Susan Montee, CPA

Missouri State Auditor

December 2007

City of Springfield, Missouri

Office of
Missouri State Auditor
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YELLOW SHEET

The following findings were included in our audit report on the City of Springfield, Missouri.

The City of Springfield has invested in several capital improvement projects and made decisions regarding employee benefits that have required a significant amount of city resources and accumulated a significant future liability for the city. Additionally, a considerable amount of city funds have been spent as a result of poor planning and poor oversight. The city does not have an internal auditor as allowed by city charter, which could have helped in discovering and resolving several areas commented on in this report.

After more than three years and contracting with two developers, the Heer's Tower project is still in the initial phases. During this time the city pledged public funds to secure private financing for a developer to purchase the Heer's Tower, paid $693,000 to the developer for demolition and design services without soliciting bids, subsequently paid $3.3 million to foreclose on the property, and then sold the Heer's Tower for $3 million to a second developer. Additionally, the city's agreement with the second developer contains unclear terms regarding the city's hotel/motel room tax revenue.

The city is also constructing two parking garages in the downtown area near the Heer's Tower and College Station developments costing $17 million and anticipates funding the debt service payments through increased sales tax revenue generated by new downtown commercial developments. However, the terms in the city's agreement for the College Station development do not appear to adequately protect the city's financial investment in the project.

The city has spent over $3 million to purchase a building, furniture, and equipment for a police and fire training facility, but after more than three years the building sits vacant without renovations and approximately $300,000 in furniture and equipment is still stored in the original packaging. Additionally, warranties on some of the unused equipment have expired. Acquiring equipment when it is not immediately needed is a waste of public funds.

Over $8 million in city funds have been used to subsidize the Jordan Valley Ice Park and Car Park since these two facilities opened. The city's feasibility study for the Ice Park indicated the park should have been self supporting in the first year of operation; however, income from hockey activities have not developed as projected.

The city has not determined a revenue source to repay approximately $2.7 million in bonded indebtedness associated with the construction of the state crime lab, which is estimated to cost approximately $6.8 million.

(over)

The unfunded liability of the Police Officers and Firemen's Retirement System (Plan) has increased by approximately $100 million since 2000, and the city has not met the funding obligation for employer contributions as determined by actuarial calculations. Although the city has contributed $37.7 million to the Plan since 2000, the required funding continues to rise and the city's contribution has not increased at the same rate. In an effort to control the increasing liability, the City Council approved an ordinance making several changes to the Plan for employees hired on or after June 1, 2006, including changing the method by which retirement benefits are calculated, increasing the retirement age, and eliminating automatic annual cost of living increases. Since these changes only apply to recently hired employees, it will take a number of years before an appreciable impact is noted.

City policy allows some employees to accrue unlimited amounts of leave time, and receive compensation for the unused leave upon termination, resulting in a significant future liability for the city. Some city employees have received payments totaling over $100,000 for unused leave time upon retirement. These large payments constitute a significant future liability for the city and have increased the calculation of monthly retirement benefits for Police Officers and Firemen contributing to the under funding of the retirement plan.

The city has also not met the funding obligation for the city's self-insured workers' compensation fund, resulting in approximately $6.7 million in unfunded liabilities at June 30, 2006.

The ballot language used to extend the city's general revenue property tax levy does not provide voters with a clear sunset date. The levy will generate approximately $6.4 million in 2007.

The city contracted with the former City Manager and former City Attorney to provide consulting services, however, contracts were not always followed, documentation of work performed was not always adequate, and contracts were amended numerous times to extend the contract period without adequate documentation to explain the extensions.

Controls and procedures over the city's $31.5 million loan program (operated by the Department of Planning and Development) need significant improvement. Loan balance totals varied by as much as $1 million between the different loan accounting records. Additionally, loan defaults have not been resolved consistently and in accordance with city policy, deferred loan balances are not adequately monitored, and security measures in the city's loan software system are inadequate. The city needs to evaluate its policy to allow loan payments to be deferred for 20 years, and does not have a policy limiting the number of loans or amount of loans awarded to individuals or companies. Further, the city issued $3 million in bonds to fund additional low interest loans because adequate monies were not available in the city's loan fund, and the bond interest rate is more than the interest rate charged on the loans.

Improvements are needed at the numerous cash collection points throughout the various city departments that collect over $48 million annually in city receipts. Weaknesses were identified in the areas of recording and accounting for receipts, accounting for the numerical sequence of receipts, depositing/transmitting receipts timely, reconciling receipts to deposits, and restricting employee access to computerized accounting records.

The city has not performed a cost benefit analysis since 1999 to determine the most cost effective method of repairing and maintaining city owned vehicles. The city's service center (operated by the Public Works Department) bills the various city departments significantly more for an oil change than the Parks Department reports as the cost of an oil change in their maintenance facility. Additionally, the city's service center bills city departments an additional mark up price for work contracted to outside vendors, replacement parts, and fuel. Further, employees of the service center receive incentive payments based on job performance and operating cash flow, which may be in violation of the Missouri Constitution. Approximately $3.1 million was billed by the service center to the various city departments during the year ended June 30, 2006.

The city collects over $3.2 million annually in hotel/motel room taxes, but does not examine or inspect the books and records of the hotels and motels to ensure the amounts paid are accurate. Additionally, the city does not properly monitor the hotel/motel tax funds passed through to the Springfield Convention and Visitors Bureau (CVB). Adequate supporting documentation is not maintained for some CVB expenses, the CVB's payroll bank account was not used in compliance with city contract, and the vehicle provided to the CVB Director is mainly used for personal purposes.

Approximately $1.2 million in revenue was not collected by the Springfield-Branson National Airport because authorization to collect a Passenger Facility Charge expired in March 2006 and application to the Federal Aviation Association to continue to impose the fee was not submitted timely. Additionally, improvement is needed in managing and soliciting proposals for various contracts.

Better controls need to be implemented over the $6.6 million charged on the city's 450 purchasing cards (VISA credit cards) issued to various city employees. We identified excessive spending limits, unnecessary purchases, split purchases to circumvent transaction limits, and inadequate supporting documentation.

Compliance with contract terms and adequate supporting documentation was not required for $464,417 paid to the city's lobbyist during the two years ending June 30, 2007.

The Parks Department has assigned fuel credit cards to employees who do not use and may not need to use the credit cards. Additionally, increased controls are needed over the Parks Department's bulk fuel purchases, and bids have not been solicited for concession products.

Also included in the report are recommendations related to vehicle usage, city expenditures, bonus and incentive payments, controls over seized property, city policies and procedures, finance department procedures, and council and board meeting minutes.

All reports are available on our Web site: www.auditor.mo.gov

CITY OF SPRINGFIELD, MISSOURI

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STATE AUDITOR'S REPORT

SUSAN MONTEE, CPA
Missouri State Auditor

To the Honorable Mayor
and
Members of the City Council
Springfield, Missouri

The State Auditor was petitioned under Section 29.230, RSMo, to audit the city of Springfield, Missouri. The city engaged KPMG LLP, Certified Public Accountants (CPAs), to audit the city's financial statements for the year ended June 30, 2006. To minimize duplication of effort, we reviewed the report and substantiating working papers of the CPA firm. The scope of our audit of the city included, but was not necessarily limited to, the year ended June 30, 2006. The objectives of this audit were to:

1. Perform procedures to evaluate the petitioners' concerns.

2. Review internal controls over significant management and financial functions.

3. Review compliance with certain legal provisions.

To accomplish these objectives, we reviewed minutes of meetings, written policies, financial records, and other pertinent documents; interviewed various personnel of the city, as well as certain external parties; and tested selected transactions. Our methodology included, but was not necessarily limited to, the following:

1. We obtained an understanding of petitioner concerns and performed various procedures to determine their validity and significance.

2. We obtained an understanding of internal controls significant to the audit objectives and considered whether specific controls have been properly designed and placed in operation. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

3. We obtained an understanding of legal provisions significant to the audit objectives, and we assessed the risk that illegal acts, including fraud, and

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violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting significant instances of noncompliance with the provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. The work for this audit was substantially completed by July 2007.

The accompanying History, 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 the audit of the city.

The accompanying Management Advisory Report presents our findings arising from our audit of the city of Springfield, Missouri. An audit of the City Utilities of Springfield is still in process, and any additional findings and recommendations will be included in a subsequent report.

An additional report, No 2007-30, *Thirty-First Judicial Circuit, City of Springfield, Missouri, Municipal Division*, was issued in August 2007.

Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

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MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

CITY OF SPRINGFIELD, MISSOURI
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1. Management of City Resources

The city has invested in several capital improvement projects and has made decisions regarding employee benefits that have required a significant amount of city resources, and accumulated a significant future liability for the city. The city does not have a clear financial plan on how to fund some of their obligations.

- The city is constructing two parking garages costing approximately $17 million in the downtown area, and anticipates funding the debt service payments on these two parking facilities through increased sales tax revenue generated by new downtown commercial developments. However, the agreement with one developer does not appear to adequately protect the city's investment. (MAR 2)

- Over $8 million in city funds have been used to subsidize the Jordan Valley Ice Park and Car Park since their openings. The city needs to evaluate the operations of these two facilities and determine how city subsidies can be reduced. (MAR 3.A)

- The city has not determined a revenue source to repay approximately $2.7 million in bonded indebtedness associated with the construction of the crime lab. City personnel indicate that monies from the city's general fund will most likely be used. (MAR 3.C)

- The Police Officers and Firemen's Retirement Plan's unfunded liability has increased by approximately $100 million since 2000. The city needs to develop a plan to reduce the unfunded liability. (MAR 4.A)

- The city allows some employees to accrue unlimited amounts of leave time, and receive compensation for the unused leave upon termination, resulting in a significant future liability. For example, in May 2007 there were 26 city employees with over six months of vacation leave accumulated, computing to almost $1 million. (MAR 4.B)

- The city failed to include contracted city employees as active members in the Local Government Employees Retirement System (LAGERS) resulting in an increase in required contributions of approximately $120,000 for 2008. (MAR 4.C)

- The city has not met the funding obligation of the city's self-insured workers compensation fund, and as of June 30, 2006 the unfunded liability had accumulated to approximately $6.7 million. (MAR 4.D)

A significant amount of city funds were spent as a result of poor planning and poor oversight. Additionally, numerous controls and procedures over the collection and disbursement of city funds need to be improved.

- The city pledged $1.5 million for a developer to obtain private financing to purchase the Heer's Tower which resulted in the city paying $3.3 million to purchase the loan and foreclose on the property. The city subsequently sold the property for $3 million. Additionally, the city paid approximately $693,000 to the initial developer of the Heer's Tower for demolition and design costs without documentation of bids or proposals. (MAR 2.A)

- The city paid $1.5 million and issued $2 million in bonds to acquire and renovate a building for a police and fire training facility. The building has sat vacant for almost three years and no renovations have been started. Approximately $1.5 million in bond proceeds have not been utilized by the city and are still being held by the trustee bank. (MAR 3.B)

- Unused furniture and equipment valued at approximately $300,000 has been stored by the city in its original packaging for over three years. The items were purchased with federal grant funds and the city had planned to use these items in the police and fire training facility that, as noted above, has not been constructed. (MAR 3.B)

- The city spent approximately $190,000 to install road pavers for appearance purposes on one downtown city street which costs more than standard paving materials. According to city personnel, there are no plans to use pavers on future paving projects. (MAR 3.D)

- Numerous weaknesses were noted over the procedures and controls used to account for the city's $31.5 million loan programs. Loan balance information is not adequately tracked and monitored, and the city issued $3 million in bonds to fund additional low interest loans because adequate monies were not available in the city's loan fund. (MAR 6)

- The city has contracted with several retired city employees to provide consulting services; however, contracts were not always followed, documentation of work performed was not always adequate, and contracts were amended numerous times to extend the contract period without adequate documentation of why the contract extension was necessary. (MAR 5.A)

- Improvements are needed in the cash collection points throughout the various city departments that collect over $48 million annually. (MAR 7)

- The city has not performed a cost benefit analysis since 1999 to determine the most cost effective method of repairing and maintaining city owned vehicles. The city's service center charges departments approximately $78 for an oil change, while the city's Park's Department reports the cost of an oil change in their maintenance facility at only $34. (MAR 8)

- Controls need improved over the spending of $6.6 million in annual charges on the city's more than 450 purchasing cards (VISA credit cards) issued to city employees. Excessive spending limits, inadequate supporting documentation, purchases split to circumvent transaction limits, and unnecessary purchases were noted. (MAR 11)

- Approximately $1.2 million in revenue was not collected by the Springfield-Branson National Airport because the authorization to collect a Passenger Facility Charge expired. (MAR 13.A)

By not providing adequate oversight, and making good management decisions, the City Council and city management have accumulated a significant amount of future liability and placed city funds at risk. Considering all of the weaknesses identified in this report, the city should consider establishing the position of internal auditor to report directly to the City Council as allowed by city charter. Various needed improvements are discussed throughout this report.

WE RECOMMEND the City Council provide the necessary oversight to ensure city funds are managed appropriately, including having a clear financial plan on how to fund all city obligations. Additionally, the City Council should implement the various recommendations throughout this report to help improve the management of city operations.

AUDITEE'S RESPONSE

The City of Springfield wishes to express its respect for the State Auditor's Office and for the right of citizens to request this process. Detailed responses to the specific findings will be included with each section. While the City may concur with certain findings and take exception with others, the City also wishes to express its appreciation for the professionalism and courtesy extended by the State Auditor's staff members who performed this audit.

The City Council believes this process will be healthy for the City. Implementing additional internal controls and documentation will assure citizens that public funds are being managed with best practices and allocated wisely for all basic services expected of City government and priorities identified by the community through voter-approved referendums, Vision 20/20, the Neighborhood Assessment Program, and other community vision processes.

It will be noted in various sections that the City began implementing recommendations included in the findings based on conversations with the Audit staff beginning early in this process. One of the primary recommendations resulting from this Auditor's report is the hiring of an internal auditor, which the City Council will accept and implement beginning on a contract basis as noted in MAR 18.

2. Downtown Development

A significant amount of city funds has been used toward developing the downtown area. The city pledged $1.5 million in public funds to assist a developer in obtaining private financing to purchase the Heer's Tower and subsequently paid approximately $3.3 million to purchase the developer's loan and foreclose on the property. Additionally, the city is constructing two parking garages costing approximately $17 million in the downtown area, and anticipates funding the debt service payments on these facilities with additional tax revenue generated from downtown commercial development. Further, the city's agreement with the developer of the College Station development does not appear to adequately protect the city's financial investment in the project.

A. The city has spent approximately $3.3 million to acquire the Heer's Tower and is spending an additional $6 million to construct a parking garage next to the tower. After more than three years and contracting with two developers, the Heer's Tower project is still in the initial phases. City treasury notes totaling $1.5 million were pledged as collateral for the developer to originally purchase the property and the city ultimately foreclosed on the property. Bids were not solicited for amounts paid to the original developer for demolition and design services related to the parking garage construction. Additionally, the city's agreement with the property's second developer contains some unclear terms regarding the city's hotel/motel tax.

In August 2004, the city entered into a redevelopment agreement to "renovate the Heer's Tower as a retail, office and restaurant mixed use facility." For the developer to obtain sufficient financing to purchase the Heer's property, the city pledged $1.5 million in treasury notes to secure the developer's loan.

According to the redevelopment agreement, the city agreed to buy the property next to the Heer's Tower from the developer and build a parking garage with the developer agreeing to lease parking spaces from the city. The city planned to use the lease payments to help fund the debt service payments on the parking garage. The agreement further indicated that the city would pay the developer for all "reasonable costs" of demolition of adjacent buildings in preparation for the city to construct the parking garage. As of April 30, 2007 the city has paid approximately $693,000 to companies owned by the developer for demolition costs ($321,000) and design services ($372,000) without documentation of bids or proposals, to ensure the amounts paid were reasonable. Additionally, it was necessary for the city to acquire this property and begin construction of the parking garage, as the College Street Development discussed in part B. below was contingent upon this construction.

Although the city pledged funds to assist the developer in obtaining financing to purchase the Heer's Tower, the redevelopment agreement indicated the developer was responsible for obtaining the additional financing needed to renovate the structure. After amendments to the redevelopment agreement and time extensions for the developer to obtain financing, the city purchased the bank loan and foreclosed on the property in October 2006. The city borrowed $3.1 million from the Missouri Development Finance Board to acquire the Heer's Tower.

After soliciting proposals the city signed an agreement in August 2007 with a second developer to sell the Heer's Tower for $3 million. The city paid $3.3 million in principal and interest to satisfy the loan with the Missouri Development Finance Board.

In the agreement with the second developer the city pledged to spend $1 million (80 percent funded by federal grant funds) to improve Park Central Square, and agreed to lease or purchase space within the Heer's Tower. Additionally, if requested by the developer and approved by the Convention and Visitors Bureau (CVB), the city agreed to consider pledging a portion of the city's hotel/motel tax. Since city code requires the hotel/motel tax monies to be spent solely to promote tourism, it is unclear how the city intends to ensure compliance with city code if these funds are pledged to one developer.

The city now anticipates funding the $6 million debt service payments of the Heer's Tower parking garage through additional tax revenue generated by the downtown commercial development.

The city should refrain from pledging city funds as collateral for private developers. Additionally, adequate documentation, such as bids or proposals, should have been obtained for amounts paid to the developer for demolition and design services. Further, the city should review contract terms that allow for hotel/motel tax funds to be distributed to the developer.

B. Terms in the city's agreement for the College Station development do not appear to adequately protect the city's financial investment in the project. The city has a development agreement to develop property downtown referred to as the College Station development. The agreement indicates the developer's plans to construct a theater and space for unspecified retail establishments. The agreement requires the city to provide free parking for the theater by constructing the College Station parking garage and providing space in the newly constructed Heer's Tower parking garage which is located across the street from the planned theater.

While the agreement appears to clearly indicate the city's responsibility to construct a parking garage, the agreement indicates that the developer's responsibility to construct the theater is contingent upon construction costs not exceeding $70 per square foot and the bank's willingness to disburse loan proceeds. Additionally, the agreement does not appear to clearly require the construction of retail space or provide performance guarantees in the event the developer fails to develop the property. Also in the agreement the city promises funding through a $3 million Housing and Urban Development loan.

The city has issued $11 million in bonds to finance the construction of the College Station parking garage and anticipates repaying this debt through the collection of sales tax revenue generated from numerous sales taxes assessed by the developed property.

While the city's cash flow projections of the different sales taxes appear to indicate the city will collect adequate funds to repay the parking garage debt, city personnel agree that the projections are dependent upon the completion of the development. However, project completion does not appear to be specifically required in the city's agreement with the developer.

City management should review future development projects to ensure the city's financial exposure is limited. Additionally, the city should ensure proposals are solicited for services provided by the developer, and agreements are clear with regard to the use of restrict city funds. Considering the city is subsidizing the operations of the Jordan Valley Car Park (MAR No. 3) and constructing the Heer's Tower parking garage (point A. above) and the College Station parking garage (point B. above), the city's overall plan for providing and funding parking garages in the downtown area is unclear.

WE RECOMMEND the City Council refrain from pledging taxpayer funds to assist developers in obtaining financing for projects. In addition, proposals should be solicited for services provided by developers, and agreements should be clear with regard to the use of restricted city funds. Further, City Council should review future development projects to limit the city's financial exposure.

AUDITEE'S RESPONSE

The City Council's decisions on the downtown development projects cited in this section were legal and reasonable based on legitimate public policy considerations.

The City of Springfield has taken an aggressive approach to downtown redevelopment since the late 1990s following the creation of the Vision 20/20 plan and the first successful referendum with 75 percent voter approval for the first phase of Jordan Valley development.

The City believes downtown revitalization is critical for the overall quality of life and economic development in Springfield. The City's leadership in downtown redevelopment has leveraged more than $300 million in public and private investment in housing, office space, commercial/retail and infrastructure. For every dollar the City has invested, other entities, primarily private developers, have invested $6 in downtown redevelopment.

The Heer's Tower was a glaring blight on downtown and its continued presence in that condition was an impediment to additional private reinvestment.

The pledge of City collateral accelerated millions of dollars of work being completed on the building and was made only after a third-party legal opinion stated unequivocally that the City *had full legal authority. The City also ensured it had adequate security against the loss of the pledged collateral, including the right to ownership of the building.*

The City acted on solid legal, business and policy grounds in its use of pledged collateral and made the decision after multiple opportunities for public comment and approval in open session. The City Council is highly cognizant of weighing the City's potential risk exposure for every development project against its stated priority of fostering Center City redevelopment.

3. Capital Projects

Over $8 million in city funds have been used to subsidize the Jordan Valley Ice Park and the Jordan Valley Car Park (parking garage). Additionally, the city has spent over $3 million in public funds to purchase a building, furniture and equipment for a police and fire training facility, but after three years the city has not renovated the building, and a substantial amount of furniture and equipment is still being stored in its original packaging. Further, the city has not determined a revenue source to repay approximately $2.7 million in bonded indebtedness associated with the construction of the crime lab, and the city has not adequately evaluated the costs and benefits associated with spending approximately $190,000 to install road pavers on one downtown city street. Also, the ballot language used to extend the city's general revenue property tax levy is not clear.

A. City subsidies to operate the Jordan Valley Ice Park and Car Park have been more than the city anticipated and continue to increase. Over $8 million in city funds have been used to subsidize the facilities since their openings.

In 1998 voters approved to increase the city's hotel/motel tax and allocate a portion toward constructing and operating an ice facility. The city completed construction and opened the $8.5 million facility in September 2001, but operating revenues and expenses of the ice park have not met expectations outlined in the city's feasibility study. With declining revenues and increasing expenses, the city has had to subsidize the operations of the ice park more than anticipated since the park's opening. The following table illustrates the subsidies provided by the city to fund the ice park operations and debt:

Jordan Valley Ice Park Analysis

Year Ending June 30	Operating Income	Operating Expenses	Debt Service Payments	Total Deficit
2001	$ 0	0	392,744	(392,744)
2002	1,002,629	1,718,942	573,538	(1,289,851)
2003	821,018	1,084,262	576,538	(839,782)
2004	812,313	1,367,957	60,124*	(615,768)
2005	868,212	1,235,996	341,994	(709,778)
2006	853,979	1,192,010	721,531	(1,059,562)
2007	778,985	1,183,846	846,633	(1,251,494)
	Total Deficit			$ (6,158,979)

*Bonds refinanced causing debt service payment to be lower in 2004.

Approximately $1.3 million in hotel/motel tax revenue has been allocated by the city since 1998 toward subsidizing the $6.2 million shortfall noted above. The $5 million balance has mainly been absorbed by the city's general fund until 2006 when the park's operating fund began absorbing the operating portion of the loss.

According to the feasibility study, the ice park should have been self supporting in the first year of operations bringing in gross revenues of over $2 million annually, and accumulating a positive net cash flow of approximately $450,000 after the first five years. The feasibility study projected income from hockey activities to total more than $825,000 annually by the fifth year of operation, but this sport has not developed as projected. Additionally, operating expenses have shown a decrease in recent years while debt service payments have increased.

In September 2003, the city completed the construction and opened the Jordan Valley Car Park at a cost of approximately $12.7 million. The prospect of a parking garage in this location was included in the feasibility study for a multi-purpose arena; however, the multi-purpose arena did not get constructed as planned.

The city has had to subsidize the operations of the parking garage since its opening. Operating expenses and debt service payments have continued to increase while income from the parking garage has been stagnant over the last three years. The following table illustrates the subsidies provided by the city to fund the parking garage operations and debt:

Jordan Valley Car Park Analysis

Year Ending June 30	Operating Income	Operating Expenses	Debt Service Payments	Total Deficit
2003	$ 0	0	171,872	(171,872)
2004	101,329	183,939	412,493	(495,103)
2005	172,145	230,086	412,492	(470,433)
2006	179,259	245,614	540,445	(606,800)
2007	170,354	214,799	541,001	(585,446)
	Total Deficit			$ (2,329,654)

The city has allocated Community Improvement District gate tax revenue, and rent revenue collected from the Convention and Visitors Bureau (CVB) totaling approximately $575,000 toward this deficit. (CVB expenses are funded through the city's hotel/motel tax.) Additionally, the city used approximately $773,000 in excess bond proceeds to pay the debt service payments during 2003 and 2004. The almost $1 million balance has been absorbed by the city's general fund.

The city should review the financial operations of these two facilities in an effort to limit the amount of subsidies. Additionally, documentation of the review process should be maintained.

B. The city has spent over $3 million to purchase a building, furniture, and equipment for a police and fire training facility, but after three years the city has not renovated the building, and approximately $300,000 in furniture and equipment is stilled being stored in the original packaging. Additionally, $2 million in bonds were issued to fund the renovations and $1.5 million of the bond proceeds are still being held in the trustee bank.

In 2004 voters approved extending the general revenue property tax levy for the purpose of funding several projects including a police and fire training facility. The city used approximately $1.5 million from a 2001 land acquisition bond issue to purchase a building, and issued bonds totaling $2 million to renovate the building to house the facility. After three years, no renovations have been started and the city is now unsure of how to utilize the building.

According to city personnel, cost estimates to renovate the building were approximately $6 million, and exceeded the bonding capacity of the project. The city has paid $500,000 related to architectural costs and the remaining $1.5 million of the $2 million bond proceeds is still being held by the trustee bank with the city incurring interest at approximately four percent.

Additionally, in anticipation of constructing a new training facility, the city applied for and received a $1.2 million grant through the U.S. Department of

Justice to purchase new furniture and training equipment for the facility. Furniture and equipment were purchased with grant funds from April 2003 through June 2005, and as of September 2007, some of these items are still in their original packaging and are being stored by the city.

According to police inventory records and grant documentation over 375 chairs, 100 tables, 100 filing/storage cabinets, 35 bookcases, 6 podiums, 2 computerized smart boards, and numerous pieces of modular workstations, and weight and exercise equipment valued at over $300,000 have not been utilized and are being stored by the city. The two unused computerized smart boards were purchased in 2004 for over $23,000 and had a two year warranty which has expired.

Acquiring equipment when it is not immediately needed is clearly a waste of public funds. Furthermore, because of poor planning efforts by city management, public funds were used to purchase a building that has sat vacant for three years, and bond proceeds have not been utilized by the city and are still being held by the trustee.

C. The city has not determined how to fund the debt service payments associated with $2.7 million in bonds issued to fund the construction of the state crime lab which is estimated to cost approximately $6.8 million.

In August 2005, the city purchased a building costing approximately $875,000 with money from the city's general revenue property tax to construct a new state crime lab. In April 2007, the city issued bonds totaling $2.7 million to fund the renovations, and in June 2007 issued another $2.2 million in bonds for additional funding. The city will lease the facility to the State of Missouri and eventually transfer ownership of the building to the state. The city has received $400,000 from the State of Missouri, and anticipates receiving an additional $1.5 million in lease payments which together will be used to help fund the repayment of the $2.2 million in bonds plus accrued interest.

The city accepted a bid of $5.9 million to renovate the building which is approximately $1 million more than the bond proceeds. The city plans to use general fund monies to pay for this $1 million shortfall.

The city has not determined a revenue stream to fund the repayment of the $2.7 million bond issue. An agreement with Greene County indicates the county will pay one-half of the bond interest payment and an unspecified portion of the principal payment. City personnel indicated the amount of principal payment to be paid by Greene County is still to be negotiated, and without a specific revenue stream the city's portion will most likely be paid from the city's general fund.

Prior to incurring debt the city should develop a plan to fund the repayment of the bonds.

D. The city has not adequately evaluated the costs and benefits for appearance purposes associated with installing different road materials on downtown city streets. Further, there was no documentation to support why more expensive paving methods were used on a downtown street. In March 2006 the city finalized road improvements costing approximately $190,000 to install road pavers along a block of Patton Avenue instead of using paving materials that were being used on other city street improvement projects.

The decision to use pavers for appearance purposes on this street cost the city more than if standard paving materials had been used. Estimates of the additional cost range from $65,000 to $115,000. The city indicated this was a test project but has not documented the benefit of using these pavers and according to city personnel has no plans to use them on future paving projects. Further, the city street selected for this project was not listed on the city's street improvement project listing and it was unclear how the city chose Patton Avenue for the street improvements. The city should evaluate the costs and benefits associated with using different road materials and use street improvement monies in an efficient and effective manner.

E. The ballot language used to extend the city's general revenue property tax levy is not clear.

In 2001 and again in 2004 the city extended their 27-cent general revenue property tax levy for the purpose of funding several capital improvement projects. According to the ballot language, the levy would end when the last payment is made on any bonds issued to fund the projects. This ballot language does not specifically provide voters with a clear sunset date. Additionally, city ordinances refer to the levy as a debt service levy rather than a general levy, causing additional confusion around the city's intentions.

The city has historically presented the extension of this levy to voters every few years even though the last bond payment may not occur for many years. For example, the city presented the issue to voters in 2004 even though the last bond payment associated with the 2001 ballot issue is not until 2015. As the city reduces their bonded indebtedness and their bonding capacity increases, the city presents the issue to extend the levy to voters again with new capital projects; however, voters are not made aware of the exact sunset of the levy. According to city officials the last bond payment on the 2004 levy will be made in 2027.

The city should review with legal counsel the ballot language used for extending their general revenue tax levy to ensure the language provides voters with a clear sunset date. The city's general revenue property tax levy will generate approximately $6.4 million in 2007.

WE RECOMMEND the City Council:

A. Review the financial operations of these two facilities and determine the appropriate course of action to minimize the amount of city subsidies required for the debt service payments and operating expenses.

B. Determine how the building, furniture, and equipment can be immediately utilized by the city.

C. Develop a plan to fund the repayment of the bonds associated with the crime lab.

D. Document the costs and benefits associated with test projects along with why certain streets are selected for such improvements. Also, ensure street improvement monies are used in the most efficient and effective manner possible.

E. Review with legal counsel the ballot language used for extending the general revenue tax levy to ensure the language provides voters with a clear sunset date.

AUDITEE'S RESPONSE

A. The Car Park is in the process of being sold to a private interest.

The Ice Park was built following the Vision 20/20 process and citizen surveys indicating support for ice sports as the highest unmet recreational need in Springfield. The Ice Park was one of the first Jordan Valley projects the City committed to building in the successful 1998 referendum. It is very common for Parks Departments to subsidize community facilities such as the Ice Park to provide the services to citizens at an accessible cost as well as offer free or discounted rates to users such as school and scout groups. It also was a recognized risk in undertaking the project. The current subsidy of about 30 percent of operating costs is within the range of operating cost subsidies of 26 percent to 46 percent at similar regional ice facilities across Missouri.

B. The City purchased the L.E. Cox Building in 2005. It was a key piece of real estate located near Jordan Valley Park. The City had identified a few possible projects for the building, some of which depended on grant funding. The City recognized from the time the building was acquired additional funds were needed, possibly from grants or a law enforcement sales tax for renovation of the facility. The City continued to work on possible funding sources in 2005-06.

During this time the City also started design work on both the Crime Lab and the training center. The design work revealed that funding available for the training center was inadequate to renovate the facility for this purpose and the building would have to remain vacant until further property tax became available to fund the project, most likely *not until 2011-12. The City did obtain sufficient funding for the part of the building that will be utilized as a crime lab.*

In order for this building to become a productive center of activity and not remain a blight on the Jordan Valley area, the part of the building that was to be used for the training center will be sold to the Jordan Valley Community Health Center within the next month. The proceeds from the sale and the bond proceeds from the sale of bonds designated for the training center will be used within the next two years to build Phase I of the training center at a site that is currently under study and evaluation at this time. The equipment acquired with the grant will be installed in this first phase.

C. *The debt service payments associated with the $2.7 million from the bonds issued to fund the construction of the state crime lab are structured as interest only for five years with the interest costs shared equally between the City and Greene County.*

The principal payment of $2.7 million will be due at the end of five years. During this five-year period, the City will seek grants, cost sharing with Greene County, and other sources of revenue as sources for repayment of this obligation. The City will bring forth a proposed Council action to allocate $250,000 from the Sprint-Nextel settlement for a reserve dedicated to funding this obligation.

The bonds were issued with the understanding by City Council that the General Fund may be the sole source available for repayment of the principal on these bonds. During the next five years, if no other funding sources become available, a recommendation will be included in the budget each year to provide additional reserves to assure funding of this obligation when it becomes due.

D. *It is recognized that the public benefits for aesthetic and historic streetscape enhancements may not be fully documented through a cost-benefit analysis. We concur that the benefits of new construction materials and methods should be evaluated to the extent practical and is often best achieved through pilot and demonstration projects. It is our intent to monitor the long-term maintenance costs of this street segment. It should be noted that the lifespan of the pavers is significantly greater; the pavers would be expected to last a century or more, while asphalt requires resurfacing about every 10 years and concrete requires substantial repairs during an expected 50-year lifespan.*

As a point of clarification, we believe the cost differential is $65,000 to $70,000, rather than $115,000.

E. *The City reviews referendum wording with all required authorities because of the importance of clarity in ballot language. We will consider including the audit recommendations in phrasing future ballot language.*

4. Employee Benefits

The unfunded liability of the Police Officers and Firemen's Retirement System has increased by approximately $100 million since 2000. The city allows some employees to accrue unlimited amounts of leave time which constitutes a significant future liability for the city, and which has contributed to the increased liability of the Police and Firemen's Retirement Plan. The city failed to include contracted city employees as active members in the Local Government Employees Retirement System (LAGERS) resulting in an increase in required contributions of approximately $120,000 for 2008. Additionally, the city's self-insured workers' compensation fund has accumulated an unfunded liability of approximately $6.7 million.

A. The city has not met the funding obligation for employer contributions to the Police Officers and Firemen's Retirement System (Plan) as determined by actuarial calculations. Since 2000 the Plan's funded ratio has decreased from approximately 80 percent to below 51 percent, and the unfunded liability has increased to over $130 million at June 30, 2006. The table below focuses on the unfunded liabilities of the Plan.

Police and Firemen's Retirement Fund
Schedule of Funding Progress
(amounts in millions)

Actuarial Valuation June 30,	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Accrued Liability	Funded Ratio
2000	$ 124.5	$ 155.8	$ (31.3)	79.9 %
2001	129.5	168.3	(38.8)	76.9
2002	129.9	179.1	(49.2)	72.5
2003	129.8	195.9	(66.1)	66.2
2004	130.4	238.7	(108.3)	54.6
2005	130.5	250.9	(120.4)	52.0
2006	133.5	263.8	(130.3)	50.6

Although the city has contributed $37.7 million to the Plan since 2000 (including $6.8 million during each of the years ending June 30, 2006 and 2005), the Plan's actuarial valuation report dated June 30, 2006 indicated the Plan's funded status is steadily eroding and suggested increasing contributions, improving investment return, or reducing future benefit liabilities.

In addition to the Plan's funded ratio decreasing since 2000, the number of retirees has increased from 366 in 2000 to 441 in 2006. As a result, annual benefit payments paid from the Plan have gone from $7.6 million in 2000 to $12.4

million in 2006, and the accrued liability of future benefits has increased as shown in the table above.

In an effort to control the increasing liability, the City Council approved Ordinance No. 5546 in May 2006 which made several changes to the Plan, including changing the method in which monthly retirement benefits will be calculated for employees hired on or after June 1, 2006. Prior to the adoption of the ordinance, the benefit calculation included the payment of unused vacation leave time as part of the final average salary. As noted in point B below some payments for unused leave were significant, and caused the monthly retirement benefit amounts to be higher.

Additional plan changes in the ordinance also included increasing the retirement age, discontinuing the withdrawal of contributions by vested employees, and eliminating the automatic three percent annual cost of living increases for future retirees. Changes were also made to the plan's investment policies in an attempt to improve the rate of return on investments. While all of these changes may eventually have an impact on the plan's liability, the actuarial valuation report indicated that it will take a number of years before an appreciable impact is noted since these changes only apply to recently hired employees.

While many retirement plans are not 100 percent funded, the retirement plan for other city employees through the Local Government Employees Retirement System (LAGERS) was 75 percent funded at February 28, 2006. Although the city's funding amount is subject to the discretion of the City Council, the city has shown their intent to fund the Plan by budgeting to contribute annually over the life of the Plan.

The city's contribution amount has increased since 2000, but the required funding continues to rise and the city's contribution has not increased at the same rate. Since changes made to the plan only apply to recently hired employees, issues such as including accumulated leave payments in the final average salary calculation, still have a significant impact on the city's pension obligation. As a result, the city has a significant liability and needs to develop a plan to improve the funded ratio of the retirement plan.

B. Some city employees are allowed to accrue unlimited amounts of vacation, sick, and holiday leave and the city has not developed a plan to fund this significant liability. Numerous city employees have very large leave balances and will receive compensation for unused leave upon termination. For example, at May 31, 2007 there were 26 employees with more than 1,000 hours each (6 months) of vacation leave resulting in a financial liability of almost $1 million. One of these 26 employees has 1,974 hours (almost one year) of vacation leave, and 1,065 (6 months) of holiday leave.

The following table shows some of the large payments made to former city employees for accrued vacation, holiday, and sick leave since 2004.

Employee		Amount
Former Fire Chief	$	120,424
Former Health Department Director		114,404
Former Parks Department Director		89,056
Former Police Department Corporal		71,352
Former Police Department Officer		70,992
Former City Manager		54,113
Former Director of Finance		44,292

Several large payouts were also noted in other years. In addition to the former employees noted in the table above, three Police Department employees and two Fire Department employees terminated employment in 2006 and were paid a total of $280,183.

In 1995 the city council amended the city's salary ordinance to cap the maximum amount of vacation leave that could be accrued by an employee at 240 hours (336 hours for Fire Department personnel). Any vacation earned but not used, which exceeds this rate is forfeited by the employee; however, employees hired prior to 1995 still accrue unlimited amounts of leave. In 2006 city management encouraged city employees who maintained large leave balances to use their leave by taking time off of work; however, there is no requirement for employees to reduce their leave balances.

Additionally, allowing employees to accumulate and be compensated for large vacation leave balances upon retirement has also contributed to the unfunded amount of the Police Officers and Firefighter's Retirement System as noted above in point A. For example, including the vacation leave payout in the average salary computation increased the monthly retirement amount for one individual by approximately 28 percent.

By allowing some employees to accumulate unlimited amounts of leave time the city has a significant future liability that will be owed to these employees upon termination. While the city has not determined the amount of liability caused by unlimited leave accruals, the city's total liability for compensated absences for all employees is approximately $16.2 million at June 30, 2006. The city has not developed a plan to fund the amounts owed for unlimited leave accruals.

C. The city failed to include contracted city employees as active members in the Local Government Employees Retirement System (LAGERS) resulting in an increase in required contributions of approximately $120,000 for 2008.

The city regularly contracts with some city employees, rather than hiring the employee as a full-time or part-time city employee. Contracted city employees, working 1,500 hours or more annually, are provided similar benefits as other city employees, except most contracted city employees are not provided retirement benefits.

The city has been advised by the LAGERS that contract city employees are considered city employees based upon Sections 70.600 to 70.755 RSMo. As a result, the city has recently been working with the LAGERS to determine the retirement benefits owed for contract city employees.

As of February 2007 the city has added 24 contract city employees as active members and reported additional years of service that had not been previously reported for approximately 200 contract city employees. These additions have resulted in a total of 455 years of service being added to the city's valuation to determine the city's required contribution rate. According to the LAGERS, this addition will cause a net increase in the city's contribution rate of 0.3 percent in July 2008 on an annual payroll of over $40 million or approximately $120,000.

The city should continue to work with the LAGERS to ensure all contract city employees properly receive retirement credit. Additionally, any new city employees hired under contract should be added as active members of the LAGERS.

D. The city has also not met the funding obligation for the city's self-insured workers' compensation fund. The rates charged to each city department have not kept pace with the fund's liabilities resulting in approximately $6.7 million in unfunded liabilities at June 30, 2006.

Each year since 2000 liabilities in the city's self-insured workers compensation fund have exceeded the fund's assets. As of June 30, 2000, the unfunded liability was only $184,000 and accumulated to approximately $6.7 million at June 30, 2006. In an effort to fund the increasing liability, the city began increasing the workers compensation rates charged to each city department. For the city's 2007-2008 fiscal year, rates were increased by an average of approximately 112 percent.

WE RECOMMEND the City Council:

A. Continue to evaluate options for changes to the retirement plan, and develop and implement methods to increase the funded percentage of the Police Officers and Firemen's Retirement System (Plan).

B. Develop a plan to fund the amounts owed for unlimited accrued leave balances.

C. Continue to work with the LAGERS to ensure contract employees become active members for retirement purposes.

D. Continue to develop and implement methods to adequately fund the liabilities of the city's self-insured workers compensation fund.

AUDITEE'S RESPONSE

A. The City of Springfield and City Council have made sweeping changes to the Police/ Fire retirement system including oversight to remedy this situation. It will take time to achieve the results needed. These changes also assume the markets will remain healthy and that the system can seek strong growth with safeguards for economic downturns.

The City established that three items had to be addressed to improve any Pension Plan's funded status:

1. Increase contributions;
2. Improve investment returns;
3. Reduce future benefit liabilities; or
4. Some combination thereof.

1. Increase contributions:

The City's contribution rate was increased by 2.25 percent in the 2006-07 budget year that began July 1, 2006 from 26.63 percent to 28.88 percent. In the 2007-08 budget year, the City made a one-time additional contribution of $500,000. A proposal is going to City Council in November to recommend using a portion of the Sprint-Nextel phone settlement proceeds for an additional contribution of 4 percent of payroll during the last half of the 2007-08 budget year. This will provide close to a 35 percent contribution rate in the current budget year.

To fulfill the actuary's recommended rate of 45.75 percent over a three-year period would have required $3 million from the General Fund and would have created an inequitable situation to other employees and our ability to continue services to our citizens. Therefore, the City has chosen to provide only a portion of our growth in revenue each year to begin addressing the need to increase our contributions. As revenues are available for funding additional needs, this liability will be a top priority.

2. Improve Investment Returns:

Changes in Structure of the Board of Trustees: In May, 2006, City Council made changes to the make-up of the Board of Trustees by adding two new voting members and appointing a non-voting City Council member to the Board. The Deputy City Manager was appointed as Chair of the Board to provide better communication between the Board and City Council and the Director of Human Resources was added to provide experience in plan benefits and disability requirements. The annual rotation of the Fire Chief and Police Chief as a Trustee was removed and replaced with the appointment of the Director

of Finance to provide in-depth knowledge of investment practices and actuarial principles to the Board.
Asset Allocation:

The City Council approved a new asset allocation, which will allow a much more diversified portfolio in order to achieve the investment results at or above the actuarial assumed rate of return of 7.5 percent over the long term.

Investment Consultant:

The Board re-bid the contract for services for our investment consultant and has hired Segal Advisors as the investment consultant, which is expected to improve decision making on the portfolio.

Investment Policy:

City Council's new Investment Policy Statement provides more flexibility for the Board to make timely investment decisions. The Board also has hired new money managers to assist in reallocating the portfolio to match the approved asset allocation.

3. *Reduce future benefit liabilities:*

The City of Springfield Charter provides language that protects current employees from a reduction in pension benefits without a vote of the citizens of Springfield. In addition, benefits already granted to retirees are a "vested property right" and may not be changed. Therefore, only pension benefits for future hires may be reduced prior to hire date. In May 2006 City Council approved a reduction in benefits for all future employees hired on or after June 1, 2006.

The new provisions are:

- *Members contribute 8.5 percent of pay (vs. 11.35 percent for employees hired prior to June 1, 2006 – the differential is to pay for benefits not granted to employees hired after June 1, 2006). Member contributions are not refunded at the time of retirement.*

- *Salary used in the Average Salary calculation does not include nonrecurring lump sum payments for unused leave time of any kind.*

- *Normal Retirement Age is age 55 with 25 Years of Service or age 60. (Employees hired prior to June 1, 2006 are eligible for unreduced benefits at age 50 and 20 years of service or 25 years of service without regard to age or age 60 without regard to years of service).*

- *The Age/Service benefit is 2.5 percent of Average Salary time Years of Service. The maximum Age/Service benefit is 75 percent of Average Salary. (For employees hired* *before June 1, 2006. the Age/Service benefit is 2.8 percent of Average Salary times Years of Service with a maximum of 70 percent of Average Salary.)*

- *The Duty Disability Benefit is two-thirds of the salary in effect at the time of retirement for members who are at least 25 percent disabled and 50 percent of the salary in effect at the time of retirement for members who are less than 25 percent disabled. (Employees hired prior to June 1, 2007 receive two-thirds of the salary regardless of percentage of disability.)*

- *The Non-Duty Disability benefit is 2.1875 percent of Average Salary times Years of Service, with a minimum of 25 percent and a maximum of 50 percent of Average Salary. (A rate of 2.45 percent of Average Salary is used for employees hired prior to June 1, 2006.)*

- *There is no automatic Cost of Living Adjustment (COLA). Under certain conditions and at the Board's discretion, a COLA of no more than 3 percent may be granted to certain retirees. (Employees hired prior to June 1, 2006 are guaranteed a 3 percent COLA once they reach the age of 56 in the year the COLA is granted. There is no age restriction for duty and non-duty disability.)*

B. *In 1995 and 1998, the City took steps to modify vacation and sick-leave balances to reduce the large payouts upon termination or retirement of long-term employees. Today, 53 percent of City employees are not eligible for sick-leave payouts upon separation and 65 percent of employees are not eligible to accumulate large vacation balances.*

The modifications in both instances were approved by City Council for new employees. However, Department heads have been directed to limit additional accumulation as much as possible among employees hired prior to 1995 and departments are required to absorb the cost of accumulated leave in their budget and/or delay hiring replacements until the equivalent money is saved.

C. *The City recognized this error in 2006 and enrolled all eligible contract employees in LAGERS effective July 1, 2007.*

D. *Changes made to the internal workers' compensation rates during the 2006-07 fiscal year provided additional revenue of approximately $600,000 for the fund. The City has developed a plan to increase the revenue in this fund until adequate funding levels are reached.*

5. City Contracts

Improvement is needed with procedures used by the city to contract with retired city employees for consulting services. Additionally, the city should consult with legal counsel concerning spousal retirement benefits of the former City Manager.

A. The city has contracted with several retired city employees to provide consulting services. Contracts were not always followed, documentation of work performed was not always adequate, and contracts were amended numerous times to extend the contract period without adequate documentation to explain the need for the extension.

- Adequate detail was not maintained of the consulting work performed by the former City Manager. In April 2006 upon his retirement, the former City Manager and the city entered into a consulting contract for one year. The former City Manager received approximately $45,000, and as provided by the contract: office space, reasonable support staff, travel costs, membership dues, $40 monthly communication allowance, $100 monthly vehicle allowance, and reimbursement of reasonable expenses not to exceed $1,500 annually. The contract required the former City Manager to provide regular, proactive verbal reports and written weekly status and time reports to the current City Manager. Our review of invoices identified vague descriptions of the work performed. For example, numerous instances were noted where hours were billed to the city for "office work" or "phone calls" without any detail on the work performed. In addition, there was no evidence written weekly status reports were provided. In April 2007 the city renewed the contract with the former City Manager through April 2008 for a total of $29,000.

- The city extended the contract with the former City Attorney seven times, and contract billing terms were not followed. In May 2005, the former City Attorney retired, and the city entered into a consulting contract with him for legal services that same month. The original contract was for $48,000 from May 2005 through November 2005. There were seven addendums to the contract extending the contract period to April 2007. During this time period the former City Attorney was paid $132,497. The addendums did not adequately document the reason for the contract extension, and the city has continued to receive services from the former city attorney after the last contract addendum expired in April 2007. Additionally, contract terms required billings to be submitted biweekly, and not to exceed 60 hours in a two-week period; however, invoices submitted to the city for payment were for multiple periods and exceeded the 60 hour maximum. For example, one invoice was for a ten-month period and totaled $49,741. There were five instances on this invoice where more than 60 hours were billed for a two-week period.

- Detailed invoices were not submitted to support work performed by city police officers under contract to perform background checks for new potential officers. We reviewed two contracts for retired officers totaling $8,000 each, with addendums increasing the amount to $14,000 each. Similar to that noted above, contract addendums did not document why the extension was necessary. In addition, the invoices submitted by the officers to obtain payment from the city were not adequately detailed. Hours charged did not include a description of the work performed, and mileage reimbursement requests did not include the destination or purpose of the trip.

The city has also maintained consulting contracts with several other retired city employees. Multiple addendums extending these consulting contracts appears to be a common city practice, and there is no documentation to support why the extensions were necessary. Considering the lack of adequate documentation provided by these contracted individuals, it is questionable whether or not documentation was properly reviewed before payment was made.

Close monitoring of contracts and requiring detailed documentation of services provided is necessary to ensure compliance with contract terms and evaluate the reasonableness of payments for services rendered.

B. Documentation was not adequate to determine whether or not retirement benefits paid by the city will continue to the former City Manager's spouse. The former City Manager was vested in a pension for nineteen years with the City of Charlotte, North Carolina prior to starting work with the City of Springfield. The City agreed in 1991 to pay an equalization retirement benefit upon retirement intended to equalize the difference between the pension he would have received if he had remained in Charlotte and the pension benefit he was to receive under the Local Government Employees Retirement System (LAGERS) for the same time period. The employment contract also specified that the supplemental retirement benefit will accrue to beneficiaries to the extent allowed by the LAGERS.

The former City Manager retired in April 2006, and the city began paying him $2,932 per month from the city's operating funds to supplement his retirement benefits from the LAGERS and the City of Charlotte, North Carolina. While the employment contract appears to allow benefit payments to continue to be paid to the surviving spouse, documentation maintained by the city is not adequate regarding this issue. The LAGERS, as well as other retirement plans, require signed documentation by the retiree (and spouse in some instances) indicating whether or not spousal benefits are to be paid. The city only had a hand written note signed by the former City Manager that indicated his concern with perception regarding the spousal benefit and it indicated that the formula used to calculate the benefit was Okay. As a result, it is questionable whether or not the city is liable to also pay retirement benefits to a surviving spouse. The city should consult with legal counsel concerning the adequacy of documentation related to spousal retirement benefits for the former City Manager.

WE RECOMMEND the City Council:

A. Require city management to obtain and review detailed documentation of the services provided to ensure payments are reasonable and in compliance with contract terms. Further, the need for multiple contract extensions should be evaluated and the reason should be adequately documented.

B. Consult with legal counsel concerning the adequacy of documentation related to spousal retirement benefits for the former City Manager.

AUDITEE'S RESPONSE

A. The City concurs with the Auditor's recommendation for more detailed documentation of contract services.

B. After consultation with legal counsel, the Human Resources Department has created forms related to spousal retirement benefits. The former City Manager and his wife will sign this form.

6. City Loan Programs

Significant improvements are needed with the controls and procedures over the city's loan programs. The city needs to evaluate its policy which allows loan payments to be deferred for 20 years, and its policy for issuing bonds to finance low interest loans. Also, loan defaults have not been resolved in accordance with city policy, loan balances are not adequately monitored, and the city does not have a policy limiting the number or amount of loans a company or an individual can have. Additionally, loan balance amounts reported by the software system were significantly different than those recorded in the manual accounting records, and the loan software system does not have adequate security measures.

The Department of Planning and Development Loan Committee issues, monitors and receives payments for loans funded by federal and local funds. The purpose of the loan program is to remove blighted areas or create jobs for low to moderate income individuals through the issuance of low interest, fixed rate, long term financing. The city's loan receivables total approximately $31.5 million on June 30, 2007 with the city approving approximately $7.6 million in loans and receiving approximately $4.3 million in loan payments during the two years ending June 30, 2007. Through a city contract, the planning and development department also collects loan payments for other public entities.

A. The city should reevaluate their policy for allowing loan payments to be deferred for 20 years. City policy allows a portion of some loans to be deferred up to 20 years upon approval by the loan committee; however, over 40 percent of city loans are deferred for 20 years with the city receiving no interest or principal revenues during this deferment period. Deferred loans totaled approximately $13.2 million at June 30, 2007, with most of these loans issued at no interest. Additionally, approximately 12 deferred loans totaling over $100,000, originally issued in 1986 and 1987, are still outstanding after more than 20 years.

To protect the city's investment, the city should ensure the number of years loans are deferred is reasonable, and ensure loans are in compliance with city policy.

B. In 2003 the city issued $3 million in revenue bonds to fund additional small business loans because adequate monies were not available in the city's loan fund to continue awarding these low interest loans. The city will pay approximately $1.6 million in interest on these 20-year revenue bonds and has pledged a portion of the city's loan receivable balances as collateral. Since the interest rate charged on the bonds is more than the interest rate charged on small business loans, the city indicated they will be using revenues from other small business loans to fund the difference.

The city should review their policy for issuing bonds to finance low interest loans. Additionally, the city should manage their loan portfolio to ensure adequate revenues are generated to maintain current loan operations.

C. Loan defaults have not been resolved consistently and in accordance with established policy by the city. For example, the three defaulted loans we reviewed were each resolved in a different manner. The city advertised and sold one property at public auction, one property was sold to a local developer (the current developer for the College Station Project discussed in MAR 2), and one property was sold to the tenant living in the home. The city did not have adequate documentation to explain the differing manner in which these properties were sold. City policy indicates that the loan committee shall advertise for the sale, lease, conveyance, transfer or other disposition of the real estate in a newspaper, magazine or other publication generally recognized in the community as a real estate marketing medium.

Additionally, city policy indicates a $200 fee will be assessed when loans are assumed by another party; however, we identified one instance where this fee was not charged. Upon bringing this to their attention, city personnel sent a bill to collect the $200 fee.

D. Deferred loan balances are not adequately monitored. For example, action was not taken by the city on one loan until approximately 3 years after the property owner was deceased. Documents in the city's loan files indicate the property owner passed away in July 2001, but the city did not file the proper paperwork to collect on the loan until November 2004. The property accumulated substantial repair expenses during this period. City loan personnel indicated that they rely on employees to monitor obituary notices in the newspaper and notifications from insurance companies, title companies and utility providers for deceased property owner information; however, the city does not have formal procedures to routinely monitor outstanding deferred loans.

Additionally, the city subsequently purchased this property at a public sale, but the loan balance is still reflected as outstanding on the city's books. The city indicated that they are holding the property because of possible future development near its location, and have leased the property for $100 per year to a not-for-profit agency to provide low income housing.

The city should develop a monitoring system for deferred loans to periodically contact property owners and obtain information. Further, the city should consider satisfying the loan amount so funds will be available to other qualified citizens for reinvestment in furtherance of the city's loan program goals.

E. The city does not have a policy limiting the number of loans or amount of loans awarded to individuals or companies applying for loan assistance. For example, the city has loaned approximately $1.7 million to one individual through 11 separate loan applications, of which approximately one-half of these loans are deferred for 20 years at no interest. We noted at least six individuals with ten or more loans with one individual awarded 16 different loans.

Additionally, we identified an outstanding loan that was originally awarded in 1987 and deferred for 20 years and the city recently approved a second loan to the same individual with the same property as collateral.

To protect the city's financial investment and more widely disburse loan funds, the city should consider implementing policies limiting loan awards.

F. Differences between the loan balance information reflected on the city's loan software program and information maintained manually by the department's Financial Analyst or on the city's general ledger are not followed up on and resolved.

As of June 30, 2007 the city's loan software program reported a balance of all recapitalization loans as $1.9 million, while manual records indicated the total balance was $2.8 million, a difference of $900,000. Loan department personnel indicated the loan software system does not always include all recapitalization loans on reports. Additionally, the loan software system reports the balance of all loans, except the recapitalization loans, as $1 million more than what the balance is reflected on the manual records. Loan department personnel indicated that some loans that have been paid are still being reported as due by the software system. Differences were also noted between the totals reflected on the manual records and the totals recorded in the city's general ledger.

Although monthly reconciliations between the loan software program, the general ledger and the manually kept system are performed and documented, the city should resolve these large differences to properly account for loans. City loan personnel indicate new loan software system is currently being established that should aid in better monitoring loan balances.

G. Security measures in the city's loan software system are not adequate. The software does not adequately track adjustments to loan account balances. Additionally, there is no documentation to indicate these adjustments are approved by the loan committee. We identified one adjustment reducing a loan balance by $2,624 without documented approval.

Security codes which allow different types of editing (i.e., read, write, delete, add, etc.) are not in place that limit access to various data files utilized by the loan department personnel. The lack of security codes and procedures provides the potential for personnel to make undetected and unauthorized changes to information. The city is currently under contract for custom loan software services and personnel indicate the new system will track system users and adjustments made, thus minimizing the risk of loss, theft, or misuse of funds.

Considering the city's planning and development department also collects loan payments for other public entities, it is even more imperative that the city properly monitor all loans and maintain good internal and accounting controls within the planning department.

<u>WE RECOMMEND</u> the City Council:

A. Evaluate the policy of allowing loan payments to be deferred for 20 years, and review all loans outstanding for more than 20 years.

B. Ensure the city's loan portfolio is managed to allow adequate revenues to be generated to maintain current loan operations, and review the decision to issue bonds to finance low interest loans.

C. Ensure property sold as a result of loan defaults is handled in accordance with city policy, and fees are assessed as established by city policy.

D. Develop procedures to adequately monitor deferred loan balances. Establishing procedures for an annual review of loan balances should be considered.

E. Consider implementing policies to limit the amount of loans awarded to the same individual or company.

F. Ensure differences in loan account balances reported by the loan software system, the manual records, and the city's general ledger are investigated and explained.

G. Ensure access to specific computer programs/data files is restricted to authorized individuals and implement procedures to monitor adjustments made to loan balances.

<u>AUDITEE'S RESPONSE</u>

The City’s revolving-loan programs have won awards for innovations aimed at furthering HUD requirements and City Council policies; they are not intended to make a profit or maintain a *certain cash flow. In addition, the City's policy of loaning money, even on a deferred basis, allows for more reinvestment in the program than the typical approach many cities take of providing this type of money simply as grants rather than loans.*

It should be noted that only revenues generated by the program are used to capitalize the loan programs or to pay for their implementation.

The loss ratio for the Small Business program is less than 1 percent. The entire loan program has delivered a $31.5 million community asset to accomplish City Council and HUD objectives of revitalizing the urban environment.

The City acknowledges the Auditor's findings in regard to documentation and internal controls in the specific findings as follows:

A. *The City will review its policy for deferring loans. The City has believed that the deferred loans are a better alternative to accomplishing the low-to-moderate income housing goals than the practice in most cities of providing grants to achieve the same goals.*

B. *The City will review its policy for issuing bonds to finance loans and will continue to manage its loan portfolio to ensure adequate revenues.*

In 2006, the City again recapitalized the loan program using HUD Section 108 Loan Guarantee funds and changed loan rates to reflect the cost of the capital (90-day LIBOR) plus 75 basis points to address administrative costs.

C. *The City will ensure adequate documentation is placed in the files for future loan workouts.*

Loan defaults and their resolution are governed by two principles – meeting program rules and objectives and protecting the City's financial interests. Each of the three defaults noted in the Audit report had unique circumstances that were all resolved using the program objectives and protecting the City's financial interest to the maximum extent possible.

D. *A number of measures are in place to monitor deferred loan balances; however the City will review its monitoring system to see if additional measures can be implemented to supplement those already in place.*

E. *The main reason there are often multiple loans made to individual borrowers is because the federal requirements of the program are so stringent that few individuals or companies want to comply with the requirements and limitations on use of the property. Currently, no individual borrower can exceed 10 percent of the overall amount of the loan money available from the 2003 bond issue.*

The City will consider implementing additional policies for limiting loan awards.

F. *The Finance Department has reconciled the discrepancies with the balance of loans reported on the loan software program, the general ledger and the manual spreadsheet maintained by the Planning Department. The City recently purchased new software for servicing loans, which will be implemented in the next few months. The software has enhanced accounting controls and will improve the City's loan-servicing process.*

G. *The City accepts the finding that the security measures in the current loan system are not adequate. The security issues are being addressed in the new software noted in the response above. The new software limits access based on the needs of specific staff involved in the program and generates a report of adjustments made to any of the data. That report will be provided to the Department Director on a daily basis.*

The segregation of duties has been discussed with the personnel handling the loan programs and changes are being implemented to ensure the necessary internal controls are in place over this program. The City Manager's Office plans to have another internal audit conducted on this program by the end of the year to determine that all the recommendations included in this Audit and made by management pertaining to internal controls have been implemented.

7. Accounting Controls in City Departments

Improvements are needed in the handling of city receipts by several different city departments. In addition, the city's Finance Department has not developed adequate procedures to ensure some city departments are properly recording, reporting and transmitting city monies.

The city recognized the need to improve internal controls in the various city departments and in November 2006 the finance department reviewed controls over cash collection points and made recommendations. In December 2006 the city contracted with a CPA firm for $23,000 to review the internal controls over five city areas (Building Development Services Department, landfill, Finance Department main cashier, Planning and Development Departments loan collections, and procurement cards), and received a report in February 2007 from the CPA firm. While the city has taken steps to improve controls in several city departments, some improvement is still needed.

The city has several cash collection points throughout the various city departments that collect over $48 million annually (excluding the municipal court). Some monies are deposited directly in the city's bank account and others are transmitted to the Finance Department's cashier for deposit. The chart below summarizes the city departments and the various revenues collected.

Department	Amount (in millions)	Revenue Type
Public Works	$ 28.8	Fees from landfill, quarry, hazardous waste disposal, projects, inspections, recycling, recycled product sales, permits, land rental, sewer lateral loan payments, plans, cash escrows, various utility reimbursements, and sale of grave plots in the city cemetery
Parks	7.7	Entrance, registration and enrollment fees from community centers, city parks, golf courses, swimming pools, ball parks, pavilion rentals, after-school programs, and the zoo
Finance	3.3	Business and occupational licenses, cigarette taxes and other fees
Planning Development Services	2.6	Zoning fees, subdivision fees and loan payments
Emergency 911	2.4	Phone surcharge receipts
Building Development Services	1.3	Various permits and licenses
Health	1.2	Immunizations, animal shelter fees, environmental permits, birth and death certificates, and other various fees
Other departments	0.7	Various receipts including collections from the art museum, fire department, and law department

We reviewed procedures at some collection points throughout the city and examples of weaknesses include:

- Several departments do not have adequate procedures in place to properly record all payments received. Receipt slips are not issued for all monies received. In some departments the numerical sequence of receipt slips is not accounted for and some receipt slips are not issued in order. For example, in one department preprinted receipt slips are not issued and collections are recorded by an employee on a computer-generated receipt slip that is numbered and printed by the clerk. At another location a cash register is used; however, the cash register is not closed out at the end of the day and reconciled to monies on hand.

- The Park's finance division has not developed adequate procedures to ensure each park location is reporting all of the monies received. For example, the computerized accounting system used at each golf course has transaction numbers to account for monies received; however, the Park's finance division does not have procedures in place to account for the numerical sequence of the golf course's recorded receipts to ensure that all monies have been deposited into the city's bank account.

- Manual receipt slips issued are not always issued in numerical sequence. Multiple receipt books are sometimes used concurrently. Additionally, some receipt slips were altered to reflect a decrease in the amount of cash received, and there was no information documented to indicate why the amount was changed.

- Manual records of monies collected are not always reconciled to amounts posted to computerized records. For example, loan payments collected by Planning Development Services were not reconciled to amounts recorded in the loan tracking software.

- In one instance a receipt slip was issued but no monies were on hand for the receipt. City personnel indicated the receipt slip should have been voided.

- The receipt books used for collections at one location are not prenumbered. Also, some receipt slips were skipped and voided receipt slips are not always properly retained.

- Some departments do not account for the numerical sequence of permits/licenses issued and reconcile this to amounts received.

- Controls over the daily transmitting/depositing of collections could be improved. Several departments are not depositing monies on a timely basis and other departments are holding monies for long periods of time waiting on approval of plans or permits. In September 2006, we counted over $32,400 in one office for permits and plan reviews. Of this amount $15,000 had been held for up to ten months waiting for approval. Holding monies on hand for long periods of time increases the risk that funds will be lost or misappropriated.

- Monies collected for Greene County were not always transmitted to the county on a timely basis, and records of county funds collected could be improved.

- Several departments do not track and/or reconcile the method of payments received to the composition of the total transmitted or deposited to ensure receipts are transmitted or deposited to the city's finance department intact.

