



Thomas A. Schweich
Missouri State Auditor

FOLLOW-UP REPORT ON AUDIT FINDINGS

City of Pacific

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City of Pacific
Follow-Up Report on Audit Findings
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THOMAS A. SCHWEICH

Missouri State Auditor

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

We have conducted follow-up work pursuant to the Auditor's Follow-Up Team to Effect Recommendations (AFTER) program on certain audit report findings contained in Report No. 2011-104, *City of Pacific*, issued in November 2011. The objectives of the AFTER program are to:

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

Our methodology included working with the city, prior to completion of the audit report, to develop a timeline for the implementation of corrective action related to the audit recommendations. As a part of the AFTER work conducted, we reviewed a report summarizing the status of our recommendations and reviewed supporting documentation provided by the city. This report is a summary of the results of this follow-up work, which was substantially completed during March 2012.

Thomas A. Schweich
State Auditor

City of Pacific

Follow-Up Report on Prior Audit Findings

Status of Findings

1. Legal Services	Legal services were procured without a competitive process, and the city had not performed a cost analysis to determine if outsourcing legal services was cost beneficial.
1.1 Proposals for legal services	The city had not obtained proposals for legal services. As a result, the city could not ensure it had the best qualified individual at the lowest and best cost for the position. The city engaged the City Attorney and his law firm based on the type of specialized services needed. The City Attorney is considered a contracted position and paid at an hourly rate. The city had used the same individual as City Attorney since 2002, without periodically soliciting proposals for this position.
Recommendation	Periodically solicit proposals for legal services and maintain all related documentation, including reasons for the city's decisions.
Status	Implemented The city submitted to us a list of nine law firms that submitted proposals for legal services. The city also submitted a 19 page proposal from one firm as representation of the proposals they received. The city decided to stay with its current law firm, Cunningham, Vogel & Rost. This firm's rate was the second lowest of the nine proposals received.
1.2 Cost analysis	The city had not performed a cost analysis to determine if legal services should be performed in-house or continue to be outsourced.
Recommendation	Perform a cost analysis to determine the most cost effective method of obtaining legal services.
Status	Implemented The city submitted a cost analysis to us that concluded it is not feasible to have a full time attorney on staff. The city believes it will save over \$150,000 per year by contracting for legal services.
2.1 Disposal of City Property	The city did not ensure the best possible price was obtained when it disposed of two police vehicles. One vehicle was given away in a raffle which raised \$2,200, of which \$1,100 was given to the senior center. The city gave the other vehicle to a vendor in exchange for the installation of sirens and lights on new police vehicles, invoiced at approximately \$9,700. The city could not provide documentation of the value of the vehicles at the time of disposal and therefore, could not document an equitable amount was received.
Recommendation	Ensure dispositions of city property such as vehicles is handled in a manner that ensures the best possible price.



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Status of Findings

Status

Implemented

The city administrator provided us with an Affidavit of Publication showing an advertisement seeking bids for surplus office equipment.

3. Sewer Rates

The sewer rates charged to customers were insufficient to cover sewer operations. As a result, the 2011 budget for the Sewer Fund indicated a deficit of approximately \$7,300 and contained a note indicating any deficit in the Sewer Fund would be covered by the Water Fund. The city received a study of water and sewer rates in August 2011, and the Board of Aldermen was still considering possible action as of August 11, 2011.

Recommendation

The City of Pacific Board of Aldermen review sewer rates periodically to ensure receipts are sufficient to cover all costs of providing this service.

Status

Implemented

The city passed an ordinance at the March 6, 2012, meeting that raised sewer rates by \$1 per 1,000 gallons used and increased the deposit fee by \$25. The increase is effective as of May 1, 2012. The City Administrator indicated the \$7,300 deficit was primarily due to \$300,000 in utility relocations related to a street widening project, and the rate increase will help ensure the fund will not have any deficits in the future.

4. Senior Center

The city had not received or reviewed invoices and supporting documentation from the Senior Center as required by contract. As a result, the city could not ensure city funds were spent appropriately. In April 2011, the city entered into a formal written agreement with the Senior Center to collect \$1 donations for the center from residents through water bills and to pay a portion of the city recycling rebate (received as part of its recycling contract) to the center. The agreement required the Senior Center to submit invoices with any necessary supporting documentation for these monies and keep complete and accurate records of expenditures, which were open to the city for inspection. During the year ended June 30, 2011, the city paid \$5,000 to the Senior Center under this contract.

Recommendation

The City of Pacific Board of Aldermen monitor the operations of the Senior Center to ensure city funds are spent appropriately.

Status

Implemented

The city submitted to us a monthly Profit and Loss Statement and Balance Sheet received from the Senior Center. There are also now two city employees on the Tri County Senior Center Board.