



Thomas A. Schweich

Missouri State Auditor

City of Buckner

March 2013
Report No. 2013-022



<http://auditor.mo.gov>



Thomas A. Schweich
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of the City of Buckner

Background	The Missouri State Auditor's office was petitioned under Section 29.230, RSMo, to audit the City of Buckner. A minimum of 200 signatures was required, and the petition was signed by 234 registered, resident voters.
Accounting Controls and Procedures	Accounting records and financial reports are inaccurate and in need of improvement. Transfers for payroll transactions are not recorded timely, interest earned on investments is not accounted for properly and posted to the appropriate fund, sales tax revenues are not properly recorded, and an \$18,000 vehicle sale in August 2010 was not recorded in the accounting records as of March 2012. The city has not reconciled bank balances to book balances for the operating account since 2008 and for several other accounts in the past several years and did not properly track and record various restricted monies. Accounting duties performed by the City Administrator and her staff are not adequately segregated, and no supervisory review of this work is performed. The city does not maintain its petty cash fund at an established amount and does not maintain a petty cash ledger. Annual budgets do not contain all elements required by state law, and are prepared for each city department, rather than each city fund.
Water and Sewer System	The city increased water rates in October 2010 and October 2011, but it has not conducted a rate study for the past few years to determine the cost of operating the water system, and it has not documented a multi-year capital improvement plan for either the water or sewer system despite budgeting approximately \$500,000 for improvements. Non-monetary transactions are not reviewed by an independent person and can be approved by either the City Administrator or City Clerk, both of whom are also responsible for collecting utility monies and have the ability to alter or delete individual utility account information. The city does not review the list of customer utility deposits for accuracy or compare it to the adjusted bank balance, and, audit staff determined the adjusted balance of the utility deposit account was approximately \$11,000 less than the total of customer deposits. The city does not reconcile payments collected and non-monetary transactions to the monthly billing summary and does not maintain the monthly billing summary. Late charges and shutoffs of service are not charged or conducted in accordance with city ordinances for elected officials and city staff. The city does not obtain annual audits of its water and sewer systems, as required by state law.
Disbursements	The City Administrator does not include all disbursements on the council approval list for Board approval and does not obtain adequate supporting documentation for some disbursements, making it difficult to ensure all disbursements are an appropriate use of public funds. The city lacks formal policies and procedures documenting who should maintain a credit card, appropriate usage for the credit cards, and required documentation to support credit card disbursements. The city has 20 credit cards from seven vendors, issued to seven employees, with credit limits as high as \$10,000.

Capital Assets	The city does not maintain overall property records or affix asset tags to city property and does not document an annual physical inventory.
Fuel and Vehicle Use	The City Clerk, Waste Water Treatment Plan Operator, and Public Works Lead Man are allowed to use city vehicles to commute between home and work, but the amount of personal mileage was not recorded on their W-2 forms, as required by IRS guidelines, and they were not required to maintain a mileage log. Fuel and usage logs were not maintained for equipment and vehicles, and fuel usage was not reconciled to fuel purchases.
Payroll	The city paid bonuses totaling \$21,100 to 17 employees, in violation of the Missouri Constitution, and timesheets were not always signed by employees or their supervisors. The City Administrator, City Clerk, Chief of Police, and Mayor were each paid a \$50 per month cellular phone allowance, but they were not required to submit invoices or other supporting documentation, and the amounts were not reported on their W-2 forms, as required by IRS regulations. The city did not timely and accurately record payroll transfers in the accounting records, and the city paid overdraft charges because some transfers from the operating bank account to the payroll account were not made timely.
Closed Meetings	The city did not document the vote to close meetings or the purpose of closed meetings in the open meeting minutes, and it did not prepare minutes of closed meetings, as required by state law.

In the areas audited, the overall performance of this entity was **Poor**.*

American Recovery and Reinvestment Act (Federal Stimulus)	The City of Buckner did not receive any federal stimulus monies during the audited time period.
---	---

*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

All reports are available on our website: <http://auditor.mo.gov>

City of Buckner

Table of Contents

State Auditor's Report	2
------------------------	---

Management Advisory Report - State Auditor's Findings	1. Accounting Controls and Procedures	4
	2. Water and Sewer System.....	8
	3. Disbursements	11
	4. Capital Assets	13
	5. Fuel and Vehicle Use	13
	6. Payroll	15
	7. Closed Meetings	17

Organization and Statistical Information	18
---	----



THOMAS A. SCHWEICH

Missouri State Auditor

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

The State Auditor was petitioned under Section 29.230, RSMo, to audit the City of Buckner. We have audited certain operations of the city in fulfillment of our duties. The scope of our audit included, but was not necessarily limited to, the year ended September 30, 2011. The objectives of our audit were to:

1. Evaluate the city's internal controls over significant management and financial functions.
2. Evaluate the city's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the city, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

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

For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of the City of Buckner.

An additional report, 2012-74, *Sixteenth Judicial Circuit, City of Buckner Municipal Division*, was issued in July 2012.

A handwritten signature in black ink that reads "Thomas A. Schweich". The signature is written in a cursive style with a large, sweeping initial "T".

Thomas A. Schweich
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Harry J. Otto, CPA
Director of Audits:	Regina Pruitt, CPA
Audit Manager:	Todd M. Schuler, CPA
In-Charge Auditor:	Rex Murdock, M.S.Acct.
Audit Staff:	Tabitha Wacker, MBA

City of Buckner

Management Advisory Report

State Auditor's Findings

1. Accounting Controls and Procedures

Accounting controls and procedures need improvement. Due to inadequate records, a lack of control procedures over accounting functions, and inaccurate financial reports, citizens have not been properly informed, and the process of making proper financial decisions is more difficult.

1.1 Accounting records

Accounting records and financial reports are inaccurate. The main causes of these inaccuracies are the failure to ensure all financial transactions are posted to the accounting system and the lack of bank reconciliations (see section 1.2). Our review of accounting records and transactions revealed that no one is monitoring transactions and financial reports to ensure all activity is properly recorded in the accounting system. The city has developed a fund accounting system, but does not maintain accurate records to allow monthly financial reports to be prepared by fund, showing receipts, disbursements and cash balances. The city has engaged a private accounting firm to compile financial statements at year end, but the compilation report indicates the balances and activity reported for some city funds may be inaccurate and the discrepancies have not been resolved. Some examples of concerns related to financial reporting are as follows:

- Transfers made for payroll transactions are not recorded timely (see MAR finding number 6). During the year ended September 30, 2011, the city transferred \$439,334 from the operating bank account to the payroll bank account to fund payroll for employees. However, the city failed to enter any of the transfers in the accounting records.
- Interest earned on investments is not accounted for properly and posted to the appropriate fund. In April 2008, the city purchased a \$411,725 certificate of deposit. The September 30, 2011, bank statement indicated the value of the certificate of deposit with accrued interest was \$431,017; however, the city has not posted interest earned, totaling \$19,292, to the accounting records. The city has five certificates of deposit, with a total value of \$791,195 as of September 30, 2011, and it is unclear how much interest earned on other certificates of deposit has not been posted to the accounting system.
- Sales tax revenues are not properly recorded. During the year ended September 30, 2011, the city recorded general sales tax revenues of \$223,225 to the General Fund, while actual revenues received were \$202,775. Additionally, the city recorded capital improvement sales tax revenues of \$111,613 to the Capital Improvements Fund, while actual revenues received were \$101,388. These differences were caused by posting sales taxes received in July 2011 twice. We noted other instances of revenues being posted twice in the city accounting records.



City of Buckner
Management Advisory Report - State Auditor's Findings

- An \$18,000 vehicle sale was not recorded in the accounting records as of March 2012, although sale proceeds were received and deposited in August 2010.

As a result of these and other errors and failure to properly reconcile bank records to the accounting system, receipts, disbursements, and cash balances reported on the monthly financial statements prepared by the city were not accurate. Complete and accurate accounting records and financial reports are necessary to keep city officials and citizens informed of the financial activity and condition of the city.

1.2 Bank reconciliations

Bank balances have not been reconciled to book balances for the operating bank account since 2008 and several other bank accounts had not been reconciled in the past several years. The General Fund, Capital Improvement Fund, Restricted Fund (streets/roads and parks), Water/Sewer Fund, Water/Sewer Capital Fund, Local Law Enforcement Grant Fund, and the Cash Court Bond Fund are accounted for within the operating bank account. The city last attempted to reconcile the operating bank account in October 2010, and at that time a \$247,349 difference existed between bank records and balances in the individual cash ledgers. No efforts were made to resolve the difference and no other attempts to reconcile the operating account have been made. In addition, a reconciliation of the payroll bank account was last performed in March 2011. As of September 30, 2011, the bank balance of the operating bank account was \$1,998,215 and the bank balance of the payroll account was \$2,997.

