the budgets, adjusting budgets as needed.

CONCLUSION

We were not engaged to and did not perform an audit of the Town's financial statements, the objective of which would be the expression of an opinion on those financial statements. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Town of Roosevelt and its residents and is not intended to be, and should not be, used by anyone other than those specified parties.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

November 9, 2007

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR