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FOLLOW-UP REPORT ON AUDIT FINDINGS

City of Brentwood

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City of Brentwood

Follow-Up Report on Audit Findings

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*Includes selected findings



THOMAS A. SCHWEICH

Missouri State Auditor

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

We have conducted follow-up work on certain audit report findings contained in Report No. 2013-034, *City of Brentwood*, issued in May 2013, pursuant to the Auditor's Follow-Up Team to Effect Recommendations (AFTER) program. 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 specific plans to begin, or 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 part of the AFTER work conducted, we reviewed the city's action plan, which was created in response to our audit report and is available on the city's website. We also reviewed supporting documentation submitted by city officials and held meetings with city officials. Documentation provided by the city included bid documentation, credit card statements, bank reconciliations, ordinances, employee timesheets, and open and closed meeting minutes. This report is a summary of the results of this follow-up work, which was substantially completed during August 2013.

A handwritten signature in black ink that reads "Thomas A. Schweich".

Thomas A. Schweich
State Auditor

City of Brentwood

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Status of Findings

1.1 Bids The city's bid policy was not followed for several purchases, and bid documentation was not retained for several other purchases, in violation of city code.

The city could not locate bid documentation for approximately \$3.5 million of the \$3.7 million firehouse construction project. The city eventually obtained the bid documentation for the remainder of the project from the project management company. The city had not solicited proposals for ambulance billing services since 1998. In addition, dental insurance coverage and life insurance coverage had not been bid in recent years, and documentation from the last time these benefits were bid could not be located.

Recommendation The Board of Aldermen ensure bids are solicited for all applicable purchases in accordance with city code and state law, and sufficient documentation is maintained.

Status **Implemented**

The city provided a listing showing that as of August 2013, the city has solicited proposals for all 18 projects and services which required proposals per city policy. The requests for proposals are posted on the city's website and the bid documentation received from potential vendors is maintained on file at City Hall.

1.2 Professional Services The city had not obtained proposals and written contracts for various professional services.

Recommendation The Board of Aldermen periodically solicit proposals and enter into written agreements for professional services.

Status **Partially implemented**

The city has solicited proposals and entered into written agreements for accounting and auditing services and is in the process of obtaining professional benefits broker services. City officials opted to not solicit proposals for legal services; instead they will continue to follow Section 79.230, RSMo, and City Codes 2-216 and 2-218, which allow the Mayor to appoint legal counsel with the approval of the Board.

1.3 Late Fees Fuel bills were not paid timely and late fees and/or finance charges were often incurred. The city had trouble meeting the short timeframe between billing and payment due dates of the fuel vendor.

Recommendation The Board of Aldermen implement procedures to ensure bills are paid timely.



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Status

Implemented

The city worked with the fuel vendor to change the payment due date from 10 days to 21 days after billing date. In addition, we reviewed the monthly fuel statements from April 2013 through July 2013 and noted no late fees were assessed to the city.

1.4 Credit Cards

The city did not maintain adequate documentation for some credit card purchases. In addition, the city had not implemented the recommendations related to this issue made in multiple audit reports by its independent CPA firm.

Recommendation

The Board of Aldermen ensure adequate supporting documentation is retained for all credit card expenditures.

Status

Implemented

The Finance Director indicated she reviews all credit card statements and ensures each charge listed has supporting documentation. We reviewed credit card statements for February, May, and July 2013 and all charges had supporting documentation.

2. Fire Department
Overtime and
Timesheets

The city required the fire department to submit only summary overtime reports to the city finance department, rather than detailed timesheets, despite a recent legal settlement with the firefighters union regarding excess overtime payments. In addition, the city did not have adequate documentation related to a legal settlement with the firefighters union over excessive overtime payments.

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.