Bank reconciliations for the other six city bank accounts were not current as of September 30, 2011, but the city hired a local accountant to help reconcile these accounts for the period November 2011 through April 2012 and reconciliations for these accounts were current as of April 2012.

Monthly bank reconciliations are necessary to ensure accounting records balance, transactions are properly recorded, and errors or discrepancies are detected and corrected on a timely basis. Complete documentation is needed to show any discrepancies are resolved and to facilitate independent reviews.

1.3 Fund Accounting

The city does not properly track and record various restricted monies and does not properly allocate some payments for services and expenses to various funds.

- For the year ended September 30, 2011, the city received water and sewer fees of approximately \$650,000. The city maintains a separate accounting of water and sewer fees; however, a cash balance for each type of fee is not maintained. As a result, the city cannot determine at a point in time what portion of the Water/Sewer Fund represents restricted



City of Buckner
Management Advisory Report - State Auditor's Findings

water or sewer monies. While these monies are restricted for specific purposes, they were deposited into the general operating bank account.

- Law enforcement training (LET) monies are deposited into the General Fund, and while receipts and disbursements for LET are tracked, the cash balance of LET monies is not tracked. Monies for LET are collected by the City of Buckner Municipal Division and transmitted to the city.

Receipts, disbursements, and the accumulated balance associated with specific activities should be recorded in separate funds or maintained in a manner to account for those activities. Proper recognition of all receipts and disbursements is important to ensure operations can be properly measured and utility rates periodically evaluated for reasonableness and sufficiency. In addition, Section 250.150, RSMo, requires the revenues of a water and sewer system be segregated from all other revenues or funds of the city.

1.4 Segregation of duties and monitoring

There is insufficient segregation of duties and no supervisory review of the work performed by the City Administrator or her staff. Detailed financial reports are not prepared monthly for review by the Board of Aldermen. The City Administrator, Administrative Clerk, and City Clerk are responsible for all record keeping and accounting functions of the city and independent reviews of their work are not performed. While some segregation of duties is possible with the number of staff available, each of these employees has the ability to receipt monies and post transactions without any review or oversight by the other employees or elected officials.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls could be improved by segregating duties to the extent possible. If proper segregation of duties is not possible, at a minimum, there should be a documented independent review of city transactions.

1.5 Petty cash

The petty cash fund is not maintained on an imprest basis. According to the City Administrator, the fund had been maintained at \$300, but she was unsure if this had changed. A petty cash ledger supporting the petty cash fund activities is not maintained. During the year ended September 30, 2011, approximately \$2,000 was disbursed related to petty cash. On March 13, 2012, cash on hand totaled \$46 and receipts totaled \$129, for a petty cash total of \$175, which is \$125 less than the described petty cash fund balance. Good internal controls require petty cash to be set at an established amount and to be reimbursed when it has been expended. An imprest basis petty cash fund would improve accountability over petty cash monies.



City of Buckner
Management Advisory Report - State Auditor's Findings

1.6 Budgets

While annual budgets are prepared and adopted, they do not contain all elements required by state law and are prepared by city department, rather than by fund. The budget for the year ended September 30, 2011, did not include a budget message and general budget summary or actual beginning and ending cash balances.

Section 67.010, RSMo, requires the budget present a complete financial plan for the ensuing budget year and outlines the various information to be included in the budget. A complete and well planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific financial expectations for each area of city operations. It also assists in setting tax levies and utility rates and informing the public about city operations and current finances.

Recommendations

The Board of Aldermen:

- 1.1 Ensure accounting records and financial reports accurately reflect the financial activity of the city.
- 1.2 Ensure bank reconciliations are performed each month and any differences are investigated. If adjusting entries are needed, documentation of the adjustments should be retained.
- 1.3 Establish separate funds for the water and sewer activities and maintain those monies in a separate bank account. Records should also be maintained in a manner to account for the receipts, disbursements, and accumulated balance of LET monies.
- 1.4 Segregate accounting duties to the extent possible and implement appropriate and documented reviews and monitoring procedures.
- 1.5 Maintain the petty cash fund on an imprest basis with documentation of all activity.
- 1.6 Ensure budgets are prepared for each city fund and contain all information required by state law.

