



STATE PETITION AUDIT

90-DAY UPDATE

AS OF AUGUST 2013

ACTION STEPS:

The City of Brentwood continues to review the audit results presented on May 7, 2013. The City will address the recommendations included in the audit and to that end, have prepared responses and will continue to address opportunities for improvement. It is important to note we have improved, and will continue to improve our processes and procedures. We will follow up on the items where the auditor recommended further examination be done by the City.

Track our progress. You can scroll through the actions and read through the Action Steps timeline to-date.

Action 1.0: **Expenditures** – Procedures related to expenditures are in need of improvement. The city has not obtained proposals and written contracts for some professional services and has not maintained adequate documentation for some expenditures.

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

May 2013 Response:

The City will ensure bids are solicited for applicable purchases and all required documentation is being maintained.

August 2013 - 90-Day Response:

In accordance with the City Code, 25 bids have been let since August 2011. All original 25 bid documents are kept in the City Clerk’s Office in City Hall. The list in its entirety (both open and closed) is available on the City’s website. See link.

<http://brentwoodmo.org/Bids.aspx?CatID=showStatus&txtSort=Date&showAllBids=on&Status=open>.

Action 1.2: **Professional Services** - Periodically solicit proposals and enter into written agreements for professional services.

May 2013 Response:

As a fourth-class City, Section 79.230, RSMo directs the Mayor with consent and approval of the Board of Aldermen to appoint the City Attorney and such other officers authorized by ordinance. City Code Section 2-216 directs that the City Attorney, City Prosecutor and Public Defender be appointed by the Mayor with consent and approval of the Board of Aldermen. City Code Section 2-218 directs that special legal counsel may be designated by the Mayor with consent and approval of the Board of Aldermen.

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

August 2013 - 90-Day Response:

Fifteen (15) professional services utilized on a city-wide basis have been identified. The City will bid all these items out no later than December 31, 2013. Future agreements will be in writing. All agreements that have been presented to the Board of Aldermen since January 2012 have been for a specific term and will continue to be bid as required per the Code. The City has adhered to City Code Section 2-462 that outlines procedures for the selection of professional services.

Media Consulting Services – The City no longer has a vendor/firm that provides media consulting services.

Auditing Services – The City went through a Request For Proposal for Audit Services in January 2013. The firm of Schowalter & Jabouri, P.C. was selected in March 2013.

Accounting Services - The City went through a Request For Proposal for Accounting Services in January 2013. The firm of Schowalter & Jabouri, P.C. was selected in March 2013.

Fringe Benefits – The City issued a Request For Proposal for professional benefits broker services. The engagement letter will be presented to the Board of Aldermen at the September 9, 2013 regular meeting of the Board. The City was able to provide an April 22, 2009 letter – Re: Election to Receive Health Insurance Coverage.

Legal Services – As a fourth-class City, Section 79.230, RSMo directs the Mayor with consent and approval of the Board of Aldermen to appoint the City Attorney and such other officers authorized by ordinance. City Code Section 2-216 directs that the City Attorney, City Prosecutor and Public Defender be appointed by the Mayor with consent and approval of the Board of Aldermen. City Code Section 2-218 directs that special legal counsel may be designated by the Mayor with consent and approval of the Board of Aldermen. State Auditor comments that the City select professional services which is a Request for Qualification (RFQ) based on lowest bid goes against best practices and general understanding of the requirement for an RFQ, perhaps for a Request for Proposal which can be based on the lowest bid. Making a selection for professional services based on lowest bid is not a generally accepted practice.

Action 1.3: **Late Fees** - Implement procedures to ensure bills are paid timely.

May 2013 Response:

The Finance Director reviews all invoices for accuracy and makes sure that they are being submitted by the departments in a timely manner. In addition, the City has worked with our fuel vendor to extend the due date from 10 days to 21 days so that we no longer incur late fees and finance charges.

August 2013 - 90-Day Response:

The Finance Director continues to review all invoices for accuracy and makes sure they are being submitted by the departments in a timely manner. Staff worked with the fuel vendor in 2012 to extend the due date from 10 days to 21 days so the City no longer incurs late fees and finance charges.

Action 1.4: Credit Cards - Ensure adequate supporting documentation is retained for all credit card expenditures.

May 2013 Response:

The Finance Director reviews all invoices including monthly credit card statements. All credit card statements now have supporting documentation for all charges. In addition, the City has received documentation to substantiate the majority of the charges in question during this audit.