- Checks and money orders are not always restrictively endorsed immediately upon receipt.

- Some fees for permits and licenses were returned when the permit or license was not approved and personnel did not retain documentation to support monies that had been returned. All fees received should be deposited and refunds made by city check.

- City policy allows employees to cash personal checks from receipts on hand with the finance department cashier.

- Passwords and/or user IDs which restrict employee access to the cash receipting system are not always changed periodically. A unique password should be assigned to each user, and these passwords should be kept confidential and changed periodically to prevent unauthorized access to the accounting system.

Overall, the city has numerous cash collection points throughout the various city departments. To adequately safeguard receipts and reduce the risk of loss or misuse of funds the city should review collection procedures at all locations. Steps should be taken to identify the collection points with the greatest risk of misuse or misappropriation and the city should make appropriate improvements to controls over these areas first.

WE RECOMMEND the City Council ensure adequate controls and records are in place in all city departments to properly account for all monies received.

AUDITEE'S RESPONSE

The City concurs with the Auditor’s recommendation and has put several additional measures in place since September 2006.

All departments are now using pre-numbered receipt books and employees are required to list the date of transaction, the amount, method of payment and service delivered.

Software changes were developed so that instead of holding any money while awaiting final approval of plans or other permits, all checks are now deposited daily and if a refund is required, the check is issued through Accounts Payable.

Supervisors are responsible for balancing the receipt books to the funds deposited and a new financial report allows supervisors to view the daily bank deposit to verify receipts also match the deposit.

8. City Service Center

The city has not performed a cost benefit analysis since 1999 to determine the most cost effective method of repairing and maintaining city owned vehicles, and some of the amounts charged by the city's service center appear excessive. The city's Public Works Department operates a service center that performs repairs and maintenance on city vehicles and equipment, and provides fuel pumps at six different locations throughout the city. All city departments use the city's service center except the Airport and the Parks Department which maintain separate maintenance facilities that service their vehicles and equipment.

Approximately $3.1 million was billed by the service center to the various city departments during the year ended June 30, 2006. Our review of billings identified some charges that appear excessive. For example, preventive maintenance checks (oil changes) for city-owned vehicles were billed to city departments at approximately $78 each. We contacted three private businesses and found that the cost of a full service oil change (which includes various preventive maintenance checks) ranged from $26 to $35, and the maintenance facility operated by the city's Parks Department reports the cost of an oil change as $34.

The cost difference between the city's service center and the city's Parks Department is caused by the differing amounts reported as labor costs. The city's service center charged $62 for labor while the Parks Department facility reports labor costs of only $15. It is unclear how two city-operated facilities can report such a significant variance in labor costs for the same service. The city should review the efficiency of the time associated with the task to ensure charges are reasonable.

Additionally, the city's service center also bills city departments an additional ten percent for work contracted to outside vendors, thirty percent for replacement parts on work performed in-house, and ten cents for each gallon of fuel. These mark-ups are to cover administrative and overhead costs. For example, auto body repair performed by an outside vendor on a police department vehicle cost $2,414 but $2,655 was billed by the service center to the police department.

The city's service center is accounted for as an internal service fund on the city's financial statements. The internal service fund is used to accumulate and allocate actual costs associated with the service center. Work performed at the service center is billed to city departments and funds are transferred from the various departmental budgets to the service center fund.

Although financial information reflects that the city's service center does not make a profit, amounts billed appear to be high in some instances. The city should evaluate the efficiency of service center operations and different options for performing vehicle maintenance. Soliciting bids from private vendors on performing some of the routine vehicle maintenance should be considered when analyzing vehicle maintenance costs. In addition, city management should review the significant difference in reported labor costs between the Parks Department and the city's service center.

WE RECOMMEND the City Council perform a cost benefit analysis to determine the most cost effective method of repairing and maintaining city owned vehicles, and review the significant differences reported in labor costs at the Parks Department and the city's service center.

AUDITEE'S RESPONSE

The City agrees that the Service Center charges should be routinely benchmarked against the private sector. It is the City's intent to continue the semi-annual survey of private market rates.

The Service Center's managed competition model was developed through a lengthy market analysis in 1999 that resulted in an evaluation team's conclusion that the City Service Center offered the lowest and best proposal for vehicle maintenance and repair services. Since 1999, the Service Center has established a range of 77.5 percent to 82.5 percent of private market rates in semi-annual surveys.

Regarding the Auditor's comment about the cost of preventative maintenance and oil-change service, we do not agree that it is a legitimate comparison to similar services offered in the private sector. The maintenance check includes a number of services not routinely offered by private-sector businesses in the cost of an oil change and not included in the comparison cost of the services provided by the Parks Department. There also are security benefits to using an in-house service, particularly with Police vehicles and other types of vehicles that carry equipment housing sensitive information.

9. Vehicle Usage

The usage of city-owned vehicles is not analyzed to ensure the efficient management of the city's fleet of vehicles. Additionally, mileage records are not maintained for most city-owned vehicles, and commuting mileage was not always reported to the city's finance department and was unreasonable for some employees. Further, the city does not document the reasonableness of vehicle allowances paid to upper management.

The city owns over 440 vehicles at a total original cost to the city of approximately $8 million. These vehicles are assigned to the various city departments to be used for city business. Additionally, city ordinance authorizes the City Manager to assign up to 70 of these city-owned vehicles to employees to commute to and from work daily.

A. There is no documentation to indicate the city has made an effort to analyze all vehicle usage to ensure all city-owned vehicles are used efficiently. Each city department is responsible for the vehicles they are assigned, and mileage records to account for the use of city-owned vehicles are not always maintained. With the exception of some patrol vehicles utilized by the police department, mileage logs that include the purpose and destination of each trip, and the daily beginning and ending odometer readings are not maintained to document the use of city-owned vehicles.

For vehicles it services, the city's service center maintains a record of the vehicle mileage each time a vehicle is fueled or has maintenance performed. According to their mileage information, over 25 city vehicles were driven less than 1,000 miles during the year ended June 30, 2006. Additionally, numerous other vehicles were driven less than 5,000 miles during the year. Low mileage may indicate a city has too many vehicles or is not efficiently utilizing vehicles.

The city paid mileage reimbursements totaling over $220,000 to employees for using their personal vehicles for business travel. Since records documenting the use of city vehicles were not always maintained, it is unclear whether or not a city vehicle could have been utilized instead of a personal vehicle. For example, one employee was paid $13,885 during the year ending June 30, 2006 for mileage reimbursements.

Complete and detailed mileage records for all city owned vehicles should be maintained, and a review of these records and the records maintained by the service center should be periodically performed to ensure all city owned vehicles are used efficiently. Additionally, consideration should be given to establishing a pool of vehicles to be shared by all city departments to help reduce employee mileage reimbursements and to help eliminate the inefficient use of some departmental vehicles.

B. City ordinance 4906, passed in June 1999, authorizes the City Manager to assign up to 70 city-owned vehicles to employees to commute to and from work daily. Annually the City Manager makes this authorization, and in May 2006 seven city departments were assigned a total of 69 city-owned vehicles as employee take-home vehicles.

1. While city departments are required to submit listings of employees authorized to use city-owned vehicles for commuting purposes to the City Manager's office, there is no documentation to justify or evaluate the need for the city vehicle to be used for commuting purposes.

   City management should adequately document the evaluation and justification of providing vehicles for commuting purposes.

2. Commuting mileage is not always properly reported and taxed. Employees (except emergency personnel) who utilize city-owned vehicles for commuting purposes are required to submit a quarterly commuting mileage report to the finance department for recording as a taxable benefit. City finance department payroll information did not include three Parks Department employees, two Public Works Department employees, and one Human Resource Department employee, that documentation from the city manager's office indicated were assigned a city vehicle to take home.

   Finance department personnel indicated that they rely on each city department to submit commuting mileage reports, and to inform them of changes in vehicle assignments. The city's finance department cannot adequately track the completeness of the submission of commuting mileage reports without an adequate system of notification when commuting approval is granted and without complete reporting each quarter by all employees approved for commuting. Internal Revenue

Service (IRS) guidelines indicate personal commuting mileage is a reportable fringe benefit.

3. The amount of commuting miles incurred on some city vehicles appears excessive. The Chief of Police is authorized by the City Manager to assign 50 city-owned vehicles to certain police department employees to commute to and from work each day. The Chief indicated that these fifty individuals are on 24-hour emergency call; however, 23 of these employees live outside of Springfield, and some live outside of Greene County. One employee commutes to and from his home approximately 50 miles daily (round trip), and according to mileage recorded by the city's service center, it appears that of approximately 14,000 miles reflected on this vehicle for the year, approximately 90 percent appear to be for commuting purposes. Additionally, we identified several other police department employees with commuting percentages over 70 percent. Since these employees are considered on emergency call 24 hours daily, compensation for commuting mileage is not added to their compensation.

   Considering the city-owned vehicles assigned to these individuals are used mostly for commuting purposes, and considering the distance some of these individuals live from Springfield, it is questionable whether or not they could respond in a reasonable amount of time to an emergency from their residence. Further, given the high cost associated with vehicle ownership, maintenance and fueling, the city should periodically review the assignment of city-owned vehicles for commuting purposes.

C. The city has no documentation to show vehicle allowance amounts are reasonable compared to actual expenses incurred. The city pays vehicle allowances of $410 monthly to approximately 15 upper management employees who use personal vehicles to conduct city business. Using the city's current mileage reimbursement rate of $.44 per mile the $410 monthly allowance paid to these employees represents approximately 930 miles per month. Additionally, it is questionable that all of these city employees should be paid the same vehicle allowance amount based upon the differing job duties and travel requirements.

   Further, these employees also receive reimbursement for actual mileage incurred during out of town travel. City policy does not address the payment of mileage reimbursement to employees receiving a mileage allowance, and expense reports prepared for mileage reimbursement for out of town travel did not always include the destination.

   The City Council should review the reasonableness of the mileage allowances paid, ensure city policy addresses mileage reimbursement payments to individuals receiving a mileage allowance, and require expense reports to include all necessary information before reimbursement is paid.

<u>WE RECOMMEND</u> the City Council:

A. Require complete and detailed mileage records be maintained for all city owned vehicles and periodically analyze vehicle usage to ensure city owned vehicles are used efficiently. Additionally, consider establishing a pool of city owned vehicles to be shared by all departments.

B. Ensure city management periodically evaluates and documents the necessity of providing vehicles for commuting purposes to ensure the business purpose is justified. Additionally, an adequate reporting system should be established to ensure personal commuting mileage is reported to the city finance department for inclusion in employee compensation.

C. Review vehicle allowances and set the allowances to reasonably reflect the actual expenses incurred by the applicable officials and employees. Additionally, city policy should address mileage reimbursement payments to individuals receiving a mileage allowance, and expense reports should include all necessary information before reimbursement is paid.

<u>AUDITEE'S RESPONSE</u>

The City agrees with the Auditor's recommendation that a yearly analysis of vehicle usage can be a beneficial fleet management tool to evaluate efficiency. The City believes that vehicles have different uses and therefore different mileage standards and that low mileage should be only one factor in determining whether a vehicle is needed or is efficient. A pool of city-owned vehicles will be considered.

The Finance Department now obtains a list of employees authorized to drive a city vehicle home directly from the City Manager's Office.

Regarding Police vehicles, the Department has written policy prohibiting employees from using assigned City vehicles for personal use. The vehicles are assigned based on the need for the employee to be on call for potential emergency situations 24 hours a day because the cars hold special equipment needed for immediate response. Police and City management annually review the list of take-home cars to ensure there is a continuing need for those assignments.

10. Hotel/Motel Room Tax

The city does not take adequate steps to ensure all hotel/motel taxes are collected, and does not properly monitor the hotel/motel tax funds passed through to the Springfield Convention and Visitors Bureau.

A. The city collects over $3.2 million annually in room taxes, but does not examine or inspect the books and records of the hotels and motels to ensure the amounts paid are accurate.

A room tax of 5 percent is levied by the city on the gross rental receipts of hotels and motels located within city limits. A monthly report of gross receipts is required to be submitted by the hotels and motels to the city's finance department along with the taxes due. Article V, Section 70-265 of the City Code authorizes the city Finance Director to examine and inspect the books and records of the hotels and motels in the city to ensure the amounts reported are accurate. The last examinations performed by the city Finance Director were during 1997 and 1998, with some of those examinations resulting in the identification of underreported revenues and additional taxes due to the city.

According to the city Finance Director, the finance department reviews monthly reports for any significant fluctuations, but does not have adequate staff to perform examinations. To ensure hotels and motels are accurately reporting gross receipts, the city should consider implementing procedures to periodically examine the records of the hotels and motels in the city.

B. The City does not properly monitor the hotel/motel tax funds expended by the Springfield Convention and Visitors Bureau (CVB). The City has contracted with the CVB to receive 94 percent of the two and one half percent hotel/motel tax passed to promote tourism. Approximately $3.2 million in hotel/motel tax revenues were expended by the CVB during the years ended June 30, 2007 and 2006.

Some CVB expenses are paid directly by the city's finance department and some expenses are paid from the CVB's bank account then reimbursed by the city. Additionally, the CVB receives advertising and marketing revenue from outside sources which are paid to the city finance department and allocated to the CVB's annual budget. The CVB's budget from all revenue sources is approximately $3 million annually. Our review of the CVB's financial records and procedures identified the following concerns:

- Complete invoices and supporting documentation for CVB expenditures are not always submitted to the city's finance department for review and processing. For example, only the first page of credit card statements indicating the amount due is submitted as documentation to pay the credit card bill. Additionally, the city's contract with the CVB does not require complete documentation of expenditures to allow the city to adequately monitor the use of the hotel/motel tax money.

- An imprest payroll bank account is not properly used by the CVB in compliance with the contract. The contract between the city and the CVB allows the CVB to maintain a separate bank account on an imprest basis for the purpose of writing net payroll checks and paying payroll deduction items. This account was established with a $40,000 cash advance from the city and is replenished on a weekly basis through the city's accounts payable system. Our review of this bank account identified that the account was also used for other CVB expenditures totaling over $84,000, such as vehicle lease payments, travel expenses, food purchases, novelty items, and a board of director's retreat. Only payroll related expenses should be paid from this account in compliance with contract terms.

- The city is paying $421 per month for three years to lease a vehicle for the CVB Director. Based upon mileage records this vehicle was used 73 percent of the time for personal use. Although personal usage was reported on the Director's W-2, the city should consider requiring the CVB to reimburse the Director for the business use of his personal vehicle rather than leasing a vehicle since the business use of the vehicle is so small.

- Approximately $3,125 was paid for a suite at the baseball stadium, and $428 was paid for a Board of Director's meeting at a local Country Club. The city should ensure these funds are used to promote tourism as required.

- The CVB has 13 American Express credit cards each issued to a CVB employee. The city paid approximately $300,000 during the two years ended June 30, 2007 for purchases through these credit cards. We identified instances where supporting documentation was inadequate, and several instances where alcoholic beverages were purchased. Although the CVB policy allows for the purchase of alcohol, the city should review the policy to ensure city funds are expended appropriately.

- The CVB contracted with a local Certified Public Accounting firm to review their operations. A report dated January 2007 made 41 recommendations concerning the procedures and controls over cash receipts, bank accounts, inventories, fixed assets, expenses, and insurance coverage. In March 2007 the city requested and received written documentation from the CVB on how these recommendations would be addressed. The city should continue to follow up to ensure all recommendations are fully implemented.

To ensure the proper use of the city’s hotel/motel tax monies, the city should establish formal procedures to monitor the use of hotel/motel tax monies and require adequate documentation of how the city funds are used. In addition, the city should ensure the CVB fully complies with all provisions of the contract, and has implemented all recommendations made by the CPA firm during the review of the CVB's operations.

<u>WE RECOMMEND</u> the City of Springfield:

A. Consider implementing procedures to periodically examine the books and records of hotels and motels to ensure gross receipts used to calculate room taxes are accurate.

B. Improve the control and accountability over the use of hotel/motel tax monies, ensure the CVB complies with all provisions of the contract, and continue to follow up to ensure all recommendations included in the CPA's report on operations are implemented.

AUDITEE'S RESPONSE

A. The City accepts the recommendations of the Auditor pertaining to examining the books and records of hotels to ensure gross receipts are being reported correctly.