Auditee's Response

The Board of Aldermen provided the following responses:

- 1.1 *We have been working with our contracted accountant to finish updating our financial records and reconciling the remaining two bank accounts, including the operating account. We are converting to a new financial accounting system in May 2013, and plan to ensure accounting records and financial reports are accurate in the future.*



City of Buckner
Management Advisory Report - State Auditor's Findings

- 1.2 *We are in the process of getting our bank reconciliations up to date and will ensure all adjustments are documented in the future.*
- 1.3 *We have placed water and sewer monies in a separate bank account already and by October 1, 2013, we plan to establish separate funds for water and sewer. We will also plan to establish a separate fund for LET monies by the beginning of our new fiscal year.*
- 1.4 *We have already designated an Alderman to provide oversight of financial activities.*
- 1.5 *This recommendation has been implemented.*
- 1.6 *When we prepare our budget for fiscal year 2014 we will ensure it complies with state law.*

2. Water and Sewer System

Significant weaknesses exist in control procedures over providing water and sewer services. Rate studies have not been conducted and procedures for reviewing transactions and performing various reconciliations are not sufficient. The city has not obtained required annual audits.

2.1 Water and sewer rates

A formal cost study of water or sewer rates has not been performed for several years, and a formal capital improvement plan for either portion of the utility system has not been developed. At September 30, 2011, the combined Water/Sewer Fund had a cash balance of approximately \$1.3 million.

In both October 2010 and October 2011, the city increased water rates by 9 percent because the water supplier had increased its rates. A rate study has not been completed for the past few years to determine the cost of operating the water and sewer system. Per the Board minutes and review of the 2012 budget, approximately \$500,000 was budgeted to replace some of the existing sewer system and install an ultra violet disinfection system, but the city has not documented a multi-year capital improvement plan for either the water or sewer system. Without a current cost study to support the rates charged for water and sewer services, it is unclear whether the rates assessed for these services are set at an appropriate level.

Section 67.042, RSMo, provides that fees may be increased if supported by a statement of the costs which shows the increase is necessary to cover the cost of providing the service. Utility rates should be set to cover the cost of providing the related services and maintain reserves adequate to sustain the system. The city should perform and document a detailed cost study of its water and sewer costs, including depreciation, and establish rates to cover the total cost of operations without generating excessive profits. Formal capital improvement plans serve as a useful management tool and provide



City of Buckner
Management Advisory Report - State Auditor's Findings

greater input into the overall budgeting process. Any rate studies performed in the future should incorporate capital improvement plans and available cash balances.

2.2 Non-monetary transactions

Non-monetary transactions are not reviewed by an independent person. Non-monetary transactions are any transactions where monies are not received; however, the account balance has been changed in the accounting records, such as waiving customer late charges. The Administrative Clerk, City Administrator, and City Clerk all receipt and post utility payments, and also have the ability to post non-monetary transactions. Additionally, the City Administrator and City Clerk can approve non-monetary transactions. Because these employees are responsible for collecting utility monies and have the ability to alter or delete individual utility account information, there is an increased risk that unsupported or unauthorized changes can be made in the utility system. The city does not produce reports of non-monetary transactions for the Board to review and approve. Approval for non-monetary transactions by the City Administrator and City Clerk is not documented.

Non-monetary transactions should be verified and approved by a person independent of the postings of such transactions to ensure they are legitimate. Considering the risks associated with non-monetary transactions, the Board should consider monitoring all non-monetary transactions.

2.3 Utility deposits

A list of customer deposits is maintained in the computer system, but this listing is not reviewed for accuracy or compared to the adjusted bank balance. According to the September 30, 2011, bank reconciliation for the utility deposit account the adjusted balance was \$38,707, while the balance of the list of customer deposits was \$49,807, or a shortage of \$11,100.

A complete and accurate listing of customer utility deposits and periodic reconciliation to the bank balance is necessary to ensure sufficient funds are on hand to cover potential utility deposit liabilities and provide a record of monies held for individual customers. Such reconciliations would allow for prompt detection of discrepancies.

2.4 Reconciliations

Monthly reconciliations of total amounts billed, payments received, and amounts unpaid for water and sewer are not performed. The accounting system is used to prepare a monthly billing summary for the Water/Sewer Fund, which documents the beginning balance, current charges, payments, and the ending balance. City personnel indicated the ending balance is reviewed for reasonableness, but the city does not retain the billing summary. Therefore, the city could not and did not reconcile payments collected and non-monetary transactions to the monthly billing summary. Monthly reconciliations are necessary to ensure accounting records balance,



City of Buckner
Management Advisory Report - State Auditor's Findings

transactions are properly recorded, and any errors or discrepancies are detected on a timely basis.

