



Thomas A. Schweich

Missouri State Auditor

City of Brentwood



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Thomas A. Schweich
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of the City of Brentwood

Expenditures	<p>The city did not retain most of the bid documentation for the new firehouse construction project and has not solicited proposals for ambulance billing services since 1998. The city has not obtained proposals and written contracts for various professional services, has not paid fuel bills timely and often incurs late fees and/or finance charges, and does not maintain adequate documentation for some credit card purchases, making it difficult to ensure all purchases on city credit cards are appropriate and reasonable. The city has incurred significant costs over the last 10 years to provide fringe benefits to some elected city officials without establishing an ordinance authorizing these benefits.</p>
Fire Department Overtime and Timesheets	<p>The city entered a legal settlement with the firefighters union over excessive overtime payments. However, the city cannot demonstrate the settlement is adequate and fair, because it has no documentation showing how much excess overtime was charged to the city. Prior to July 2011, fire department employees were not required to complete timesheets, and currently the fire department only submits a summary report to the finance department when overtime is worked.</p>
Payroll and Leave Records	<p>The Assistant Fire Chief was hired to also serve as the part-time building official, but the city did not establish clear expectations regarding hours to be worked, and questions arose as to whether the same hours worked were being counted toward each position. The city is not always in compliance with its overtime policy and the Fair Labor Standards Act. Some timesheets are not signed by the employee and some do not indicate review and approval by the supervisor, and documentation of some leave benefits accumulated, used, and remaining are not maintained in a centralized location.</p>
Additional Compensation	<p>Some employees receive additional compensation related to tasks performed as part of regular job duties. Until January 2012, the City Administrator allocated fees from the Hanley Road Corridor Transportation Development District (TDD) to the salaries of employees handling the TDD's administrative duties, and the city pays employees for perfect attendance.</p>
Litigation	<p>The city issued a total of \$30.4 million in bonds for a retail and office space development, but in October 2009, the bank notified the city and developer of possible defaults. The city indicated it failed to detect that two retailers were miscoding sales tax returns, leaving the bond accounts underfunded by \$460,000, which the city took out a loan to cover. The city spent \$260,000 on legal fees related to the various lawsuits and paid \$13,500 in interest on the loan. The city indicated it has implemented more reviews and is now reviewing Missouri Department of Revenue sales tax reports for accuracy.</p>
Meeting Minutes	<p>The city did not always document the specific section of law that allows for a closed meeting and does not maintain minutes of closed board meetings.</p>

Accounting Controls	Payroll duties and receipting duties are not adequately segregated or reviewed. The payroll clerk's work is not reviewed, payroll report details are not approved prior to disbursement, and there is no supervisory review or reconciliation of the accounting clerk's work or the General Fund bank reconciliation. Monies are not promptly receipted or recorded in the accounting system, receipts are not always deposited timely and intact, and the numerical sequence of receipt slips is not accounted for properly.
Vehicles	The city pays monthly vehicle allowances of \$450 to the City Administrator and \$350 to the Assistant City Administrator, but has not documented how these amounts were determined. The city does not maintain logs of fuel pumped from its bulk diesel fuel tanks or usage logs for city vehicles, and it has not conducted an analysis to determine if its 36 non-specialized vehicles are necessary and justified.
Budgets	Budget documents do not include all information required by law.
Bank Reconciliations	The city did not make adjusting entries in the city's accounting system to address reconciling items and did not routinely and timely follow up on outstanding checks.
Property Records	The city has not performed an annual physical inventory of property in at least five years, city property is not tagged and identified, and property records do not include all necessary information.
Library	The city has not entered into a current written agreement with the library and has not conducted an analysis to ensure fees are reasonable.

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

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

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City of Brentwood

Table of Contents

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

Management Advisory Report - State Auditor's Findings	1. Expenditures.....	4
	2. Fire Department Overtime and Timesheets.....	8
	3. Payroll and Leave Records.....	9
	4. Additional Compensation.....	12
	5. Litigation.....	13
	6. Meeting Minutes.....	15
	7. Accounting Controls.....	15
	8. Vehicles.....	17
	9. Budgets.....	20
	10. Bank Reconciliations.....	20
	11. Property Controls and Records.....	21
	12. Library.....	22

Organization and Statistical Information	23
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THOMAS A. SCHWEICH

Missouri State Auditor

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

The State Auditor was petitioned under Section 29.230, RSMo, to audit the City of Brentwood. We have audited certain operations of the city in fulfillment of our duties. The city engaged Hochschild, Bloom, and Company LLP, Certified Public Accountants (CPAs), to audit the city's financial statements for the year ended December 31, 2011. To minimize duplication of effort, we reviewed the CPA firm's audit report. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 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 Brentwood.

An additional report, No. 2012-03, *Twenty-First Judicial Circuit, City of Brentwood Municipal Division*, was issued in January 2012.



Thomas A. Schweich
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Harry J. Otto, CPA
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City of Brentwood

Management Advisory Report

State Auditor's Findings

1. Expenditures

Procedures related to expenditures are in need of improvement. The city has not obtained proposals and written contracts for some professional services and has not maintained adequate documentation for some expenditures.

1.1 Bids

The city's bid policy was not followed for several purchases, and bid documentation was not retained for several other purchases. City Code Section 2-457 states formal bids shall be obtained for purchases greater than \$10,000.