B. The operational review cover letter from the local certified public accounting firm stated, "We would compliment the Springfield Convention & Visitors Bureau on its very well-defined procedures, the performance of those procedures and on the controls that are already in place to safeguard its assets. The recommendations in our report are simply our suggestions for how these procedures and practices could be implemented and/or enhanced."

Of the 41 recommendations contained in that audit report, 36 have been implemented. Two are in the process of being implemented and should be completed by December 31, 2007. Three had to do with the level of insurance coverage and have been thoroughly reviewed by the CVB Board, and it was deemed by the Board that current levels of coverage are appropriate for two of the recommendations. The third recommendation had to do with reviewing whether flood insurance for the building was needed, and the Board, after careful review, felt it was not.

The City and the CVB will review and/or revise the contract with respect to the petty-cash issue.

11. City Purchasing Cards

The city needs to implement better controls over purchasing card expenditures. We identified excessive spending limits, unnecessary purchases, split purchases to circumvent transaction limits, and inadequate supporting documentation.

The city has over 450 purchasing cards issued to various city employees. The purchasing card (P-card) is an official VISA credit card which is designed to provide a more convenient procurement method than the purchase order system. Each P-card has individual transaction limits assigned ranging from $500 to $5,000, and monthly cycle limits ranging from $1,000 to $50,000. During the year ending June 30, 2007, P-card purchases totaled approximately $6.6 million.

A. The city has not adequately analyzed the need for the 450 P-cards based upon employee use, and excessive spending limits has exposed the city to unnecessary liability. Further, transaction limits are not assigned based upon a need analysis, and some individual employee usage appears excessive.

- Transaction limits assigned to some city employees appears excessive. For example, 67 cardholders spent less than $1,000 each during the year ended June 30, 2007, with 11 of these employees spending less than $100. Two of these employees had monthly transaction limits of $10,000 each.

- Over $1.5 million of the purchases made during the year ended June 30, 2007 were made by only six cardholders. One of these employees charged nearly $400,000 on their P-card during the year. According to the city's purchasing card procedure manual, the P-cards are designed to make it easier to make small dollar purchases (less than $5,000) because less time is spent obtaining approval and the cardholder is empowered to make purchasing decisions. Considering the large amount of purchases made by these six employees the city should review their purchases to determine if the city's purchase order system would be more appropriate for some of these purchases.

- In May 2005 the city exceeded their corporate charge limit for purchase cards and some purchase card transactions were denied. According to finance department personnel, increasing the corporate charge limit would have taken several days, so to prevent the denial of additional transactions the city wired an advance payment of $530,000 toward their VISA purchase card account. This payment was approximately $32,000 more than what was actually due on the account. The city should monitor their corporate charge limit, to ensure it is appropriately established.

The city's purchasing card program allows city employee cardholders to spend up to pre-authorized limits without obtaining prior supervisory approval. Accordingly, higher than necessary spending limits exposes the city to unnecessary liability. If the city's intent is to facilitate small dollar transactions, the city should review the practice of allowing some employees to charge significant amounts.

The city should reevaluate the reasonableness of purchasing card limits, and provide cards, with appropriate transaction and monthly limits, to employees based on past or anticipated purchasing patterns.

B. Some P-card expenditures reviewed did not appear to be prudent and necessary uses of public finds. Some of these individual expenditures included:

- $450 for edible sand and pebble candy for a park activity.

- $360 for food for City Council luncheon (approximately $9,600 spent annually).

- $330 for food for a Planning and Development meeting (numerous food purchases were made for other board and committee meetings).

- $278 for appreciation gifts.

Further, the city spent approximately $220,000 during the year ended June 30, 2006 on meals and food purchased through employees' P-cards. Some of these purchases represent employee meal costs while on travel status, and as noted above some purchases are for meals and food provided during various board and committee meetings, employee meetings, and other events. Some instances were identified where individual employee meal costs appeared excessive. For example single meal purchases totaling $74 and $57 were noted.

The city should develop a comprehensive policy establishing guidelines for city provided food and setting reasonable limits for meal costs for employees while on travel status. Additionally, the city should evaluate the need for providing food at meetings and events.

Public funds should be spent only on items which are necessary and beneficial to the city. City residents have placed a fiduciary trust in their public officials to spend city revenues in a prudent and necessary manner.

C. Our review identified several instances where transaction limits were circumvented by splitting purchases. For example, a parks department employee with a transaction limit of $2,000 split a purchase to the same merchant on the same day by charging $1,500 and $1,560 for canoes. While the employee received approval via e-mail from a parks department accounting clerk to make the purchase, according to city policy no one has the authority to authorize split transactions.

To ensure established purchasing card spending transaction limits are followed, monthly statements should be reviewed more thoroughly by supervisors. In addition, a formal review of employee card transaction limits should be performed.

D. Adequate supporting documentation was not maintained for some P-card transactions. Examples include building materials ($1,600), food ($1,840), and gift cards ($300). Documentation for the building materials and food included only a credit card charge slip. An itemized receipt was not maintained. Additionally, a list of individuals receiving the gift cards was not maintained to document their use.

Further, adequate documentation was not always submitted for purchases returned and credited back to the procurement card.

To ensure all charges and credits to the city's procurement cards are proper, detailed supporting documentation, such as itemized receipts and vendor invoices, should be maintained for all transactions.

WE RECOMMEND the City Council:

A. Evaluate the reasonableness of purchasing card limits, and provide cards, with appropriate transaction and monthly limits to employees based on past or anticipated purchasing patterns.

B. Ensure all expenditures are necessary and prudent use of public funds. Additionally, a comprehensive policy regarding city-provided food purchases should be developed. This policy should establish specific guidelines regarding proper and allowable expenditures in this area, along with documentation requirements.

C. Ensure purchasing card statements are thoroughly reviewed to ensure transaction limits are not exceeded.

D. Require adequate documentation be maintained for all purchasing card transactions.

AUDITEE'S RESPONSE

A. The Purchasing card is specifically designed for purchases under $5,000 and 80 percent fall within that category. It is an efficient and cost-effective way to procure and pay for goods. In the 2006-07 fiscal year, the City received $35,000 in rebates on purchasing card transactions. The cost associated with a purchasing card transaction is significantly lower than payment with a check, and eliminates the possibility of check fraud. All purchasing cardholders are required to attend training before their card is issued. Supervisors review transactions weekly. The City accepts the Auditor’s recommendation and will review the reasonableness of purchasing card limits for all cardholders.

B. The City accepts the Auditor’s recommendation and will consider establishing a food policy. Regarding certain food purchases, however, it is often most convenient for volunteer boards, including City Council, to meet during lunch or after business hours. The City receives thousands of hours of volunteer service from citizens each year and believes it is appropriate to provide meals or snacks to them under certain circumstances such as lunchtime meetings.

C. City Policy prohibits splitting transactions to circumvent transaction limits. If a transaction is split, the employee’s supervisor is notified. Cardholders will be periodically reminded of this policy.

D. *The policy also requires detailed receipts for each transaction; if a receipt is lost and cannot be duplicated, the employee must write a memo listing the items charged and stating no alcohol was purchased.*

12. City Expenditures

Compliance with contract terms and adequate supporting documentation was not required for $464,417 paid to the city's lobbyist during the two years ending June 30, 2007. Several of the city's construction contracts were significantly increased through change orders without additional bids or proposals solicited. A payment totaling $17,694 was paid to the Downtown Springfield Community Improvement District (CID) without a contract or documentation of how the funds were utilized. Some expenditures did not appear to be prudent and necessary uses of public funds, and the city has not established guidelines for staff to follow when booking flights to travel on city business. Additionally, adequate supporting documentation was not obtained for some expenditures, and the finance department needs to review the electronic vendor list for duplicate vendor names. Further, city services provided to not-for-profit organizations were not adequately tracked and not always included in the written contracts.

A. The city contracts with a lobbyist to promote city interests and advise the city on legislative, executive, and administrative matters at the state and national level. During the two years ended June 30, 2007 the lobbyist was paid $160,361 for legislative consulting and travel expenses, $16,056 for medical insurance reimbursement, $288,000 for subcontracting and was also provided office space with normal support services.

- The city does not ensure the lobbyist is in compliance with contract terms. Our review found the city's lobbyist provides services to several other entities and has not obtained written permission from the city to perform these services as the contract requires. The contract specifies that the majority of the lobbyist time be devoted to city interests and requires the lobbyist to obtain written permission from the city prior to performing any lobbying activities for another entity.

- The contract with the lobbyist does not require documentation to support the specific services being provided and invoices submitted by the lobbyist did not adequately detail the work he performed. For example, the invoices did not include a detailed description of the services provided during the time period.

- The city did not obtain documentation to support services totaling $288,000 provided by a lobbyist subcontractor located in Washington D.C. While the contract with the lobbyist allows subcontracting of lobbying services the city should obtain detailed documentation of services provided to evaluate the reasonableness of payments for services rendered.

Close monitoring of contracts and detailed documentation of services provided are necessary to ensure compliance with contract terms and evaluate the reasonableness of payments for services rendered.

B. Several of the city's construction contracts were significantly increased through change orders and additional bids or proposals were not solicited for the change orders. Examples include:

- The original construction contract for the renovation of the Springfield Regional Arts Council Creamery totaled $1,051,900. The city expended over $391,000 during 2005 and 2006 as a result of change orders. Many of the construction change orders were for work that was not included in the scope of the original project.

- The original construction contract for the sidewalk reconstruction and lighting project in the downtown area totaled $241,160. The city expended $82,543 during 2005 and 2006 as a result of change orders, and indicated the change orders were incurred for unforeseen problems encountered during this project.

Change orders are normally used to make adjustments for minor problems that are unknown when construction projects are originally bid. They should not be used to make significant changes to existing contracts. If the scope of a project changes substantially, consideration should be given to rebidding those parts of the project.

C. A payment totaling $17,694 was paid to the Downtown Springfield Community Improvement District (CID) without a contract specifying how the funds were to be spent.

The CID assesses a property tax to the property owners in the CID's area. City officials indicated the amount paid was calculated based on the assessed valuation of city-owned property in the CID area, similar to a property tax. The city is not required to pay property taxes on any city-owned property, and does not make similar payments to other taxing entities. If the city desires to provide funding to the Downtown Springfield CID, a contract should be in place specifying how the funds are to be spent.

D. Some expenditures reviewed did not appear to be prudent and necessary uses of public funds.

- Picnic for city employees totaling approximately $7,200 annually.

- Suite at baseball stadium totaling $6,250 annually.
  ($3,125 for city and $3,125 for the CVB. See MAR 10)

- Gift baskets for general aviation customers totaling $1,792.

- Christmas dinner for street employees totaling $326.

- Some hotel costs claimed on employee expense reimbursement forms appeared to be excessive. We noted nightly charges between $200 and $300 per night. City travel policy does not address limits for hotel costs.

- Some meal costs and tips claimed on employee expense reimbursement forms seemed excessive. In one instance a tip of $60 was claimed on a $195 meal for four people. The city's travel policy does not address limits for meal costs.

City residents have placed a fiduciary trust in their public officials to spend city revenues in a prudent and necessary manner. In addition, the city should establish guidelines for travel related costs to ensure all costs are reasonable.

E. Improvements are needed with the city's travel policy. While the city's travel policy requires employees to perform a comparison to determine the most economical mode of transportation, the policy does not require a comparison of rates by the various vendors. For example, some city departments use on-line travel websites while other departments regularly use travel agents. Each city employee selects a travel agency to use for each trip taken. During the two years ending June 30, 2007 the city spent approximately $83,000 with four different travel agencies; however, the city primarily used one local travel agency spending over $47,000 during this two year period.

To ensure the most economical transportation is being utilized, the city should include a requirement in their travel policy for employees to compare and document rates of the various vendors.

F. The finance department's electronic vendor list contained some duplicate vendor names. The duplicate entries identified were due to a slight difference in spelling. We identified one vendor that was included three times in the invoice processing system used to pay city bills. Reviewing duplicate vendor names and inactive vendors on a routine basis would give the city better control over vendor information and would result in a more efficient operation.

G. The city provides funding to some not-for-profit (NFP) organizations without a written contract and without tracking the costs associated with work performed by city staff.

- City secretarial and accounting services are provided at no charge and without a current written contract for the Springfield Sister Cities Organization, a not-for-profit organization. Additionally, for the two years ending June 30, 2007, approximately $30,000 in city funds were expended on operating expenses associated with the organization such as office supplies, computer software, telephone, city print shop charges, and payments made directly to the Springfield Sister Cities Organization. The last one year contract with the organization was dated March 1989.

- City secretarial and accounting services are also provided, at no charge, for the Greater Springfield Area Sports Commission and Foundation Inc. and the Community Olympic Development Program, not-for-profit organizations. The Sports Commission also received a portion of the city's hotel/motel tax totaling approximately $100,000 during the two years ending June 30, 2007. While the city has a contract to provide these services; the city has not tracked or estimated the cost associated with providing city staff to manage these funds.

The city also provided funds to several other organizations, such as the Urban District Alliance, Leadership Springfield, Unite of Southwest Missouri, and Springfield Business Development Corporation. The city should review funding and services provided to all organizations to ensure both parties are aware of their duties and responsibilities, and a written agreement is entered into between the city and the organization. Additionally, staff costs associated with providing services to NFPs should be tracked and included in the agreement.

WE RECOMMEND the City Council:

A. Develop procedures to evaluate the contract with the lobbyist and require detailed documentation of the services provided to ensure payments are reasonable and in compliance with contract terms.

B. Ensure adequate planning is performed to reduce the number of change orders, and, if substantial changes are needed, consideration should be given to rebidding the applicable projects.

C. Ensure a contract is in place specifying how funds are to be spent if the city continues to desire to provide funding to the Downtown Springfield CID.

D. Ensure all disbursements of city funds are a necessary and prudent use of public funds. In addition, establish guidelines for travel related costs to ensure all costs are reasonable.

E. Consider including a requirement in the city's travel policy for employees to compare and document rates of the various vendors.

F. Periodically review vendor files to ensure duplicate vendors are eliminated.

G. Maintain written agreements for funding and services provided for NFPs. Additionally, city staff time provided to NFPs should be tracked and included in the agreements.

<u>AUDITEE'S RESPONSE</u>

A. The City believes its contractual lobbying services at the state and federal levels are highly effective in protecting and advancing the interests of Springfield citizens. However, we recognize the Auditor's concerns and will maintain better documentation in the future.

B. City policy permits change order increases or decreases up to 25 percent of a total contract amount, although change orders associated with public improvement projects are generally less than 10 percent of the total contract amount.

The Creamery Arts Center was funded wholly with private money with the City providing construction oversight because the expertise was not available on the Creamery's small staff. The oversight and inspection costs were charged to the Arts Council. It was the City's professional opinion that bidding a separate HVAC contract when additional funds became available for that work was not a cost-effective option for the Arts Council.

The change order for the sidewalk project cited was necessitated by unforeseen conditions found during construction in the underground storm system. Deferring the work to develop a separate bid would have incurred significant costs for the original project and longer disruption to the area businesses and the public.

With overall respect to the Auditor's recommendation, the City is committed to keeping change orders to a minimum on all projects.

C&G. All funding for not-for-profit groups is included in each year's annual budget and is appropriated to agencies for support of specific City goals. The City believes this is a cost-effective collaboration to deliver public services. The funding is provided through contract agreements and the City is involved in developing the work plans, which are monitored throughout the year.

City staff time provided for secretarial and accounting services for the Greater Springfield Sports Commission totals three to five hours per month and does not require any overtime.

D. The City recognizes its fiduciary responsibility to citizens and is careful in the expenditure of public funds. As a major employer, the City believes that a prudent amount of employee recognition and appreciation is important for morale and retention. The cost for the annual employee picnic averages less than $4 per employee.

The City and the CVB are two of six civic partners to have joint use of a Hammons Field suite at a half-price rate. The City is proud of this major private investment and its impact on Center City and believes it is a valuable way to showcase our City for visitors, economic development prospects, and to show appreciation to volunteers who serve on boards and commissions.

Employees sometimes travel to larger cities such as Washington D.C. or New York where hotel rooms routinely cost $200 or more per night even at conference rates.