2.5 Water shutoff

Late charges and shutoffs of service are not in accordance with city ordinances for elected officials and city staff. Water bills are sent out the last week of the month. Ordinance number 700.060 indicates a 10 percent late fee is to be added on all unpaid water bills after the fifteenth day of each month. Per Ordinance 700.070, if any bill for water services shall be and remains past due and unpaid for as long as thirty days, the customer shall be notified that service shall be discontinued and shall not be reconnected until all past due bills are paid in full, together with a reconnection charge of \$50.

We reviewed the August 2011 water billings and related payments, and noted the Mayor and one alderman paid their bill over 30 days late, and their water was not shut off. In addition, for the ten August 2011 billings of elected officials and staff we reviewed, we noted \$12 of late charges were not assessed. The administrative clerk said this is done as a courtesy to the elected officials and city staff.

Failing to enforce city ordinances related to utility services for elected officials and city staff does not provide equitable treatment of all utility users and reduces the incentive for elected officials and employees to make timely payments.

2.6 Audits

The city does not obtain annual audits of its water and sewer systems. Although an accounting firm prepares compilation reports for the city, this is not an audit. The compilation indicates the reported cash balances for several funds may be inaccurate due to the lack of bank reconciliations to the accounting records.

Section 250.150, RSMo, requires the city to obtain annual audits of the combined water and sewer system. In addition to being required by state law, annual audits of water and sewer funds help ensure monies are properly handled and financial transactions are properly recorded.

Recommendations

The Board of Aldermen:

- 2.1 Review water and sewer rates periodically to ensure revenues are sufficient to cover all costs of providing these services, but not set at a level that results in excessive fund balances. In addition, the Board should prepare a formal capital improvement plan for the water and sewer system.
- 2.2 Ensure a documented review of all non-monetary transactions posted to the water and sewer system is performed by an independent person.



City of Buckner
Management Advisory Report - State Auditor's Findings

- 2.3 Ensure customer deposits are reconciled to the cash balance and differences are investigated.
- 2.4 Ensure monthly reconciliations of amounts billed to amounts collected and delinquent accounts are performed. In addition, the Board should ensure adequate documentation to support reconciliations is retained.
- 2.5 Ensure utility shutoff procedures are followed and late charges are applied in compliance with city ordinances for all utility customers, including elected officials and city staff.
- 2.6 Obtain annual audits as required by state law.

Auditee's Response

The Board of Aldermen provided the following responses:

- 2.1 *In conjunction with preparing our fiscal year 2014 budget, we will incorporate the recently completed capital improvement plan for the sewer system into a cost analysis of providing water and sewer services to ensure rates are set at an appropriate level. We will also consider having a capital improvement plan for the water system prepared.*
- 2.2 *We agree and have implemented this recommendation.*
- 2.3 *We are in the process of completing this reconciliation and hope to have it completed by May 1, 2013.*
- 2.4 *Once we convert to our new financial system in May we will ensure this is completed.*
- 2.5 *We agree and will implement this recommendation immediately.*
- 2.6 *We are currently in the process of obtaining an audit of the water and sewer system.*

3. Disbursements

Controls and procedures over disbursements including Board approval, obtaining supporting documentation, and credit cards are in need of improvement.

3.1 Board approval

The Board does not approve all disbursements. The City Administrator indicated that only payments which are non-recurring are presented to the Board for approval. During Board meetings, the Board approves disbursements listed on a council approval report. Our testing determined that recurring disbursements were not treated consistently. Some recurring payments were included on the council approval report for one month and



City of Buckner
Management Advisory Report - State Auditor's Findings

not included in another month. We also identified non-recurring disbursements, such as a disbursement related to the park, which were not included on the council approval report.

To safeguard against possible loss or misuse of funds, the Board should approve all disbursements and review supporting documentation, bank information, and canceled checks. Board approval of disbursements should be documented in the minutes, and by signature or initials on monthly reports.

3.2 Supporting documentation

Adequate supporting documentation was not obtained for some disbursements. We tested a monthly billing from four different credit card vendors, totaling \$4,385, and supporting documentation was not available for various purchases made totaling \$367.

Additionally, the city holds the Park Board bank account and makes distributions at the Park Board's request. We tested three disbursements to the Park Board totaling \$2,286 and noted the city did not receive supporting documentation for the items purchased, including \$500 for petty cash which the Park Board President indicated was used to purchase fireworks.

All disbursements should include proper supporting documentation to ensure the obligation was actually incurred and the disbursement represents an appropriate use of public funds.