While various city personnel indicated bids were obtained for the new firehouse construction project completed in 2011, the city could not provide bid documentation for most of the project. The only bid documentation available from the city pertained to the project management portion of the project, which totaled \$240,581 of the approximately \$3.7 million project. The city eventually provided the requested bid documentation in January 2013, by obtaining bid documentation for the remaining portions of the project from the project management company.

The city has not solicited proposals for ambulance billing services since 1998. The city paid \$13,680 for these billing services for the year ended December 31, 2011. In addition, city personnel indicated that dental insurance coverage and life insurance coverage have not been bid in recent years and documentation from the last time these benefits were bid could not be located.

Competitive bidding ensures the city is complying with city code and helps ensure the city has made sufficient effort to receive goods or services at the best and lowest price and all interested parties are given an equal opportunity to participate in city business. Complete documentation of all bids and proposals received and reasons why a bid or proposal was selected helps demonstrate the city conducts a fair procurement process and provides necessary information should questions arise. In addition, Section 67.150, RSMo, requires competitive bidding at least every 3 years for medical insurance and Section 376.696, RSMo, requires competitive bidding at least every 6 years for other types of insurance.

1.2 Professional services

The city has not obtained proposals and written contracts for various professional services. City Code, Sections 2-216 and 2-218, allows the Mayor to appoint, with Board approval, law firms and/or individual attorneys based on the type of specialized services needed. City Code Section 2-462 outlines procedures for the selection of professional services such as accountants. The procedures require obtaining proposals when fees will exceed \$1,500 and establishing a screening and selection committee to evaluate proposals and make recommendations to the Board.

Legal services

The city last obtained proposals for prosecuting attorney services in 1999; and the city has not solicited proposals for other legal services such as city



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

attorney, public defender, labor counsel, planning and zoning, and special counsel for litigation. Also, the city has not entered into written agreements with firms and/or attorneys providing city attorney, public defender, labor counsel, or special counsel for litigation services. The same arrangements have been in place for several years. During the year ended December 31, 2011, the city paid a total of approximately \$394,000 for legal services.

Media consulting services

The city hired a media consultant without soliciting proposals. The consultant is paid \$200 per hour and was paid a total of \$11,800 during the year ended December 31, 2011.

Auditing services

City officials were unable to locate the most recent proposal or written agreement for auditing services, for which the city spent approximately \$16,000 during the year ended December 31, 2011.

Fringe benefits

In addition to bidding concerns discussed in section 1.1, the city was unable to provide written proposals and contracts for several employee fringe benefit administrators, although city personnel indicated such records do exist. This includes the administrators for the fire and police pension plan, city-wide dental insurance, and city-wide life insurance. Fees related to these services were not determined as they are not separately accounted for in the city's budget or financial system.

Conclusion

Soliciting proposals for professional services is a good business practice. Such procedures help provide a range of possible choices, and allow the city to make better-informed decisions to ensure necessary services are obtained from the best qualified provider after taking expertise, experience, and cost into consideration. Also, written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to prevent misunderstandings. Section 432.070, RSMo, requires contracts for political subdivisions to be in writing.

1.3 Late fees

Fuel bills are not paid timely and late fees and/or finance charges are often incurred. The city uses fuel cards for most of the city's fleet of vehicles. Our review of the November 2011 fuel vendor billing showed late fees of \$250 and finance charges of \$320. City officials indicated this had been a recurring problem with this vendor due to a short timeframe between billing and payment due dates which the city had trouble meeting. The city has been working with the vendor in an effort to extend the due date of its invoices. Given the substantial amount paid in late fees and finance charges for one month, the amount of monies unnecessarily expended since the city started using this vendor in March 2008 could be significant. The city should have modified its accounts payable process to accommodate these billings while working with the vendor to resolve the issue. To prevent unnecessary fees and finance charges, procedures should be in place to ensure bills are paid timely.



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

1.4 Credit cards

The city does not maintain adequate documentation for some credit card purchases. As a result, the city cannot ensure all purchases on city credit cards are appropriate and reasonable. The city has not implemented the recommendations related to this issue made in multiple years by its independent CPA auditing firm.

Documentation for some meals charged was not sufficient. We noted meal charges of \$202 for February 2011 and \$153 for December 2011, for which sufficient documentation of who attended and/or a detailed invoice or receipt slip was not maintained. In addition, documentation such as the purpose of the meal was not maintained to justify providing these meals to employees.

We also identified items charged to the Mayor's credit card for which there was no supporting documentation. Original invoices or other supporting documentation was not available for plane tickets, hotels, and conference fees in January 2011 totaling approximately \$1,400.

To ensure the validity and propriety of disbursements, adequate supporting documentation, such as vendor invoices or receipts, should be retained for all credit card purchases. In addition, meals purchased with credit cards should include receipts for the purchase, and information including the names of individuals for which meals were provided and justification for providing the meals.

1.5 Fringe benefits

For over 10 years, the city has incurred significant costs to provide fringe benefits to some elected city officials without establishing an ordinance authorizing these benefits. Based on the city's 2012 budget, the related costs of providing these fringe benefits was expected to be approximately \$28,000. While costs for past years were not quantified, it is apparent there is a substantial cost to providing such fringe benefits. Due to concerns raised by an alderwoman and the public, this practice was reevaluated and terminated in August 2012. Section 79.270, RSMo, requires that all compensation of elected officials be set by ordinance. Documented authorization by the Board of Aldermen acts as a legal basis for city actions and establishes fringe benefits available to elected city officials, in addition to establishing the related costs to the city and/or elected officials participating.