E. *The City accepts the Auditor's finding and will review the travel policy to consider changes and additional documentation requirements.*

F. *The Finance Department has reviewed approximately 40 percent of the vendor file as of Nov. 1, 2007 to eliminate duplicate or inactive vendors.*

13. Springfield-Branson National Airport

Approximately $1.2 million in revenue was not collected by the Springfield-Branson National Airport because authorization to collect a Passenger Facility Charge (PFC) expired. In addition, the Airport has continued to operate with expired contracts, has not attempted to market available vendor space, and has not solicited proposals for some contract renewals.

A. Certain airports are allowed to impose a PFC of up to $4.50 for each paying passenger of an air carrier enplaned (i.e., those who are boarding flights) at the airport. Airports must apply to the Federal Aviation Association (FAA) for authorization to impose and expend PFCs. This revenue finances eligible airport projects that are approved by the FAA. Since 1993 the Springfield-Branson National Airport has been approved to collect and expend over $12 million in PFCs.

In March 2006 the authorization to collect the PFC at the Springfield-Branson National Airport expired. This $4.50 fee was approved by the FAA to be collected between September 2005 and March 2006 to purchase land for the new airport terminal. Application to the FAA to continue to impose the $4.50 PFC fee to fund the construction of the new terminal was not submitted until July 2006, and collection of the fee did not resume until January 1, 2007. As a result, PFC fees totaling approximately $1.2 million were not collected during this nine month period.

Airport officials indicated this lapse was because PFC collections to fund the purchase of the land reached the $900,000 maximum approved by the FAA much sooner than anticipated due to a significant growth in airline customers and because of delays in obtaining approval from the FAA for the construction of a new terminal. However, to maximize PFC revenues airport officials should have ensured plans for capital improvement projects are aligned with PFC expiration dates to prevent any lapse in amounts collected.

The PFC fee to construct the new airport terminal is effective until 2036, and allows the Springfield-Branson National Airport to collect and expend up to $83 million.

B. The Airport Board leases space inside the airport terminal to various vendors, and contracts with a company to manage the airport parking lots. Our review of these contracts identified the following concerns:

- The airport's lease agreements with six car rental companies for office space requires monthly lease payments based upon gross sales, and authorizes airport officials to verify gross sales are accurately reported by examining the books and records or by requesting an independent audit report. Airport officials indicated that gross sales amounts reported by the car rental companies are reviewed each month for significant fluctuations, but gross sales are not verified and independent audits are not requested. The airport receives approximately $1.5 million annually from the six car rental companies.

- The airport's lease agreement with a travel agency is not consistent with other airport lease agreements. The airport has leased office space to one travel agency since 1982, and in 2006 renewed the lease agreement for another 3 years. While lease agreements for the car rental companies and the food vendor base the lease amount on their gross revenue, the lease agreement with the travel agency is a flat rate of $30 per square foot of office space, or $992 per month.

- Airport officials have been operating on a month to month basis with a company for parking lot management services since the contract expired in 2003. In 1997 the Airport Board solicited proposals and subsequently signed a 5-year contract that expired in 2003 for parking lot management services. Airport officials indicate proposals were not solicited for these services when the original contract expired because of the future plans to construct a new terminal, and proposals have now been solicited for management services at the new terminal site. The airport receives approximately $2.5 million annually in parking fees.

- The airport terminal has vacant office spaces available for additional vendors and there is no documentation to indicate the Airport Board has performed any procedures to market the open spaces to potential tenants. Additionally, according to airport officials the new terminal currently under construction will be much larger and have more spaces available to lease.

To ensure monthly lease payments received from car rental companies are accurate, airport officials should implement monitoring procedures as allowed by lease agreements. Additionally, contracts should be updated and proposals solicited for new vendors as applicable, and airport officials should review the lease agreement with the travel agency for consistency as applicable. Further, an attempt should be made to market vacant space available for lease to vendors as appropriate.

WE RECOMMEND the City Council:

A. Ensure the Airport Board's plans for future capital improvement projects are aligned with PFC expiration dates to prevent any lapse in collections.

B. Ensure the Airport Board implements procedures to monitor lease revenues as allowed by lease agreements. Additionally, contracts should be updated as they expire, proposals should be solicited for new vendors as applicable, and the lease agreement with the travel agency should be reviewed for consistency as applicable. Further, any vacant space available for lease by the airport should be marketed to vendors as appropriate.

AUDITEE'S RESPONSE

A. The Airport Board maintains that the estimated $1.2 million is not lost revenue; it will be collected under the airport's current PFC authorization. It will simply be collected nine months later than it otherwise would have been. The Federal Aviation Administration caps PFC authorizations at a maximum collection amount regardless of when they start. The PFC expiration did not delay the start of the Midfield Terminal or any other capital project in any way.

During the time period in question, the only pending airport project eligible for PFC funding was the new Midfield Terminal financing because PFC projects must meet very specific criteria.

B. The Airport Board agrees with this finding regarding monitoring of lease revenues and will begin requesting independent audit reports.

The food vendor contract was extended in 2002 in order to allow the vendor to recover the capital investment necessitated in the aftermath of Sept. 11, 2001, which necessitated new security requirements such as creating restaurant space on the post security screening side of the terminal.

The Airport Board considers the travel agency an office tenant rather than a concessionaire because of the different nature of its business compared to selling gifts or food. It does not have exclusive rights to prevent other travel agencies from locating at the Airport.

14. Parks Department Procedures

Bids have not been solicited for beverage products used for park's concessions, and the same vendor has been used without entering into a contract. Also, increased controls are needed over fuel credit cards and bulk fuel purchases. We identified an excessive number of activated fuel credit cards and inadequate reconciliation procedures of bulk fuel at some park locations.

A. The city has not competitively bid beverage products for the parks department concessions, and has used the same vendor without entering into a current written contract since 2003. Additionally, purchases of beverage products for the various parks department locations are often paid through many different park employee's purchasing cards (city credit cards) rather than the city's normal accounts payable process. The city paid this vendor approximately $95,000 annually during the years ended June 30, 2007 and 2006 for beverage products.

   During the year ended June 30, 2007, approximately 97 separate purchases of beverage products were charged to 16 different parks department employee's purchase cards totaling approximately $87,000. (The remaining purchases were made through the city's normal accounts payable process.) Considering bids were not solicited, a written contract was not entered into, and purchases were made by numerous employees through the use of procurement cards rather than through the city's accounts payable process, it is questionable how these purchases were properly monitored.

   According to Parks Department personnel purchasing beverage products through the procurement cards is more convenient, and bids have not been solicited because they are satisfied with the service this vendor provides. However, city purchasing policy indicates all purchases exceeding $2,000 shall be made only after competitive bidding. Additionally, the city's purchasing card manual indicates purchasing cards are designed to make small dollar purchases. Considering purchases from this vendor are routine, a single monthly invoice with all purchases would provide for better monitoring than numerous purchases on several different purchasing cards.

   To ensure the city is obtaining products at the lowest and best cost, bids should be solicited in compliance with the city's purchasing policy, and a written contract should be entered into to ensure all parties are aware of their duties and responsibilities. Additionally, purchases should be made through the normal accounts payable process to allow for more efficient monitoring. Further, the city parks department should review purchases of other products to ensure the city's purchasing policy is followed.

B. The city Parks Department has not adequately analyzed the need for fuel credit cards based upon employee use. Approximately 49 of the parks department's 136 fuel credit cards issued to parks department employees had charges less than $200 during the year ended June 30, 2007, with 23 of the credit cards not used at all during this time period. The fuel credit cards are an official Voyager credit card which is designed to provide a more convenient procurement method for employees to purchase fuel. During the year ending June 30, 2007, fuel credit card purchases totaled approximately $138,000.

By assigning fuel credit cards to employees who do not use and may not need to use the credit cards, the parks department has created an unnecessary risk of misuse and potential liability. Since the fuel credit card system allows parks department employee cardholders to purchase fuel without obtaining prior supervisory approval the parks department should reevaluate the reasonableness of issuing 136 credit cards to employees. The cards should only be allocated to employees based on past or anticipated purchasing patterns.

C. Better controls are needed over bulk fuel purchases at some parks department locations. The parks department maintains seventeen gasoline and diesel fuel tanks at nine different parks locations for use in vehicles and equipment of the parks department. While fuel usage logs are maintained by the different parks department locations, reconciliations of fuel usage to fuel purchases are not always performed, and differences are not always reviewed and followed up on by the parks department administration. During the year ending June 30, 2007, the parks department spent approximately $26,000 for bulk fuel for the different parks locations.

To ensure the reasonableness of fuel expenditures, the parks department should reconcile records of fuel usage to fuel purchases and fuel on hand. Any differences should be investigated. Failure to account for fuel purchases could result in loss, theft or misuse.

<u>WE RECOMMEND</u> the City Council:

A. Solicit bids for beverage products in accordance with city policy, enter into current contracts with all entities or individuals providing products or services, and properly monitor all purchases.

B. Evaluate the need for each fuel credit card and cancel any cards which are determined unnecessary.

C. Reconcile records of fuel usage to fuel purchases and fuel on hand, and investigate any differences.

<u>AUDITEE'S RESPONSE</u>

A. The Park Board accepts the Auditor's finding and is in the process of seeking competitive bids for this service and will implement a formal contract with the successful vendor. Previous bid documents demonstrated that the local Coca Cola bottling company was a sole-source provider for the product and the required service and maintenance, which formed the basis for the ongoing relationship. The bid process will be re-implemented.

B. *In response to the Auditor's finding, Parks is reviewing the list of outstanding fuel cards and will terminate any cards no longer needed.*

C. *Based on the Audit finding, Parks has amended its Fuel and Oil Usage Report to eliminate any discrepancies and identify a vendor's failure to fill the tank to capacity.*

15. Incentive Payments

Bonus and incentive payments totaling approximately $450,000 were made to some city employees. Some payments were based on job performance and operating cash flow which may be in violation of the Missouri Constitution. In addition, other incentive type payments were made to city employees that do not appear to be the most efficient and prudent use of public funds. The city made the following bonus and incentive payments:

A. Performance based incentive payments were paid to airport employees totaling $86,605 and $73,652 for the two years ended June 30, 2007 and 2006, respectively. According to airport personnel, only employees who receive satisfactory performance appraisals receive the incentive payment, and the total of all incentive payments can not exceed five percent of the airport's net income.

Incentive payments were also made to public works department employees at the city's service center totaling approximately $28,500 for the year ended June 30, 2006. Public Works Department officials indicate that this incentive program is available to three of it's divisions including the sanitary division, the solid waste division, and the city service center which are mostly fee based operations. The incentives are based upon the positive cash flow and work efficiency of each divisions' operations. Service Center employees (which bill other city departments for vehicle maintenance, see MAR 8) were the only division to qualify for incentive payments during the year ending June 30, 2006, and none of the three divisions qualified for incentive payments during the year ending June 30, 2007.

The city's merit rules indicate that the City Manager may approve an incentive program allowing payments up to $1,500 per employee per year without the approval of the City Council. These incentive payments are to be made based upon the applicable budgetary limitations for the respective departments. The City Council should review the merit rules for compliance with the Missouri Constitution.

B. Payments were made to city employees totaling $104,900 and $107,550 for sick leave incentive during the two years ended June 30, 2007 and 2006, respectively. The city's merit rules indicate that any full-time employee who uses four or less hours of personal sick leave in any six-month period shall receive $100 for that six-month period. Part-time employees are also eligible for a prorated incentive payment.

C. Payments were made to city employees totaling $19,645 and $28,941 for computer incentives during the two years ended June 30, 2007 and 2006, respectively. As an incentive to promote computer knowledge, the city will reimburse the employee 15 percent, up to an annual maximum of $600, of the cost of a computer for home use. Individual reimbursements ranged from approximately $70 to $600.

Awarding additional pay to employees on a discretionary basis in the form of bonuses appears to represent additional compensation and violates Article III, Section 39 of the Missouri Constitution. Attorney General's Opinion No. 72, 1955 to Pray, 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." The City Council should review the various bonus and incentive payments to ensure compliance with the Missouri Constitution and consider simply increasing the salary of these personnel to avoid the appearance of granting a bonus.

WE RECOMMEND the City Council review the bonus/incentive payments and clearly document how each payment is determined and in compliance with state law.

AUDITEE'S RESPONSE

The City is awaiting an opinion from the state Attorney General's office for guidance on this issue.

16. Controls Over Seized Property

The Police Department's controls over seized money need improvement. In addition, a purchase of a seized automatic weapon by a Police Department employee was not adequately documented.

A. A physical count of seized money did not reconcile to the balance of seized money reported on the property unit's monthly activity report. A discrepancy indicating a shortage of approximately $12,107 was identified and could not be adequately explained by department personnel.

Since 2002 department personnel have been working to reduce the amount of seized money on hand by reviewing each case and transmitting funds to the city's finance department to be deposited into a bank account for safe keeping. Inventory records indicate seized money totaling over $500,000 was being held in 2002 prior to the department's reduction efforts.

Seized property held by the PD is tracked by specially designed software and physical inventories of the seized property rooms are performed by personnel monthly; however, physical inventory counts are not reconciled to monthly activity reports prepared by the department's property unit. For example, the monthly activity report dated August 4, 2006 reported a balance of $268,054 in the department's safe. On August 24, 2006, a routine physical count of the seized money performed by the Police Services Administrator resulted in a balance of $172,036 reported on the property room inspection report. We requested department personnel account for the activity between these two reports; however, personnel could not account for $12,107 of this decrease.

Department personnel were not reconciling the seized cash balance reported on the monthly activity report to the physical inventory balance included on the property room inspection report, and believed the amount on the monthly activity report may have been inaccurate.

Considering the often sensitive nature of the seized property, adequate internal controls are essential and would significantly reduce the risk of theft or misuse of the stored items. In March 2007 department personnel indicated they began reconciling the balance of seized money reported on the monthly activity report to the balance counted during the physical inventory.

B. The release of an automatic weapon to a police department Major was not adequately documented and did not appear to be properly handled. An automatic weapon was seized and logged into the police department property room after a response to a domestic violence case in March 2004. According to police department seized property inventory records the automatic weapon was released directly to a police department Major, and one of his subordinates signed for the automatic weapon to be removed from the property room and released to the Major.

The police department Major indicated that he was a gun collector and purchased this weapon through a gun dealer; however, documentation of payment for the weapon was not provided by the department Major.

To ensure the proper handling of seized items, adequate documentation should be maintained to support the chain of custody and disposal. Proper disposal of seized items would eliminate the significant risks of unauthorized access, use, or theft. Additionally, the appearance of potential conflicts of interest should be considered when releasing property from the seized property room.

WE RECOMMEND the City Council:

A. Ensure procedures are in place to properly account for the handling, and disposition of all seized money, including adequately documenting all physical inventory counts and reconciling those counts to inventory records.

B. Ensure adequate documentation is maintained to document the chain of custody and disposal of seized property. Additionally, the appearance of potential conflicts of interest when releasing assets from the seized property room should be considered.

AUDITEE'S RESPONSE

A. The Police Department has strict policies in place to handle evidence and property and has used a computerized bar-coding system since 1994. No exceptions have been noted in independent reviews for the Commission on Accreditation for Law Enforcement Agencies.

At the suggestion of the Auditors, the Police Department has purchased an updated computerized system that tracks the actual dollar amount of cash kept in the safe.

B. Policies are in place to document the chain of custody and disposal of all evidence and property. The records were in place to document the release of the weapon mentioned in the report. Policies will be modified to prevent employees from receiving personal property without the prior approval of the Police Chief.

17. City Policies and Procedures

The city's monitoring of cellular phone usage needs improvement. Approximately $65,000 in available neighborhood improvement funds are not being used to improve neighborhoods as intended by city officials. The city disposes of used computer equipment by giving it to city employees for their personal use.

A. The city does not properly monitor the use of cellular phones to ensure compliance with their cellular phone policy. The city provides cellular phones to some employees, reimburses some employees for business use of their personal cellular phones and provides a communications allowance of up to $70 per month for members of the city's management Team. The city uses two cellular phone companies and paid approximately $180,000 annually during the years ended June 30, 2007 and 2006 for cellular phone services.