August 2013 - 90-Day Response:

The City implemented a credit card policy that was part of the Employee Handbook adopted by ordinance on March 18, 2013 by the Board of Aldermen. All employees were required by policy to have signed this policy and original copies of this signed document are retained in their personnel file. Furthermore, employees who have city issued credit cards now submit sufficient documentation and explanation to justify the charge and expense. The Finance Director reviews all invoices including monthly credit card statements. All credit card statements now have supporting documentation for all charges. In addition, the City has received documentation to substantiate the majority of the charges in question during the state audit.

Action 1.5: Fringe Benefits - Ensure all compensation and fringe benefits for elected officials is clearly documented and authorized by ordinance as required by state law.

May 2013 Response:

Health benefits for elected officials were discontinued in 2012. If fringe benefits are made available to elected officials in the future, these benefits will be documented and adopted by ordinance as required by state law.

August 2013 - 90-Day Response:

This program was discontinued in 2012. Any fringe benefits made available to elected officials in the future, will be documented and adopted by ordinance as required by state law. See attachment.

Action 2.0: Fire Department Overtime and Timesheets - The Board of Aldermen ensure documentation is maintained for all significant city decisions, particularly legal settlements. In addition, the Board should require detailed timesheets be submitted to the finance department.

May 2013 Response:

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

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

August 2013 - 90-Day Response:

There have been no new legal settlements that have been approved by the City this fiscal year.

Effective June 1, 2013, every City employee signs their timesheet which is approved and signed by the designated supervisor in each City department. All completed timesheets are submitted to the Finance Department each pay period. The Employee Handbook approved by ordinance by the Board of Aldermen on March 18, 2013 includes provisions regarding leave requests and how overtime is calculated. The Employee Handbook is attached. The City has started the implementation of the electronic Time and Attendance module. The Administration department was completed in the month of August. We expect to complete the entire city rollout by spring of 2014.

Action 3.0: Payroll and Leave Records – The city lacks adequate supporting documentation related to several payroll areas and some problems were noted with overtime and leave records.

Action 3.1: Building Official - Ensure accurate documentation is maintained of time worked by all city employees.

May 2013 Response:

The City is working to implement an electronic Time and Attendance module that will allow all timekeeping to be automated and submitted electronically to the payroll module. Employee work schedules will be maintained in this module. Any additional hours will be entered and approved by supervisors. Leave requests will be submitted and approved electronically.

August 2013 - 90-Day Response:

The City continues to work to implement an electronic time and attendance module that will allow all timekeeping to be automated and submitted electronically to the payroll module. In the meantime, effective June 1, 2013, every City employee signs their timesheet which is approved and signed by the designated supervisor in each City department. All completed timesheets are submitted to the Finance Department each pay period. Samples of monthly timesheets provided to each department head for review by them and the respective employees are attached. The Administration department was completed in the month of August. We expect to complete the entire city rollout by spring of 2014.

Action 3.2: Personnel Policies - Ensure compliance with the city's overtime policy and the FLSA.

May 2013 Response:

We believe the implementation of an electronic Time and Attendance module will help to gain consistency city-wide in how overtime is calculated. The module will enable the City to set up rules based on city policy and the FLSA so that we do not have to rely on each department to make these determinations.

August 2013 - 90-Day Response:

The City continues to work to implement an electronic time and attendance module that will allow all timekeeping to be automated and submitted electronically to the payroll module. In addition, the Employee Handbook approved by ordinance by the Board of Aldermen on March 18, 2013 includes provisions regarding leave requests and how overtime is calculated. The Employee Handbook and samples of monthly timesheets provided to each department head for review by them and the respective employees are attached. The Administration department was completed in the month of August. We expect to complete the entire city rollout by spring of 2014.

Action 3.3: Timesheets - Ensure adequate reviews of timesheets are performed and timesheets are signed by the employee, their supervisor, and submitted to the Finance Department.

May 2013 Response:

The implementation of an electronic Time and Attendance module will automate this process which should alleviate this issue.

August 2013 - 90-Day Response:

The City continues to work to implement an electronic time and attendance module that will allow all timekeeping to be automated and submitted electronically to the payroll module. In the meantime, effective June 1, 2013, every City employee signs their timesheet which is approved and signed by the designated supervisor in each City department. All completed timesheets are submitted to the Finance Department each pay period. Samples of monthly timesheets provided to each department head for review by them and the respective employees are attached. The Administration department was completed in the month of August. We expect to complete the entire city rollout by spring of 2014.

Action 3.4: Employee Leave and Compensatory Time - Ensure employee leave and compensatory time balances are properly tracked and monitored and maintained in a centralized location.

May 2013 Response:

The implementation of an electronic Time and Attendance module will centralize and automate this process which will simplify the monitoring of leave balances at all levels of management.