Recommendations

The Board of Aldermen:

- 1.1 Ensure bids are solicited for all applicable purchases in accordance with city code and state law, and sufficient documentation is maintained.



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

- 1.2 Periodically solicit proposals and enter into written agreements for professional services.
- 1.3 Implement procedures to ensure bills are paid timely.
- 1.4 Ensure adequate supporting documentation is retained for all credit card expenditures.
- 1.5 Ensure all compensation and fringe benefits for elected officials is clearly documented and authorized by ordinance as required by state law.

Auditee's Response

The Board of Aldermen provided the following written responses:

- 1.1 *We will ensure bids are solicited for applicable purchases and all required documentation is being maintained.*
- 1.2 *As a fourth-class City, Section 79.230, RSMo directs the Mayor with consent and approval of the Board of Aldermen to appoint the City Attorney and such other officers authorized by ordinance. City Code Section 2-216 directs that the City Attorney, City Prosecutor and Public Defender be appointed by the Mayor with consent and approval of the Board of Aldermen. City Code Section 2-218 directs that special legal counsel may be designated by the Mayor with consent and approval of the Board of Aldermen.*

The City will develop a list of other professional services utilized on a city-wide basis. Future agreements will be in writing for a specific term and will be bid as required.

- 1.3 *The Finance Director reviews all invoices for accuracy and makes sure that they are being submitted by the departments in a timely manner. In addition, the City has worked with our fuel vendor to extend the due date from 10 days to 21 days so that we no longer incur late fees and finance charges.*
- 1.4 *The Finance Director reviews all invoices including monthly credit card statements. All credit card statements now have supporting documentation for all charges. In addition, the City has received documentation to substantiate the majority of the charges in question during this audit.*
- 1.5 *Health benefits for elected officials were discontinued in 2012. If fringe benefits are made available to elected officials in the future, these benefits will be documented and adopted by ordinance as required by state law.*



Auditor's Comment

1.2 *We agree state law provides that the Mayor with consent and approval of the majority of the members of the Board may appoint a city attorney. However, state law does not prohibit seeking proposals for legal services.*

2. Fire Department Overtime and Timesheets

Despite a recent legal settlement with the firefighters union regarding excess overtime payments, the city only requires the fire department to submit summary overtime reports, not detailed timesheets, to the city finance department for payroll purposes. The city paid fire department employees approximately \$100,000 in overtime for the year ended December 31, 2011.

Overtime settlement

The city does not have adequate documentation related to a legal settlement with the firefighters union over excessive overtime payments. In 2011, the city determined inappropriate overtime was being claimed by fire department employees for the maintenance of fire department vehicles. Firefighters were compensated with overtime pay for a set number of hours for conducting vehicle maintenance during their scheduled off-days. City personnel indicated that actual hours spent on vehicle maintenance were generally less than the set number of hours allowed, resulting in excess overtime payments. The city believes this practice had been occurring over several decades. The firefighters union and the city negotiated a settlement dated June 2011 which stated the next 8 percent of wage increases received by city employees would be waived by all members of the fire department. However, the city provided no documentation showing how much excess overtime was charged to the city or how it determined the amount of pay increases to be withheld from fire department employees relating to excessive overtime payments. The only documentation available at the city regarding this problem and negotiation was the signed settlement which consisted of one sentence and the signatures of city and firefighters union representatives. The city attorney indicated the settlement was based on private meeting discussions between union representatives and the city's former labor attorney and no notes were taken at the meeting to support the discussions. As a result, the city cannot ensure or demonstrate the settlement amount is adequate to offset excessive overtime payments and fair to fire department employees. Documentation is important to support the negotiated settlement amount and would also serve as a source of reference should questions arise from the public or employees.

Timesheets

Prior to July 2011 the fire department was not required to complete timesheets. This could be a contributing factor to the inappropriate overtime claims not being identified timely. Currently, fire department employees do complete timesheets, but the timesheets are not submitted to the city finance department which processes payroll. The only documentation the fire department submits is a summary overtime report when overtime is worked. The lack of adequate documentation and review procedures increases the potential for payroll errors to occur and go undetected. Submission of



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

timesheets by the fire department to the finance department is necessary to document hours worked, substantiate payroll disbursements, and provide the city with a method to monitor hours worked and leave taken. In addition, such documentation is beneficial for both calculating overtime and demonstrating compliance with city policy and the Fair Labor Standards Act of 1938 (FLSA).

Conclusion

Considering the overtime issues and resulting legal settlement, it is imperative that the city implement proper time reporting and review procedures. In addition, the FLSA requires accurate records of actual time worked by employees be maintained.

Recommendation

The Board of Aldermen ensure documentation is maintained for all significant city decisions, particularly legal settlements. In addition, the Board should require detailed timesheets be submitted to the finance department.

Auditee's Response

The Board of Aldermen provided the following written response:

The City's actions were based on consideration and recommendation from legal counsel. The City will give due consideration to the auditor's recommendation relating to future settlements.