3.3 Credit cards

Controls over credit cards need improvement. The city has 20 credit cards from seven vendors issued to seven employees, with credit limits as high as \$10,000. During the year ended September 30, 2011, the city disbursed \$56,941 to credit card vendors. The city has not adopted formal policies and procedures documenting who should maintain a credit card, appropriate usage for the credit cards, and required documentation to support credit card disbursements.

Complete and detailed written credit card policies and procedures are necessary to provide guidance to employees and help determine who actually needs a credit card. The city should develop policies that require all invoices to be submitted prior to payment of credit card statements, and purchases to be approved by someone other than the card user. The city should perform a review of all credit card purchases to ensure expenses paid are necessary, reasonable, and adequately documented.

Recommendations

The Board of Aldermen:

- 3.1 Review and approve all disbursements and ensure approval of disbursements is documented.



- 3.2 Require adequate, detailed supporting documentation be obtained and retained for all disbursements.
- 3.3 Adopt formal policies and procedures for credit card usage that include criteria for identifying employees that should be assigned a card, require adequate documentation be maintained and reconciled to billing statements, and require purchases be approved by someone other than the card user.

Auditee's Response

The Board of Aldermen provided the following responses:

- 3.1 *This recommendation has been implemented.*
- 3.2 *We are being more diligent in ensuring adequate documentation is on hand to support all disbursements.*
- 3.3 *We will review our credit card policies and ensure adequate documentation is maintained and reconciled to the statement monthly. Credit limits will be reviewed periodically in the future and approval for purchases will be obtained.*

4. Capital Assets

The city has not implemented adequate procedures to account for city property and ensure proper insurance coverage. The city does not maintain overall property records, or affix asset tags to city property. While city personnel indicated an annual physical inventory is conducted using insurance records as property records, the inventory is not documented.

Adequate capital asset records and procedures are necessary to secure better internal controls and safeguard city assets that are susceptible to loss, theft, or misuse, and to provide a basis for determining property insurance coverage.

Recommendation

The Board of Aldermen ensure complete and detailed property records are maintained, assets are properly tagged for identification, and annual physical inventories are performed and compared to detailed records. Additionally, the comparison should be documented.

Auditee's Response

The Board of Aldermen provided the following response:

By the beginning of the next fiscal year, we will tag all assets, develop an overall property record, and reconcile it to our insurance records to ensure proper coverage. Annual inventories will be performed in the future.

5. Fuel and Vehicle Use

Concerns related to reporting taxable fringe benefits to the Internal Revenue Service (IRS) and procedures for monitoring fuel and vehicle use were identified.



City of Buckner
Management Advisory Report - State Auditor's Findings

5.1 Commuting miles

The City Clerk, Waste Water Treatment Plant Operator, and Public Works Lead Man are allowed to use city vehicles to commute between home and work; however, the value of personal (commuting) mileage was not recorded on their W-2 forms as required by IRS guidelines. These employees are not required to maintain a mileage log indicating business and personal use.

IRS reporting guidelines indicate personal commuting mileage is a reportable fringe benefit. Furthermore, IRS guidelines require the full value of the provided vehicle be reported on employee W-2 forms if the employer does not require submission of detailed logs that distinguish between business and personal use. Additionally, the city may be subject to penalties and/or fines for failure to report all taxable benefits.

5.2 Monitoring fuel and vehicle use

Fuel and usage logs are not maintained for equipment and vehicles, and fuel usage is not reconciled to fuel purchases. Without adequate records, the city cannot effectively monitor vehicle/equipment use or verify accuracy of fuel billings. The city disbursed approximately \$35,000 for fuel during the year ended September 30, 2011.

Fuel and usage logs are necessary to document the appropriate use of equipment and vehicles and to support fuel charges. The logs should include sufficient documentation to determine reasonableness of miles driven and allow reconciliation of fuel use to fuel purchases.

Recommendations

The Board of Aldermen:

- 5.1 Comply with IRS guidelines for reporting fringe benefits related to commuting in city-owned vehicles. In addition, fuel and usage logs should be required when vehicles are used for commuting.
- 5.2 Require fuel use logs be maintained for all city-owned vehicles and equipment, and these logs be reviewed and reconciled to fuel purchases. Any significant discrepancies should be investigated.

Auditee's Response

The Board of Aldermen provided the following responses:

- 5.1 *We will review IRS guidelines and ensure the required reporting is done in the future. We will begin preparing mileage logs for all city vehicles immediately.*
- 5.2 *We will strengthen controls over fuel usage by ensuring logs are maintained and reviewed monthly.*



6. Payroll

Payroll controls and procedures need improvement.