- The city's cellular phone policy is not always followed. The policy requires each department to file written guidelines with the Telecommunications Coordinator detailing how the department will monitor the usage of cellular phones and the procedures for employee reimbursement of personal calls. The city failed to adequately monitor the personal use of cellular phones, and one Public Works Department employee used over 10,000 minutes in personal cellular phone calls during a period of 9 months in 2006, which was charged to the city. Upon the city's discovery of this excessive personal use, the city was reimbursed $770 by the employee. To ensure city cellular phones are used mainly for business purposes, and personal use is properly reimbursed to the city, cellular phone bills should be monitored regularly.

- City policy states the Finance Department will make periodic audits to ensure compliance with policy guidelines. The city Finance Department has not audited cellular phone usage for proper reimbursement of personal calls since 2004.

- The city has not evaluated the cost and distribution of cellular phones and other mobile technology. The city provides 379 cellular phones, 63 radio phones and 12 blackberries to various city employees through two separate phone companies. City policy indicates that departments specify which personnel should be authorized for use of cellular phones. Approximately 41 percent of the city's cellular phones are issued to Public Works Department personnel, and 22 percent of the cellular phones and all of the radio phones are issued to Parks Department personnel.

While cellular phones can help increase employee productivity, they are also costly. Effective procedures should be implemented by each department to properly monitor cellular phone usage. Additionally, the city should periodically evaluate the cost and distribution of cellular phones to employees to ensure all phones are needed or of benefit to the city.

B. Available neighborhood improvement funds have not been used. In December 2005 the city agreed with Burlington Northern Santa Fe Corporation to close a railroad crossing on Broadway Avenue and subsequently received $65,000 to make improvements to the surrounding neighborhoods. City employees met with residents impacted by the closure to determine the best use for the funds; however, the city has not developed a plan to use these monies, and the funds remain inactive. As a result of this situation, the city is not timely using available funds for their intended purpose.

C. The city disposes of used computer equipment by giving it to city employees for their personal use. During the last two years approximately 200 used computers have been given to city employees. The city's written policy requires detailed documentation be maintained of the equipment transfer; however, the city's information systems coordinator maintains a handwritten list of employees requesting used computer equipment, and as equipment is given out the name is crossed off the list. There is no documentation to indicate the type of computer equipment or the date the equipment was given to the employee. Additionally, at least 5 employees on the list who appeared to have received computer equipment, had terminated employment with the city at some point after receiving the computer equipment.

The city should refrain from giving surplus computer equipment to employees, and dispose of surplus computer equipment consistent with other city surplus property.

<u>WE RECOMMEND</u> the City Council:

A. Review the current cellular phone policy and ensure each department complies with procedures outlined regarding the monitoring of personal use and reimbursement of city provided cellular phones and perform an assessment of which city positions are in need of cellular phones. In addition, we recommend the city's finance department perform routine and periodic audits to ensure compliance with the city's cellular phone policy.

B. Develop a plan to use neighborhood improvement funds in a timely manner.

C. Refrain from giving surplus computer equipment to city employees.

<u>AUDITEE'S RESPONSE</u>

A. The City accepts the Auditor's recommendation and will review the cell-phone policy to ensure compliance.

B. The City has not received an agreed-upon recommendation from the surrounding neighborhood organizations for use of this funding. The City will pursue efforts to develop plans acceptable to the neighborhoods and the City.

C. The City is keeping a log showing more specific disposition of surplus computer equipment and will review whether to provide the log to Human Resources to include as part of the employee exit interview process checklist.

The surplus equipment available to employees is considered obsolete when taken out of City service and does not hold value beyond recycling.

18. Internal Audit and Finance Department Procedures

The city does not have an internal auditor position that reports directly to the City Council as allowed by the city charter and suggested by an outside audit. Additionally, the finance department does not adequately follow up on old outstanding checks on bank reconciliations. The city's internal service funds should be reviewed.

A. The city does not have an internal auditor position. Section 2.15 of the City Charter allows the City Council to appoint an "investigator", who shall be a certified public accountant (CPA) or otherwise specifically trained in government, to keep council informed of the work performed, methods and financial affairs of the city, and to make investigations of the work of all departments of the city. In

2006 the City Manager directed the city's finance department to perform limited internal auditing procedures; however, under the current city organization structure the finance director does not report directly to the City Council. In November 2006 the finance department reviewed the controls over cash collection points within the various city departments and issued a report recommending improvements. Since November 2006, the finance department has implemented procedures to periodically monitor these cash collection points; however, their efforts have been concentrated on collection points where very little money is collected. For example, procedures have been performed on two occasions since November 2006 at the city's fire department where collections average approximately $25,000 annually; but, no auditing procedures have been performed since November 2006 on departments such as the Health Department where collections total over $1.2 million annually. The city has nothing documented on how they have assessed risk in the various departments.

Internal audits can be a valuable management tool by identifying ineffective or inefficient operations and ensuring that established policies and procedures are followed. An internal audit function can also help to ensure the necessary operating regulations and policies are in place and provide assurances that maximum use of resources is being made. A properly functioning internal auditor could have helped in discovering and resolving several of the areas commented on in this report including purchasing card controls, service center procedures, and vehicle usage. Additionally, direct communication with the City Council would help ensure independence and provide a means whereby the City Council can be made aware of current activities. Such a reporting structure would also permit the City Council to request the internal auditor to perform specific audits.

B. The city of Springfield operates three internal service funds which include the city Service Center Fund (fleet vehicle maintenance), the city Print Shop Fund, and the city Self-Insurance Fund (health insurance and workers compensation, see MAR 4). Each of these internal service funds charge fees to the other city departments for their services. The city's audited financial statement for the year ended June 30, 2006 showed that two of the city's internal service funds had deficit balances and, the independent audit noted that internal service funds are specifically designed for goods or services that are provided on a cost-reimbursement basis and if a government does not intend to recover the full cost of providing services, the use of internal service funds would not be appropriate.

The audit recommended that the city review it's internal service funds to determine whether any funds should be collapsed or if the cost allocation for services provided by the internal service funds should be changed. As of June 30, 2007, the city has reduced the deficit balances, but has not fully resolved this issue.

C. The Finance Department has not established procedures to routinely follow up on outstanding checks. At April 30, 2007, approximately 60 city checks totaling

over $9,000 had been outstanding for more than one year. Some of these checks have been outstanding for over four years.
Procedures should be established to routinely investigate any checks remaining outstanding over a specified period of time and any reconciling items that have not been resolved timely. 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 paid out in accordance with applicable state laws.

WE RECOMMEND the City Council:

A. Consider appointing an internal auditor to conduct audits of city operations and activities that identifies ineffective or inefficient operations and reports directly to the City Council.

B. Evaluate the appropriate use of internal services funds as recommended in the city's financial statement audit report.

C. Routinely investigate any checks remaining outstanding over a specified period of time and any reconciling items that have not been resolved timely. If the payees of old outstanding checks cannot be located, the monies should be disposed of in accordance with applicable state laws.

AUDITEE'S RESPONSE

A. The City respects the Auditor's comments in this finding. City staff is recommending that a Request for Qualifications be developed to hire an internal auditor on a contract basis.

B. The City is committed to implementing the recommendations made in the Audit. The negative balance in the Print Shop has been reduced 20 percent as of June 2007, following the initial receipt of this Auditor comment in December 2006. The remaining negative balance will be resolved in 2008. The City also has addressed the Workers Compensation Fund to adjust rates and provide additional revenue for this fund (see 4D).

C. The Finance Department does investigate outstanding checks as time allows. Since April 2007 the number of outstanding checks over one year old has been reduced to 43. The City complies with the Secretary of State's requirements for unclaimed property.

19. Council and Board Meeting Minutes

Official minutes were not prepared and properly approved for city council luncheons and workshops, and minutes of various boards and commission meetings are not prepared and approved in a timely manner.

The City Clerk's office prepares and maintains minutes for the City Council and five other city boards and committees. Additionally, copies of minutes for twenty-one other city boards and committees that prepare their own minutes are filed in the City Clerk's office.

- Official minutes are not prepared and properly approved for city council workshops or luncheons. The City Council holds workshops and luncheons to meet and discuss city issues, and while public notices appear to be posted for these meetings, there are no official minutes taken. For example, the city council held a workshop on Saturday, May 21, 2005, and notes were taken documenting the major subjects discussed, but official minutes were not prepared and approved by the City Council. The notes indicated the interest of City Council to reallocate police officers to increase the neighborhood patrol division; however, the notes did not document any decisions made or votes taken. According to city officials the reallocation of police officers was implemented as a result of this meeting. Additionally, notes for the workshop did not document who was present, and were often not prepared for several months after the meetings. For example, as of October 12, 2006 luncheon notes had been completed through June 27, 2006. Notes from luncheon and workshop meetings are also not signed.

- Several board and committee meeting minutes are not prepared and approved in a timely manner. For example, the city Planning & Zoning Board minutes from May 2006 through December 2006 were consistently several meetings behind for review and board approval. Additionally, in February 2007 the Citizens Advisory Committee for Community Development approved minutes dating back to May 2006, and the Environmental Advisory Board approved November and December 2006 minutes in January 2007. The City Council should take steps to encourage all city boards to timely approve meeting minutes.

  Minutes serve as the only official permanent record of decisions made by the city council and other affiliated boards and committees. Section 610.010, RSMo, indicates that any meeting of a public governmental body at which any public business is discussed, decided, or public policy formulated is subject to the provisions of the open meetings law, which includes the requirement to prepare minutes documenting any actions taken or decisions made. In addition, Section 610.020, RSMo, requires minutes be taken and include the date, time, place, members present, members absent, and a record of votes taken. Minutes should be approved and signed to provide an independent attestation that the minutes are an accurate record of the matters discussed and actions taken during the meetings. Furthermore, timely approval not only adds assurance to the authenticity of official minutes, but allows a review of the contents to ensure the minutes include all important information regarding the meetings held.

WE RECOMMEND the City Council ensure minutes are maintained for all meetings in accordance with the provisions of Chapter 610, RSMo, and take steps to encourage city boards and committees to prepare and approve minutes in a timely manner.

AUDITEE'S RESPONSE

The City considers it a high priority to operate in full accordance with the Missouri Sunshine Law. The City Clerk's office carefully follows state law with respect to the requirements for taking and maintaining official meeting minutes.

In the example of the Planning and Zoning Commission, the minutes for the period cited in 2006 were all approved approximately one month from the previous meeting. The Planning and Zoning Commission meets twice a month and the meetings are often very lengthy. It would be difficult to prepare minutes for the very next meeting, so the minutes are routinely approved two meetings after the date the minutes were taken.

Planning and Zoning minutes are taken in much greater detail than required by state law because City Council relies on the detail in those minutes for its consideration of the cases brought to Council from Planning and Zoning.

On other occasions, there is a lapse in the amount of time before minutes are approved because certain boards meet infrequently or on an as-needed basis.

HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

CITY OF SPRINGFIELD, MISSOURI
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The city of Springfield is located in Greene County. The city was incorporated in 1838 and is currently a home rule city. The population of the city in 2000 was 151,580.

The city government consists of a mayor and an eight-member city council. The members are elected for 4-year terms. The mayor is elected for a 2-year term, presides over the city council, and votes only in the case of a tie. The Mayor, City Council, and other officials at June 30, 2007 and 2006, are identified below. Zone One covers Northwest Springfield, Zone Two covers Northeast Springfield, Zone Three covers Southwest Springfield, and Zone Four covers Southeast Springfield. The Mayor is paid $200 per month and City Council members receive no compensation. The compensation of these officials is established by city charter.

Elected Officials	Dates of Service During the Two Years Ended 6/30/07
Thomas J. Carlson, Mayor *	July 2005 – June 2007
Denny Whayne, Zone One Councilmember	July 2005 – June 2007
Cindy Rushefsky, Zone Two Councilmember	Apr. 2007 – June 2007
Sheila Wright, Zone Two Councilmember	July 2005 – Mar. 2007
Ralph Manley, Zone Three Councilmember	July 2005 – June 2007
John D. Wylie, Zone Four Councilmember	July 2005 – June 2007
Mary Collette, General Councilmember	July 2005 – June 2007
Gary Deaver, General Councilmember	July 2005 – June 2007
Doug Burlison, General Councilmember	Apr. 2007 – June 2007
Conrad Griggs, General Councilmember	July 2005 – Mar. 2007
Dan Chiles, Councilmember	Apr. 2007 – June 2007
Bob Jones, Councilmember	July 2005 – Mar. 2007

* Paid $15,784 in November 2007 for the unpaid monthly salary accumulated since 2001.

Other Principal Officials	Dates of Service During the Two Years Ended 6/30/07	Compensation Paid for the Year Ended 6/30/07	Compensation Paid for the Year Ended 6/30/06
Bob Cumley, City Manager (1)	Apr. 2006 – June 2007	$ 190,450	174,277
Thomas Finnie, City Manager (3)	July 2005 – Mar. 2006	0	212,930
Evelyn Honea, Assistant City Manager (2)	July 2005 – June 2007	141,335	130,770
Brenda Cirtin, City Clerk	July 2005 – June 2007	83,892	74,840
Daniel Wichmer, City Attorney	July 2005 – June 2007	101,378	98,420
Todd Thornhill, Municipal Judge	July 2005 – June 2007	109,241	106,545

Other Principal Officials	Dates of Service During the Two Years Ended 6/30/07	Compensation Paid for the Year Ended 6/30/07	Compensation Paid for the Year Ended 6/30/06
Department Directors			
Mary Mannix-Decker, Finance	July 2005 – June 2007	106,737	101,014
Ralph Rognstad, Planning and Development	July 2005 – June 2007	109,140	103,372
Nicholas Heatherly, Building Development	July 2005 – June 2007	113,786	109,019
Marc Thornsberry, Public Works	July 2005 – June 2007	135,875	132,334
Dan Whisler, Fire Chief (3)	July 2005 – June 2007	232,953	103,745
Lynn Rowe, Police Chief	July 2005 – June 2007	126,525	125,805
Kevin Gipson, Health	July 2005 – June 2007	96,515	86,678
Sheila Maerz, Human Resources	July 2005 – June 2007	102,514	100,508
William Dowling, Workforce Development	Nov. 2005 – June 2007	85,054	47,809
Robert Simpson, Workforce Development (3) (4)	July 2005	0	38,266
Jodie Adams, Parks	Jan. 2006 – June 2007	101,025	86,846
Dan Kinney, Parks (3)	July 2005 – Dec. 2005	0	170,380
Jerry Berger, Art Museum	July 2005 – June 2007	125,482	120,233
Gary Cyr, Aviation	July 2005 – June 2007	119,686	110,339
William C. Goddard, Information Systems	July 2005 – June 2007	79,481	72,881
Becky Jungmann, Emergency Communications	July 2005 – June 2007	89,884	82,313
Louise Whall, Public Information	July 2005 – June 2007	83,771	73,398

In addition to base salary, compensation amounts above include: an occupational series market adjustment, holiday pay, sick pay, sick pay incentive, sick pay sell back, vacation pay, vacation pay sell back, deferred compensation and longevity pay, as applicable.

(1) Served as Assistant City Manager until appointment as City Manager in April 2006.
(2) Appointed to Deputy City Manager August 2007.
(3) Compensation includes payouts for accrued leave balances. See MAR finding number 4.
(4) Retired in July 2005 and was not replaced until November 2005.

In addition to the officials identified above, the city employed 2,360 seasonal, part-time and full-time employees on June 30, 2006.

Assessed valuations and tax rates for 2006 and 2005 were as follows:

ASSESSED VALUATIONS		2006	2005
Real estate	$	1,762,982,650	1,724,040,886
Personal property		484,568,330	456,126,854
Railroad and utility		45,246,189	40,710,004
Total	$	2,292,797,169	2,220,877,744

TAX RATE(S) PER $100 ASSESSED VALUATION		2006 Rate	2005 Rate
Art Museum	$	.0385	.0383
Health		.1254	.1248
Parks and recreation		.1839	.1830
General Revenue-Temporary*		.2638	.2625

TAX RATE(S) PER $1 OF RETAIL SALES		2006 Rate	Sunset or Expiration
General	$	1.00000	None
Capital improvement		0.25000	2010
Transportation		0.12500	2009
Parks**		0.00125	None
Parks**		0.00125	2012

* Expires upon last payment of bond issue associated with 2004 ballot approving levy extension which the city indicates will be in 2027.

** This is a county wide tax that is shared with the City of Springfield.