The City is working to implement an electronic time and attendance module that will allow all timekeeping to be automated and submitted electronically to the payroll module. Employee work schedules will be maintained in this module. Any additional hours will be entered and approved by supervisors. Leave requests will be submitted and approved electronically. We believe the implementation of the electronic time and attendance module will help to gain consistency city-wide in how overtime is calculated. In addition, the City is currently reviewing the employee handbook and any changes to city overtime policies will be adopted by ordinance.

3. Payroll and Leave Records

The city lacks adequate supporting documentation related to several payroll areas and some problems were noted with overtime and leave records.

3.1 Building official

Records related to an employee serving in two positions for the city from March 2009 through July 2011 were not sufficient to ensure appropriate compensation was paid. Also, the city did not establish clear expectations regarding hours to be worked in each position and questions arose as to whether the same hours worked were counted toward each position, resulting in this employee being paid for working two jobs at the same time.

In March 2009 the assistant fire chief was hired to also serve as the part-time building official, to conduct various inspections of buildings in the city.



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

He was paid a salary as assistant fire chief and on an hourly basis for building inspection tasks. While timesheets were completed for building official duties, fire department personnel did not complete timesheets prior to July 2011. Between the two positions this individual was often paid more than \$13,000 per month. From January 2011 until retiring as assistant fire chief in July 2011, the employee was paid approximately \$100,000 in total for both positions, which is \$39,000 in excess of his assistant fire chief salary for that period of time. Several city officials indicated they believed the assistant fire chief was working two jobs at the same time; however, no action was taken by the city to resolve questions or concerns until they began to receive citizen complaints. According to timesheets for building official duties, the employee generally worked 3 to 4 days a week and approximately 8 hours each day. There is no indication of any supervisory review of timesheets.

The FLSA requires employees who work two jobs for the same employer to aggregate total hours worked for FLSA pay calculation purposes. Detailed timesheets approved by a supervisor are necessary to document hours actually worked, provide information necessary to monitor an employee working multiple positions with the city, and help ensure compliance with the FLSA.

3.2 Personnel policies

The city is not always in compliance with its overtime policy and FLSA requirements. For the year ended December 31, 2011, the city paid approximately \$107,000 in overtime to employees excluding fire department personnel.

- Nonworking time (i.e., vacation, sick leave, compensatory time taken, and holidays) is sometimes included in total hours worked when determining the amount of overtime earned by employees, which is not allowed by the city personnel policy and not required by the FLSA. The city may be paying more overtime to employees than required as a result of using nonworking time in calculations of overtime earned.
- Pre-approval of overtime is required by the city personnel policy; however, we noted several instances where pre-approval was not obtained. Policies regarding pre-approval of overtime should be followed to ensure overtime is necessary and authorized and supervisors are aware of the amount of overtime incurred by employees.
- The city is not consistent regarding when overtime is paid out to employees. Our review of 19 monthly timesheets and related paychecks noted 13 instances where overtime was paid out in the immediate pay period after the overtime was earned; however, there were 6 instances in which overtime was not paid in the immediate pay period after it was earned. We also noted an example of a fire department employee who documented on his timesheet 24 hours of overtime on October 27, 2011,



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

and had not been paid for the overtime by the end of December 2011. However, as noted in MAR finding number 2, fire department timesheets are not submitted to the finance department for payroll processing. The time frame of payment for overtime should be consistent to ensure equitable treatment of all city employees.

3.3 Timesheets

Timesheets are prepared by employees; however, some timesheets are not signed by the employee and some do not indicate review and approval by the supervisor. A police department employee timesheet for the period ending September 20, 2011, indicated 10.5 hours of comp time and a summary section of the timesheet had this amount crossed out and replaced with 15.75 with no explanation. In addition, another timesheet for the period ending November 8, 2011, recorded an employee had worked 26 hours in 1 day.

To ensure accuracy of the hours worked, time recorded, and leave taken, timesheets should be signed by the employee and reviewed and approved by the supervisor. Considering the issues the city has had with improper overtime, it is imperative that proper controls be implemented and timesheets carefully reviewed.

3.4 Employee leave and compensatory time

Documentation of some leave benefits accumulated and used and the remaining balances are not maintained in a centralized location, such as the finance department. Computerized payroll records maintained by the finance department reflect balances for vacation and sick leave for most employees; however, the fire department tracks vacation time for its employees and compensatory time is tracked by each individual department. As a result, it is not clear whether or not all leave balances are appropriate, accurate and accrued in accordance with city policy. Having the finance department maintain centralized records of leave and compensatory time could prevent potential overtime abuse similar to the past problems with overtime in the fire department, as discussed in MAR finding number 2.

Accrued leave and compensatory time represent a potential liability to the city, and balances should be properly maintained and monitored to ensure employees are properly compensated.

Recommendations

The Board of Aldermen:

- 3.1 Ensure accurate documentation is maintained of time worked by all city employees.
- 3.2 Ensure compliance with the city's overtime policy and the FLSA.
- 3.3 Ensure adequate reviews of timesheets are performed, timesheets are signed by the employee and their supervisor, and timesheets are submitted to the finance department.



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

- 3.4 Ensure employee leave and compensatory time balances are properly tracked and monitored and maintained in a centralized location.