August 2013 - 90-Day Response:

The City continues to work to implement an electronic time and attendance module that will allow all timekeeping to be automated and submitted electronically to the payroll module. The Administration department was completed in the month of August. We expect to complete the entire city rollout by spring of 2014. In the meantime, a monthly leave balance report is distributed to all supervisors and employees for review to maintain accuracy. This report is kept in the Finance Department by the Human Resources Manager.

Action 4.0: Additional Compensation - The Board of Aldermen discontinue granting additional pay to employees for tasks performed as part of their normal job duties.

May 2013 Response:

As indicated by the auditor, the City discontinued the TDD payments to employees in January 2012. The Perfect Attendance Program was adopted by the Board of Aldermen

as part of the current employee handbook. The City is currently reviewing the employee handbook and any changes will be adopted by ordinance.

August 2013 - 90-Day Response:

As indicated by the auditor, the City discontinued the TDD payments to employees in January 2012. The Perfect Attendance Program was discontinued by the Board of Aldermen in June 2013. See attached ordinance to discontinue program. The Employee Handbook will be amended and adopted by ordinance by December 31, 2013 to reflect this discontinued program.

Action 5.0: **Litigation** - The Board of Aldermen ensure sufficient procedures are in place to monitor sales tax revenues of business collecting sales taxes on behalf of the city and make proper payment of bond issue obligations.

May 2013 Response:

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

August 2013 - 90-Day Response:

The City will continue to document all legal settlement in the manner advised by the City's legal counsel and in a manner that fully documents what is agreed to by all parties.

The Finance Department continues to ensure proper procedures are in place to monitor sales tax revenue deposited by retailers and make proper payment of bond issue obligations.

Action 6.0: **Meeting Minutes** - The Board of Aldermen ensure minutes are prepared and retained to support all closed meetings and the specific reason, statute, and subsection allowing closure is noted in the open meeting minutes.

May 2013 Response:

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

August 2013 - 90-Day Response:

The City believes that the reason for all closed sessions are posted on the agenda and announced at open session. For future purposes, the reason for the closed session will

be reflected in the notes. The City will continue to rely on the advice of its legal counsel to assure compliance with state law.

Action 7.0: **Accounting Controls** in the finance department are in need of improvement.

Action 7.1: **Segregation of Duties** - Segregate the accounting duties of the finance department to the extent possible. If proper segregation of duties cannot be achieved, documented supervisory or independent reviews should be performed.

May 2013 Response:

The City has two Accounting Clerks who are responsible for processing accounts payable, payroll, cash receipts, accounts receivable, and business licenses. The City has been cross-training in these areas over the past year and implementing review and reconciliation procedures. Finally, the City Administrator and Finance Director provide on-going reviews in the following areas:

1. Review of weekly check registers
2. Review of labor distribution reports each pay period
3. Review of general ledger (Detailed monthly financial reports are prepared and distributed to the management team, Mayor and Board of Aldermen)
4. Review of monthly bank reconciliations
5. Monitoring of City bank balances
6. Review and approval of all invoices submitted for payment

August 2013 - 90-Day Response:

A sealed Request for Proposal (RFP) to provide Internal Control and Financial Policy Review was prepared by Staff on May 17, 2013. A recommendation was made to the Board of Aldermen on July 15, 2013. The audit firm Schmersahl Treloar & Co. was awarded the engagement project on August 5, 2013. City expects they will commence work within the next 30 days. It is expected this is a 90 day engagement period for a recommendation to come before the Board of Aldermen. The firm will offer recommendations for improvement in Internal Controls. Attached is the Request For Qualification, the bid tabulation summary and the engagement agreement.

The Scope of Service includes:

- Conduct a comprehensive review of current and proposed internal controls and make recommendations for improvements.
- Recommend changes and draft a financial policy manual, simplify the City's codes and incorporate them with policies and procedures.

- Recommend the components to establish a whistle blower/fraud hotline.
- Conduct a fraud risk assessment of all operational areas of the City and analyze and identify where there are assets susceptible to misappropriation and inadequate controls to prevent or detect fraud. Furthermore, a review of the City's systems, procedures, and existing controls relating to the identified areas should be conducted. Outline the nature and extent of controls recommended and costs of implementing these controls so they can be evaluated and updated.

Action 7.2 Receipting and Depositing - Ensure monies are promptly receipted and posted to the computer system, and checks are restrictively endorsed immediately upon receipt. In addition, the numerical sequence of receipt slips should be accounted for properly.

May 2013 Response:

We believe these items have been addressed; however, the City will review all department cash handling procedures to ensure these recommendations are being followed.

August 2013 - 90-Day Response:

We believe these items have been addressed. The City continues to review all department cash handling procedures to ensure these recommendations are being followed.

Action 8.0: Vehicles – Documentation related to vehicle allowances and procedures for monitoring fuel and vehicle use are in need of improvement.