Status

Implemented

City officials indicated they have not had any significant legal decisions to address since the audit report was released, but will ensure all related documentation is retained as appropriate in the future. The city now requires all employees to submit detailed timesheets each pay period. We reviewed the July 2013 timesheets and timecards that were submitted to the payroll section and the time records were appropriately detailed and signed by the proper individuals. In addition, the city is in the process of implementing an electronic time and attendance module that will allow all timekeeping to be automatically submitted to the finance department's payroll section electronically each pay period. Currently, just the administration department



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is on the new system. The city expects the new system to be fully implemented by the spring of 2014.

3. Payroll and Leave
Records

The city lacked 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.

Recommendation

The Board of Aldermen ensure accurate documentation is maintained of time worked by all city employees.

Status

Implemented

The city is currently not aware of any situations where an employee is serving in two positions. All city employees are now required to submit a timesheet or timecard. The July 2013 timesheets and timecards were reviewed and the time records were appropriately detailed and signed by the proper individuals.

3.2 Personnel policies

The city was not always in compliance with its overtime policy and Fair Labor Standards Act (FLSA) requirements. In addition, the city was not consistent regarding when overtime was paid out to employees.

Recommendation

The Board of Aldermen ensure compliance with the city's overtime policy and the FLSA.

Status

In Progress

Once the electronic time and attendance module (discussed in the status for finding number 2) is fully implemented, it can be programmed to calculate overtime based on the FLSA provisions and city policy. The city is currently in the process of revising its overtime approval policy.

3.3 Timesheets

Timesheets were prepared by employees; however, some timesheets were not signed by the employee and some did not indicate review and approval by the supervisor.

Recommendation

The Board of Aldermen ensure adequate reviews of timesheets are performed, timesheets are signed by the employee and their supervisor, and timesheets are submitted to the finance department.

Status

Implemented



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The July 2013 timesheets and timecards were reviewed for sufficient details and the signatures of the employee and applicable supervisor. The timesheets and timecards were appropriately detailed and signed by the proper individuals.

3.4 Employee leave and compensatory time

Documentation of some leave benefits accumulated and used and the remaining balances was not maintained in a centralized location.

Recommendation

The Board of Aldermen ensure employee leave and compensatory time balances are properly tracked and monitored and maintained in a centralized location.

Status

Implemented

Effective May 2013, all city departments were required to submit leave and compensatory time balances to the Human Resources Manager. Each month the manager, using information from employee time records, enters each employee's leave and compensatory time usage and accruals into a computer program and sends monthly reports to all departments. A leave balance report dated August 7, 2013, was reviewed and all employees had balances in compliance with city policy.

4. Additional Compensation

The city had a perfect attendance program. Employees received \$50 each quarter they had perfect attendance. They also received an additional \$200 for an entire calendar year of perfect attendance.

Recommendation

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

Status

Implemented

In June 2013, the Board of Aldermen passed Ordinance No. 4444, which discontinued the perfect attendance program. The city indicated the employee handbook will be amended to reflect discontinuation of the program.

5. Litigation

The city did not take adequate and timely action to correct an issue with underfunded bond accounts for a redevelopment project. Coding errors of sales tax collections resulted in the underfunding of bond accounts by approximately \$460,000, leaving the bank unable to collect applicable fees and forcing the city to obtain a loan to satisfy the underfunding. The loan was repaid in October 2010, with interest costs of approximately \$13,500.

In addition, after an attempt by the bank to declare the bonds in default, the developer filed a lawsuit against the bank and the city, resulting in legal



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expenses of approximately \$260,000 for the city. The lawsuit was settled in September 2011.

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.

Status

Implemented

A monthly report is compiled for each Transportation Development District, which lists the retailers and sales taxes received each month. The report is based on information received from the Missouri Department of Revenue. A memo is also given to the bond trustee each month directing what amount should be transferred to each bond account.

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 did not maintain minutes of closed Board meetings.

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.

Status

Implemented

The minutes for the July 15, 2013, open and closed meetings and the minutes for the August 5, 2013, closed meeting were reviewed. The closed meeting minutes were organized and provided sufficient information, and the open meeting minutes contained the specific reason, statute, and subsection for allowing the meeting closure.