Auditee's Response

The Board of Aldermen provided the following written responses:

- 3.1 *The City is working to implement an electronic time and attendance module that will allow all timekeeping to be automated and submitted electronically to the payroll module. Employee work schedules will be maintained in this module. Any additional hours will be entered and approved by supervisors. Leave requests will be submitted and approved electronically.*
- 3.2 *We believe the implementation of an electronic time and attendance module will help to gain consistency city-wide in how overtime is calculated. The module will enable the City to set up rules based on city policy and the FLSA so that we do not have to rely on each department to make these determinations.*
- 3.3 *The implementation of an electronic time and attendance module will automate this process which should alleviate this issue.*
- 3.4 *The implementation of an electronic time and attendance module will centralize and automate this process which will simplify the monitoring of leave and compensatory time balances at all levels of management.*

4. Additional Compensation

Some employees receive additional compensation related to tasks performed as a part of regular job duties.

- In 2009 the city entered into a written agreement with the Hanley Road Corridor Transportation Development District (TDD) and is paid \$24,000 a year to provide monitoring and administrative duties for the TDD. The former City Administrator was allowed to allocate these fees to select employee salaries. According to a December 28, 2009, internal memorandum to the payroll clerk, the former City Administrator chose to allocate most of these fees to employees handling the administrative duties of the TDD. The additional amounts were divided and paid each pay period. However, the payment from the TDD was intended to offset costs incurred by the city in performing administrative and monitoring duties for the TDD, not result in increased pay for city employees who perform these functions as a part of their regular city duties. For the year ended December 31, 2011, the former Finance Officer received \$13,500, an accounting clerk received \$6,000, and the former City Administrator received \$1,250. Similar payments were made to these employees prior to 2011. TDD related payments to these employees



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

totaled \$44,750 for the 2 years ended December 31, 2011. Effective January 2012, the current City Administrator determined the payments from the TDD should not have been disbursed to employees and discontinued this practice.

- The city has a perfect attendance program. For the year ended December 31, 2011, the city paid approximately \$21,000 in perfect attendance payments. Employees can receive \$50 each quarter they have perfect attendance. They can also receive an additional \$200 for an entire calendar year of perfect attendance. While such payments were implemented by the city to encourage and reward good work attendance, such payments pose legal questions because courts have held that attendance is part of normal job duties. Thus, providing such lump sum payments appears to represent additional compensation for services previously rendered.

Additional compensation for services previously rendered is 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."

Recommendation

The Board of Aldermen discontinue granting additional pay to employees for tasks performed as part of their normal job duties.

Auditee's Response

The Board of Aldermen provided the following written response:

As indicated by the auditor, the City discontinued the TDD payments to employees in January 2012. The Perfect Attendance Program was adopted by the Board of Aldermen as part of the current employee handbook. The City is currently reviewing the employee handbook and any changes will be adopted by ordinance.

5. Litigation

The city did not take adequate and timely action to correct an issue with underfunded bond accounts for a redevelopment project. City officials indicated coding errors of sales tax collections resulted in the underfunding of bond accounts. The city's independent CPA auditing firm has repeatedly recommended that additional internal controls be implemented to properly account for Tax Increment Financing (TIF) amounts.

In December 2000 the city entered into a redevelopment agreement with a real estate management company for a two phase retail and office space development that would eventually use TIF and Transportation Development District (TDD) funding to assist the developer in the cost of the project. The city issued \$9.5 million in Tax Increment Revenue Bonds



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

for phase one of the project in 2003, and later issued \$20.9 million in Tax Increment Revenue Bonds in 2007 for phase two of the construction project and to refinance the 2003 bonds.

The city collected payment in lieu of taxes (PILOT) and economic activity tax (EAT) monies from the development. The redevelopment agreement required the city and developer to cooperate in ensuring TIF revenues including sales tax monies were properly transferred into the special allocation funds for PILOTs and EATs.

In October 2009, the bank that provided the letters of credit to secure the bonds notified the city and developer of possible defaults under the bond documents. One alleged default was related to bank fees. According to city officials, two retailers within the development used the wrong location code when completing sales tax returns. While bond payments were always made timely, the miscoding of sales tax returns left the bond accounts underfunded by approximately \$460,000, leading to the bank not being able to collect their fees. City officials indicated they had worked with the retailers to correct prior miscoding errors, but for a period of time was unaware that retailers had once again begun miscoding their sales tax returns. The city obtained a loan of \$460,000 in November 2009 to satisfy the underfunding of bond accounts. The other alleged default related to the developer's failure to satisfy certain "lease-up" requirements in the bond documents. The bond documents contained "lease-up" requirements that called for the developer to have a lien-free certificate of occupancy and a percentage of the office and retail space leased. In early 2010, after the bank proceeded in an attempt to declare the bonds in default, the developer filed a lawsuit against the bank and the city, and the bank filed a lawsuit against the developer. The parties reached a settlement agreement in September 2011.

The city hired legal counsel to handle the litigation related to the various lawsuits and spent approximately \$260,000 on legal expenses from February 2011 through December 2011. The loan taken out by the city was repaid in October 2010 with interest costs of approximately \$13,500.