6.1 Payroll records

Problems were identified with the handling of payroll by the city. The city maintains a separate bank account for payroll and makes transfers from the operating account to the payroll account. During the year ended September 30, 2011, payroll costs were approximately \$439,000. The following concerns were identified:

- Accounting entries are not made timely or accurately to record payroll transfers made from other funds. The computer information system automatically interfaces the payroll cash ledger with the General, Water/Sewer, and Restricted Funds, and makes the withdrawal transactions for payroll activity. Appropriate entries to record the transfer of monies from the respective fund operating account into the respective fund payroll cash ledgers are not posted. Failing to post these entries leaves a negative balance in the payroll account for each fund and does not reduce the cash balance in the operating account. As of September 30, 2011, the total account balances reflected on the payroll cash ledgers for the General, Water/Sewer, and Restricted Funds were (\$459,607).

While the city actually transferred the money from the operating bank account to the payroll bank account, the transactions were not recorded in the accounting records. The September 30, 2011, payroll bank statement ending balance was \$2,997.

- Overdraft charges were incurred because some transfers from the operating bank account to the payroll bank account were not made timely. As a result, overdraft fees of \$636 were incurred during the year ended September 30, 2011.

Timely recording of all transactions and maintaining an accurate comprehensive running cash account balance for the payroll account would aid in monitoring the payroll account and eliminate the occurrence of bank overdraft fees.

6.2 Bonuses

One-time merit bonuses totaling \$21,100 were paid to 17 employees in October 2011. Bonuses ranged from \$250 to \$2,250 and were paid based upon supervisor recommendations. Minutes from the September 1, 2011, Board of Aldermen meeting indicate the city's intent to pay a one-time merit bonus to employees. In a subsequent meeting, the wording describing these bonuses was changed to say they were one-time salary adjustments, which per city officials, was based on verbal discussions with the city attorney; however, there is no documentation of a written legal opinion regarding these payments.



City of Buckner
Management Advisory Report - State Auditor's Findings

These payments appear to represent additional compensation for services previously rendered and, as such, are in violation of Article III, Section 39, Missouri Constitution, and Attorney General's Opinion No. 72, 1955 to Pray, which states, ". . . a government agency deriving its power and authority from the constitution and laws of the state would be prohibited from granting extra compensation in the form of bonuses to public officers after the service has been rendered."

6.3 Time sheets

Time sheets are not always signed by the employee or the supervisor. Of the ten time sheets reviewed, one was not signed by the employee, and three were not approved by the supervisor.

Time sheets are necessary to document hours actually worked, substantiate payroll disbursements, and provide the city with a method to monitor hours worked. Time sheets should be signed by all employees, verified for accuracy, and approved by the applicable supervisor.

6.4 Cellular phone allowances

Certain employees were paid allowances for their cellular phone use, but these were not supported by documentation or reported to the IRS. During 2011, the City Administrator, City Clerk, Chief of Police, and Mayor were each paid a \$50 per month cellular phone allowance. Officials and employees are not periodically required to submit invoices or other supporting documentation to justify the cellular phone allowances paid, and the allowances paid were not included in amounts reported on the respective W-2 forms.

IRS regulations provide when an employer issues a check to an employee without requiring proof of reimbursement for actual expenses incurred, the amount is taxable income and should be reported on the respective W-2 forms. In addition, to ensure the cellular phone allowance is reasonable, the city should periodically require documentation supporting cellular phone use.

Recommendations

The Board of Aldermen:

- 6.1 Ensure transactions are recorded in a timely manner, and an accurate cash balance is maintained to aid in monitoring of the payroll bank account, therefore eliminating unnecessary bank charges.
- 6.2 Discontinue granting bonuses to employees.
- 6.3 Ensure all time sheets are signed by employees and approved by a supervisor.



City of Buckner
Management Advisory Report - State Auditor's Findings

- 6.4 Require individuals to submit itemized cellular phone expense reports or report the cellular phone allowances as compensation to the IRS.

Auditee's Response

The Board of Aldermen provided the following responses:

- 6.1 &
6.4 *These recommendations have been implemented.*
- 6.2 *We will take this recommendation under advisement.*
- 6.3 *We are now ensuring timesheets are signed by both employee and supervisor.*

7. Closed Meetings

The vote to close a meeting and the purpose of the closed meeting is not documented in the open meeting minutes as required by state law, and minutes of closed meetings are not prepared. From January 2011 through April 2012, the city closed ten meetings.