Action 8.1: Vehicle Allowances - Review vehicle allowances and set the allowances to reasonably reflect the actual expenses incurred by the applicable employees.

May 2013 Response:

These allowances were set when the employment agreements were negotiated and are set by resolution adopted by the Board of Aldermen. This recommendation will be taken into consideration for any future employment agreements.

August 2013 - 90-Day Response:

No current City employee receives a vehicle allowance. This recommendation will be taken into consideration for any future employment agreements.

Action 8.2: Fuel and Vehicle Use - Establish adequate records and procedures to effectively monitor vehicle and fuel use. In addition, bulk fuel inventory records should be maintained, invoices should be reviewed and approved, and fuel use should be reconciled to fuel purchases. Any discrepancies should be investigated. The Board should also ensure

receipts for fuel purchases are submitted to the Finance Department and reconciled with fuel invoices. In addition, the Board should evaluate vehicle usage to determine if all vehicles are needed.

May 2013 Response:

The City implemented a Driver Fuel Card Policy and operations procedure in 2012. Detailed usage reports from the fuel vendor are reviewed on a monthly basis to ensure that fuel purchases are reasonable. Drivers are required to use a specific vehicle card and their personal pin number when fueling. They are also required to completely fill the vehicle's tank and enter an accurate odometer reading. This allows the City to monitor fuel usage and mpg for each vehicle.

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

August 2013 - 90-Day Response:

The City implemented a Driver Fuel Card Policy and operations procedure in 2012. Detailed usage reports from the fuel vendor are reviewed on a monthly basis to ensure that fuel purchases are reasonable. Drivers are required to use a specific vehicle card and their personal pin number when fueling. They are also required to completely fill the vehicle's tank and enter an accurate odometer reading. This allows the City to monitor fuel usage and mpg for each vehicle.

The City also implemented the Diesel Vehicle Fuel Policy for the bulk diesel fuel at public works, similar to the Driver Fuel Card Policy. The City began the process of requiring logs to be maintained and reconciled to fuel purchases; however, we have found this process to be difficult to manage on a daily basis. Therefore, the City has restricted its usage to off-road equipment and now requires that all other equipment use the Driver Fuel Card Policy for the purchase and refueling of gas for these vehicles. Furthermore, the City requested the vendor the city purchases fuel from to pump out the fuel, provide the city with a reading as a way to have the fuel purchase match the usage log. This was done on August 12, 2013.

In May 2013, the City implemented a comprehensive review of the utilization report of all vehicles to ensure that all vehicles are necessary and justified. This review process will formally be incorporated into the 2014 Budget Process.

Action 9.0: **Budgets** - The Board of Aldermen ensure annual budgets contain all information required by state law.

May 2013 Response:

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

August 2013 - 90-Day Response:

The 2013 Annual Budget is in compliance with state law. Beginning and ending fund balance information is provided for all funds. This document was adopted by the Board of Aldermen on Monday, December 3, 2012. The 2013 Annual Budget is attached.

Action 10.0: Bank Reconciliations - The Board of Aldermen ensure monthly bank reconciliations are performed timely and outstanding checks are followed up on appropriately. In addition, any discrepancies should be investigated and resolved with appropriate adjustments made to the accounting records.

May 2013 Response:

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

August 2013 - 90-Day Response:

All monthly bank reconciliations are conducted in a timely manner. All discrepancies are investigated, and resolved when they are identified through the reconciliation process. City Staff have been following up on and resolving outstanding checks and will report any related unclaimed property to the Missouri State Treasurer's Office.

Action 11.0: Property Controls and Records - The Board of Aldermen ensure complete and detailed capital asset records are maintained and include all pertinent information for each asset. In addition, the Board should ensure annual physical inventories are performed and compared to detailed records and property control tags are affixed to all property.

May 2013 Response:

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

August 2013 - 90-Day Response:

In 2013, City staff began the process of reviewing the capital asset records to ensure that all pertinent information is recorded for each asset. During the physical inventory process to be conducted in August 2013, the City will be ensuring that property control tags are affixed to each asset. The City-wide Information Technology physical inventory asset review was completed in June 2013.

Action 12.0: **Library** - The Board of Aldermen enter into an updated written agreement with the Brentwood Public Library defining services provided and benefits received. In addition, the Board should monitor the costs of providing space and services and periodically reevaluate the contract terms for reasonableness.

May 2013 Response:

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

August 2013 - 90-Day Response:

The Board of Aldermen continue to consider updating the written agreement with the Library and defining services provided and benefits received. Meeting minutes of all Ways and Means Committee meetings where this item has been discussed are provided. The committee continues to deliberate on who has the authority to set the tax rate. It is anticipated that once this has been determined a discussion on compensation on the lease rate will be next.