The city indicated it has implemented more reviews and is now reviewing Missouri Department of Revenue (DOR) sales tax reports for accuracy. While it can be difficult to detect sales tax coding errors made by businesses, periodic reviews of DOR sales tax reports for businesses located in the TIF district and closer monitoring of bond accounts may have identified the sales tax and bond account concerns earlier; thus potentially avoiding lawsuits and unnecessary costs. Due to turnover in city staff, current city personnel were unable to explain the review process that was in place at the time to ensure sales tax monies collected were deposited into the proper accounts and sufficient to satisfy all bond account requirements.



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

Recommendation

The Board of Aldermen ensure sufficient procedures are in place to monitor sales tax revenues of businesses collecting sales taxes on behalf of the city and make proper payment of bond issue obligations.

Auditee's Response

The Board of Aldermen provided the following written response:

The City agrees with this recommendation and will ensure procedures are in place to monitor sales tax revenues and make proper payment of bond issue obligations.

6. Meeting Minutes

Open meeting minutes did not document the specific section of law that allows for a closed meeting for any of the 12 closed meetings held in 2011; and the open meeting minutes for October 3, 2011, did not give any reasons for the closed session. In addition, the city does not maintain minutes of closed Board meetings. While the City Administrator keeps notes at the closed meetings, these notes are not well organized and are difficult to understand.

The Sunshine Law, Chapter 610, RSMo, requires minutes be kept for all closed meetings and 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 at an open session.

Recommendation

The Board of Aldermen ensure minutes are prepared and retained to support all closed meetings and the specific reason, statute, and subsection allowing closure is noted in the open meeting minutes.

Auditee's Response

The Board of Aldermen provided the following written response:

The reason for the closed session is posted on the agenda and announced at open session. For future purposes, the reason for the closed session will be reflected in the notes. The City will continue to rely on the advice of its legal counsel to assure compliance with state law.

7. Accounting Controls

Accounting controls in the finance department are in need of improvement.

7.1 Segregation of duties

Payroll duties and receipting duties related to General Fund financial activity are not adequately segregated or reviewed.

- The city payroll clerk is primarily responsible for all payroll functions, including reviewing timesheets, entering data into the payroll system, attaching electronic signatures to checks, approving transfers to the payroll account, and authorizing the bank to direct deposit into employee accounts. An outside vendor is used to generate payroll



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

checks, direct deposit confirmations, and supporting payroll reports, which are then given to the city. Neither the Board nor a supervisor or employee independent of these processes reviews the payroll clerk's work or approves payroll report details from the vendor prior to disbursement. For the year ended December 31, 2011, payroll totaled approximately \$7.5 million for 126 full-time and 108 part-time employees.

- Cash custody and accounting duties have not been adequately segregated for General Fund receipts. The same accounting clerk is responsible for collecting monies, recording transactions, preparing deposits, and reconciling the General Fund bank account. There is no documented supervisory review or comparison of the monies received by the accounting clerk to amounts deposited. There is also no review performed of the General Fund bank reconciliation by the Finance Officer, who handles the bank reconciliations for several other city bank accounts.

Proper segregation of duties is necessary to ensure all transactions are accounted for properly and assets are adequately safeguarded. If proper segregation of duties cannot be achieved, an effective supervisory review should be performed and documented.

7.2 Receipting and depositing

Receipting and depositing procedures need improvement.

- Monies are not promptly receipted or recorded in the accounting system, and are not always deposited intact and timely. Upon receipt monies are secured; however, receipt slips are not issued and monies are not posted to the computer system until the deposit is prepared. Also, checks are not restrictively endorsed until the deposit is prepared. A February 28, 2012, cash count identified checks on hand totaling \$33,633. Of the 18 checks on hand, 12 checks totaling \$32,494 were posted and deposited on February 29, 2012; however, a \$50 check was not posted and deposited until March 2, 2012, and 3 checks totaling \$426 were not posted and deposited until March 5, 2012. Two checks totaling \$663 were not deposited because they were overpayments and were returned to their respective vendor. The clerk indicated some of these checks were not receipted and deposited timely due to incomplete or incorrect information on business license applications.
- The numerical sequence of receipt slips is not accounted for properly. The finance department and the planning and development department share the financial computer system receipting program. The system assigns the next available receipt slip number to a user and the two departments are not accounting for the numerical sequence of these receipt slips.



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

Proper and timely receipting, recording, and depositing procedures are necessary to adequately account for monies received and reduce the risk of loss, theft, or misuse of funds.

Recommendations

The Board of Aldermen:

- 7.1 Segregate the accounting duties of the finance department to the extent possible. If proper segregation of duties cannot be achieved, documented supervisory or independent reviews should be performed.
- 7.2 Ensure monies are promptly receipted and posted to the computer system, and checks are restrictively endorsed immediately upon receipt. In addition, the numerical sequence of receipt slips should be accounted for properly.

Auditee's Response

The Board of Aldermen provided the following written responses:

- 7.1 *The City has two Accounting Clerks who are responsible for processing accounts payable, payroll, cash receipts, accounts receivable, and business licenses. The City has been cross-training in these areas over the past year and implementing review and reconciliation procedures. Finally, the City Administrator and Finance Director provide on-going reviews in the following areas:*
 1. *Review of weekly check registers*
 2. *Review of labor distribution reports each pay period*
 3. *Review of general ledger (Detailed monthly financial reports are prepared and distributed to the management team, Mayor and Board of Aldermen)*
 4. *Review of monthly bank reconciliations*
 5. *Monitoring of City bank balances*
 6. *Review and approval of all invoices submitted for payment*
- 7.2 *We believe these items have been addressed; however, the City will review all department cash handling procedures to ensure these recommendations are being followed.*

8. Vehicles

Documentation related to vehicle allowances and procedures for monitoring fuel and vehicle use are in need of improvement.