Section 610.022, RSMo, requires that before any meeting may be closed, the question of holding the closed meeting and the reason for the closed meeting, including reference to a specific section of the law, shall be voted on during an open meeting. These reasons and the corresponding votes to close the meeting should be documented in the open minutes to demonstrate compliance with statutory provisions. Further, Section 610.020.7, RSMo, requires minutes be kept for all closed meetings.

Recommendation

The Board of Aldermen ensure open meeting minutes properly disclose the votes and reasons for closing a meeting, and minutes are prepared and retained for closed meetings.

Auditee's Response

The Board of Aldermen provided the following response:

We will ensure compliance with the provisions of the Sunshine Law in the future.

City of Buckner

Organization and Statistical Information

The City of Buckner is located in Jackson County. The city was incorporated in 1930 and is currently a fourth class city. The city employed 14 full-time employees on September 30, 2011.

City operations include law enforcement services, utilities (water and sewer), and recreational facilities.

Mayor and Board of Aldermen

The city government consists of a mayor and six member board of aldermen. The members are elected for 2-year terms. The mayor is elected for a 4-year term, presides over the board of aldermen, and votes only in the case of a tie. The Mayor and Board of Aldermen, at September 30, 2011, are identified below. The Mayor and Board of Aldermen are paid \$100 per quarter, plus \$40 for each regular meeting attended. In addition, the Mayor receives a \$50 cellular phone allowance per month. The compensation of these officials is established by ordinance.

Dan Hickson, Mayor
Cathy Litten, Alderwoman
Chester Denton, Alderman
Claude Elliot, Alderman
Darrel Box, Alderman
Jim Jones, Alderman
Tim Runyon, Alderman

American Recovery and Reinvestment Act 2009 (Federal Stimulus)

The City of Buckner did not receive any federal stimulus monies during the year ended September 30, 2011.

Financial Activity

A summary of the city's financial activity for the year ended September 30, 2011, follows:

City of Buckner
Year Ended September 30, 2011

	General Fund *	Capital Improvements Fund *	Restricted Fund *	Cash Court Bond Fund **	Fairs and Festivals Fund *	Water and Sewer Fund *	Water and Sewer Capital Fund *	Total
REVENUES								
Taxes	\$ 617,297	111,614	221,292	0	0	0	0	950,203
Licenses, fees, and permits	268,735	0	0	0	0	0	0	268,735
Water and sewer fees	0	0	0	0	0	650,076	0	650,076
Bonds	0	0	0	70,377	0	0	0	70,377
Miscellaneous	46,037	0	739	0	14,184	1,907	0	62,867
Interest	289	0	0	0	0	119	0	408
Transfers in	55,250	0	0	0	0	0	0	55,250
Total Revenues	987,608	111,614	222,031	70,377	14,184	652,102	0	2,057,916
EXPENDITURES								
General government	255,255	0	0	0	0	0	0	255,255
Personnel services (1)	0	0	0	0	0	262,092	0	262,092
Contractual services	0	0	0	0	0	226,143	0	226,143
Materials and supplies	0	0	0	0	0	5,602	0	5,602
Maintenance and repairs	0	0	0	0	0	18,499	0	18,499
Fuel and lubricants	0	0	0	0	0	5,640	0	5,640
Utilities	0	0	0	0	0	28,119	0	28,119
Support services	0	0	0	0	0	55,250	0	55,250
Fairs and festivals	0	0	0	0	11,734	0	0	11,734
Police and court	555,451	0	0	66,462	0	0	0	621,913
Street	0	0	145,109	0	0	0	0	145,109
Park	17,270	0	0	0	0	0	0	17,270
Storm drainage	8,272	0	0	0	0	0	0	8,272
Capital outlay	6,590	0	0	0	0	0	0	6,590
Total Expenditures	842,838	0	145,109	66,462	11,734	601,345	0	1,667,488
REVENUES OVER (UNDER)								
EXPENDITURES	144,770	111,614	76,922	3,915	2,450	50,757	0	390,428
FUND BALANCE, October 1, 2010	685,069	394,515	215,134	27,104	0	2,929,458	267,962	4,519,242
FUND BALANCE, September 30, 2011	\$ 829,839	506,129	292,056	31,019	2,450	2,980,215	267,962	4,909,670

* Amounts presented are taken from the city's compilation report prepared by a private accounting firm. This compilation indicates the city's financial statements include cash accounts that have not been reconciled and the amount by which these unreconciled accounts would affect the city's revenues and expenditures has not been determined.

** Amounts were provided by the city.

(1) Personnel service expenditures for all functions other than water/sewer are included in general government, police and court, or street categories.