7. Accounting Controls

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

7.1 Segregation of duties

Payroll duties and receipting duties related to General Fund financial activity were not adequately segregated or reviewed. In addition, there was no review performed of the General Fund bank reconciliation by the Finance Officer.

Recommendation

The Board of Aldermen 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.



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Status

Implemented

Bank reconciliations are now required to be signed by the employee performing the reconciliation and the employee reviewing the reconciliation. In addition, the Finance Director reviews monthly payroll reports. The reports include any changes that were made in the payroll program during the month. The July 2013 bank reconciliations were reviewed and contained the signatures of the preparer and applicable supervisor. The July 2013 payroll report was reviewed and was signed by the Finance Director. Also, the city has hired an accounting firm to perform a review of internal controls and conduct risk assessments, and this review is scheduled to begin in October 2013.

7.2 Receipting and depositing

Monies were not promptly receipted or recorded in the accounting system, and were not always deposited intact and timely. Upon receipt monies were secured, but receipt slips were not issued and monies were not posted to the computer system until the deposit was prepared. In addition, checks were not restrictively endorsed until the deposit was prepared.

The numerical sequence of receipt slips was not accounted for properly. The finance department and the planning development department shared the financial computer system receipting program. The system assigned the next available receipt slip number to a user, but the two departments were not accounting for the numerical sequence of these receipt slips.

Recommendation

The Board of Aldermen 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.

Status

Implemented

The August 2013 receipt and deposit records were reviewed and monies are promptly receipted, posted, and deposited. Deposits were made daily, ensuring that checks are restrictively endorsed each day. Each time a deposit is made a numerical sequence of receipt slips report is generated and reconciled to the deposit.

8.2 Fuel and Vehicle Use

The city had not established effective monitoring procedures regarding fuel and vehicle use.

The city did not maintain logs of fuel pumped from bulk diesel fuel tanks or usage logs for vehicles that used the pumps. The city did not maintain logs of fuel pumped for vehicles fueled using fuel cards or on account with local gas stations.



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Although the city's written accounts payable procedures required receipts to be submitted to the finance department for fuel card purchases and fuel purchases made on account, supporting receipts were on file for only the October 2011 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.

A usage evaluation to determine if the number of vehicles was necessary and justified had not been performed.

Recommendation

The Board of Aldermen 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.

Status

Implemented

Fuel logs are now maintained. Each time a vehicle is fueled, the date, driver, vehicle, mileage, starting and ending meter readings, and total gallons pumped are entered on the log. Several fuel logs were reviewed and all necessary information was included in the logs. The bulk fuel tanks are now locked when not in use. In 2012, the city implemented a driver fuel card policy that cardholders must sign before being given a fuel card. The policy requires each cardholder to have unique personal identification number and details the steps that must be followed when using the fuel card. Fuel receipts are submitted to the finance department and reconciled with the monthly fuel card statements. The April through July 2013 fuel card statements were reviewed. All fuel purchases on the statements had supporting documentation. The statements were also signed by city officials indicating their review. In May 2013, a vehicle committee was created and developed a vehicle replacement policy and schedule. The city indicated the committee's comprehensive review of vehicles will be incorporated into the 2014 budget process.

10. Bank Reconciliations

The city's bank reconciliations were not prepared timely. Also, 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. In addition, the city did not routinely and timely follow up on outstanding checks.

Recommendation

The Board of Aldermen ensure monthly bank reconciliations are performed timely and outstanding checks are followed up on appropriately. In addition,



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any discrepancies should be investigated and resolved with appropriate adjustments made to the accounting records.

Status

Implemented

Bank reconciliations are now performed timely. The July 2013 bank reconciliations for the general account and payroll account had been completed as of our August 2013 follow up meeting. The Finance Director documented her review of the general account reconciliation on August 5, 2013, and her review of the payroll account reconciliation on August 12, 2013.

On August 13, 2013, the city sent letters to the payees of old outstanding checks, requesting a status update on those checks.