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

8.1 Vehicle allowances

The city has not documented the basis of how monthly vehicle allowance amounts paid to various employees were determined. Vehicle allowances are intended to compensate employees for driving personal cars within the city and surrounding area to conduct city business. The city pays monthly vehicle allowances of \$450 to the City Administrator and \$350 to the Assistant City Administrator. Using the city's current reimbursement rate of 55.5 cents per mile, the monthly allowance paid to these employees represents 811 and 631 miles per month, respectively. Allowance payments made were reported as taxable income. However, the city should periodically review the reasonableness of the mileage allowances paid and, if necessary, adjust the allowances to reasonably reflect the actual expenses incurred by the employees on behalf of the city.

8.2 Fuel and vehicle use

The city has not established effective monitoring procedures regarding fuel and vehicle use. Without effective procedures, fuel could be purchased by employees for non-city use and the city's vehicle fleet may not be used in an efficient and appropriate manner. The city maintains 55 vehicles for various city services including police, fire, and public works. During the year ended December 31, 2011, the city incurred fuel costs of approximately \$188,000. The city has not implemented recommendations related to fuel and vehicle use made in multiple years by its independent CPA auditing firm.

- The city maintains two bulk diesel fuel tanks at the public works department, but does not maintain logs of fuel pumped from the tanks or usage logs for vehicles that use these pumps. The city also uses fuel cards at local gas stations in addition to having a city account established with a local gas station for the Fire Department. The city does not maintain logs of fuel pumped for vehicles fueled using either fuel cards or the local account.

Using the bulk diesel fuel tanks and using fuel cards are the two options for fueling most city vehicles. The city's written accounts payable procedures require receipts to be submitted to the finance department for fuel card purchases and fuel purchases made on account. We reviewed fuel disbursements for 2011 and noted supporting receipts were on file for only the October local gas station invoice and for none of the fuel card invoices. An adequate review of these fuel invoices compared to receipts was not performed to ensure purchases were accurate and for city business.

- Of the city's 55 vehicles, 36 are non-specialized vehicles. An evaluation of usage to determine if the number of vehicles is necessary and justified has not been performed. Annual mileage for 8 of the city's 36 non-specialized vehicles was less than 2,000 miles.



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

Maintenance and review of mileage/use logs and bulk fuel inventory records, and comparison of log information and inventory records to fuel purchases, is necessary to ensure vehicles are properly utilized, prevent paying vendors for improper billing amounts, and decrease the risk of theft or misuse of fuel occurring without detection. Logs should provide sufficient details to allow the city to effectively monitor vehicle use and fuel costs. In addition, receipts for fuel purchases made on the city's fuel cards should be submitted to the finance department to allow more effective reviews of fuel billings.

Recommendations

The Board of Aldermen:

- 8.1 Review vehicle allowances and set the allowances to reasonably reflect the actual expenses incurred by the applicable employees.
- 8.2 Establish adequate records and procedures to effectively monitor vehicle and fuel use. Bulk fuel inventory records should be maintained, invoices should be reviewed and approved, and fuel use should be reconciled to fuel purchases. Any discrepancies should be investigated. The Board should also ensure receipts for fuel purchases are submitted to the finance department and reconciled with fuel invoices. In addition, the Board should evaluate vehicle usage to determine if all vehicles are needed.

Auditee's Response

The Board of Aldermen provided the following written responses:

- 8.1 *These allowances were set when the employment agreements were negotiated and are set by resolution adopted by the Board of Aldermen. This recommendation will be taken into consideration for any future employment agreements.*
- 8.2 *The City implemented a Driver Fuel Card Policy and operations procedure in 2012. Detailed usage reports from the fuel vendor are reviewed on a monthly basis to ensure that fuel purchases are reasonable. Drivers are required to use a specific vehicle card and their personal pin number when fueling. They are also required to completely fill the vehicle's tank and enter an accurate odometer reading. This allows the City to monitor fuel usage and mpg for each vehicle.*

The City will implement a similar policy and operations procedure for monitoring usage of bulk diesel fuel at public works. In addition, the City will document during the annual budget process the review of utilization information for all vehicles to ensure that all vehicles are necessary and justified.



9. Budgets

Budget documents do not include the actual beginning and estimated ending available resources for any funds. As a result, the Board is not using all available information to assist in effectively managing the city and the public is not provided a complete overview of city finances.

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.

Recommendation

The Board of Aldermen ensure annual budgets contain all information required by state law.

Auditee's Response

The Board of Aldermen provided the following written response:

We believe the 2013 Annual Budget is in compliance with state law. Beginning and ending fund balance information is provided for all funds.

10. Bank Reconciliations

Bank reconciliation and outstanding check procedures are in need of improvement.

- Bank reconciliations are not prepared timely. The December 2011 bank reconciliation was the most recently completed reconciliation as of April 2012. In addition, the December 2011 payroll account bank reconciliation contained several reconciling items that were carried forward from month-to-month instead of adjusting entries being made in the city's accounting system. For example, an employee's paycheck had been direct deposited into the employee's account for the wrong amount. The wrong amount was also recorded in the accounting records. After the error was discovered, the correct amount was direct deposited into the employee's account and properly recorded in the city accounting records. However, when the incorrect deposit was reversed back into the city bank account, it was not reversed in the accounting records. The reversal was only recorded on the bank reconciliation and is carried forward each month on the reconciliation. Several checks had been returned to the city and are also recorded on the reconciliation instead of making the necessary adjusting entries in the accounting records.
- The city does not routinely and timely follow up on outstanding checks. At December 31, 2011, the city's general account had 22 outstanding checks totaling \$4,681, and the payroll account had 12 outstanding checks totaling \$1,465, all of which had been outstanding for more than



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

a year. In addition, at January 31, 2012, the sewer lateral account had seven outstanding checks totaling \$364 which had been outstanding for more than a year.

Timely 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. In addition, procedures should be established to routinely investigate any checks remaining outstanding over a specified period of time. Old outstanding checks should be voided and reissued to those payees who can be readily located. If the payees cannot be located, amounts should be disposed of in accordance with applicable state laws.

Recommendation

The Board of Aldermen ensure monthly bank reconciliations are performed timely and outstanding checks are followed up on appropriately. In addition, any discrepancies should be investigated and resolved with appropriate adjustments made to the accounting records.

Auditee's Response

The Board of Aldermen provided the following written response:

The City continues to improve the timeliness of monthly bank reconciliations. We are working to develop procedures for following up on outstanding checks and developing a process for properly reporting related unclaimed property. Discrepancies are now investigated and resolved when they are identified through the reconciliation process.

11. Property Controls and Records

An annual physical inventory of property has not been performed in at least 5 years and city property is not tagged and properly identified. In addition, property records maintained do not include all necessary information such as date and method of disposal. The book value of city assets exceeded \$13 million at December 31, 2010, according to the city's most recent inventory record.

Adequate city property records and procedures are necessary to secure better internal control over city property, and provide a basis for determining proper insurance coverage. Property control tags should be affixed to all property items to help improve accountability and ensure assets are properly identified as belonging to the city. Property records should also include information such as acquisition/disposition dates. A physical inventory should be performed on an annual basis.

Recommendation

The Board of Aldermen ensure complete and detailed capital asset records are maintained and include all pertinent information for each asset. In addition, the Board should ensure annual physical inventories are performed and compared to detailed records and property control tags are affixed to all property.



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

Auditee's Response

The Board of Aldermen provided the following written response:

The City will review the capital asset records to ensure that all pertinent information is recorded for each asset. The city will be performing a physical inventory in 2013 and plans to continue this process on an annual basis. During this inventory process, we will ensure that property control tags are affixed to each asset.

12. Library

The city has not entered into a current written agreement with the Brentwood Public Library or conducted a cost-benefit analysis of providing city hall space and accounting services to the library. The most recent agreement provided by the city is from 1947. The library pays a monthly rental and utility fee of \$500 for use of the lower level of city hall and a fee of \$50 for accounting services provided for the library by the city finance department. These rates have been the same for at least 20 years, but are not supported by a written agreement.

Written contracts are necessary to ensure parties are aware of their duties and responsibilities and to prevent misunderstandings. Section 432.070, RSMo, requires contracts for political subdivisions be in writing. Contracts should be periodically reevaluated to ensure arrangements are still appropriate and fees are reasonable as compared to benefits received and costs incurred.

Recommendation

The Board of Aldermen enter into an updated written agreement with the Brentwood Public Library defining services provided and benefits received. In addition, the Board should monitor the costs of providing space and services and periodically reevaluate the contract terms for reasonableness.

Auditee's Response

The Board of Aldermen provided the following written response:

We believe that it is in both parties' best interests to continue to provide space and services that would be very expensive for the Library to obtain by other means and that benefit Brentwood residents. The City will consider updating the written agreement with the Library defining services provided and benefits received.

City of Brentwood

Organization and Statistical Information

The City of Brentwood is located in St. Louis County. The city was incorporated in 1919 and is currently a fourth-class city. The city employed 126 full-time employees and 108 part-time employees on December 31, 2011.

City operations include fire services, law enforcement services, trash collection, operation and maintenance of city parks, economic development, and street maintenance.

Mayor and Board of Aldermen

The city government consists of a mayor and eight member board of aldermen. The members are elected for 4-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 December 31, 2011, are identified below. The Mayor is paid \$1,200 per month and Board of Aldermen members \$600 per month. The compensation of these officials is established by ordinance.

Pat Kelly, Mayor
Barb Clements, Alderwoman
Anthony Harper, Alderman
Michael Marshall, Alderman
Lee Wynn, Alderman
Andrew Leahy, Alderman
Keith Robertson, Alderman
Lorraine Krewson, Alderwoman
Tom Kramer, Alderman

Other Elected Official

The Municipal Judge at December 31, 2011, was Ronald Hill and his annual compensation is \$15,000. The Municipal Judge's compensation is established by the Board of Alderman.

American Recovery and Reinvestment Act 2009 (Federal Stimulus)

The city did not receive any federal stimulus monies during the year end December 31, 2011.