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FOLLOW-UP REPORT ON AUDIT FINDINGS

City of University City

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City of University City

Follow-Up Report on Audit Findings

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THOMAS A. SCHWEICH

Missouri State Auditor

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

We have conducted follow-up work pursuant to the Auditor's Follow-Up Team to Effect Recommendations (AFTER) program on certain audit report findings contained in Report No. 2011-14, *City of University City*, issued in April 2011. The objectives of the AFTER program are to:

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

Our methodology included working with the city, prior to completion of the audit report, to develop a timeline for the implementation of corrective action related to the audit recommendations. We reviewed documents and other evidence indicating the level of implementation for each recommendation reviewed.

As part of the AFTER work conducted, we reviewed a report and supporting documentation provided by city officials concerning their work on each recommendation in the audit report. Documents included copies of the request for proposals for trash services, financial reports concerning overdue balances, updated administrative policies and procedures, accounting and financial records, meeting minutes and notices, and public record request logs.

While this report only includes those findings deemed in need of immediate management attention, the city provided documentation indicating steps had been taken toward implementing all of the recommendations from the audit in which it had stated corrective action would be taken.

This report is a summary of the results of this follow-up work, which was substantially completed during August 2011.

A handwritten signature in black ink that reads "Thomas A. Schweich". The signature is written in a cursive style with a large, sweeping initial 'T' and a long, horizontal flourish at the end.

Thomas A. Schweich
State Auditor

City of University City

Follow-Up Report on Prior Audit Findings

Status of Findings

1. Trash Service Billing and Collection

As of June 2010, the city trash collection service had approximately \$1.6 million in delinquent citizen accounts. As established by city ordinance, the city had numerous remedial measures available to collect on delinquent trash bills. As of July 2010, the city had utilized several options, including discontinued service, use of payment plans, and audits of accounts with discontinued service. In March 2008, the city also instituted a one-time partial forgiveness program, and in April 2008, began offering a low-income program which waives interest and penalties for those who meet the requirements.

Recommendation

The City Council should continue these efforts to ensure all users are paying for services provided.

Status

In Progress

City officials stated the new financial system provides for more detailed reports to facilitate tracking of past-due accounts and the city has begun to review individual accounts to ensure all financial details are included in the system (such as liens and payment agreements). While the balance of past-due accounts has not changed significantly since our audit report, city officials stated the city has taken steps to encourage timely payment, and created additional options for residents to pay their bills, such as automatic bank drafts. The city is developing an online payment option as well, according to city officials, and continues to offer its low-income program.

Additionally, the city issued a request for proposals (RFP) and will contract with a collection agency to further assist with outstanding accounts. Finally, the city has updated its trash billing statements and delinquency notices to be more informative to residents.

The city has been unable to determine from its previous financial system how much of the \$400,000 reduction in delinquent accounts from 2007 to 2010 resulted from collections and how much was written off due to cleaning up the accounts and the various amnesty programs. However, the city was able to provide documentation showing payments on delinquent accounts increased in fiscal years 2008 and 2009, as compared to the prior 2 years, as follows:

	2006	2007	2008	2009
Delinquent Receipts	\$ 519,794	427,478	813,586	738,025

In addition, the Finance Director stated she believed the \$400,000 reduction was primarily due to collections.



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3. Cost Allocations and Administrative Transfers

While some central service department costs (such as accounting, payroll, and the city garage) were allocated to various departments of the city based on full-time equivalent positions or other documented methods, other costs including salaries and benefits were allocated based only on estimates. Allocations without appropriate supporting documentation totaled over \$900,000 for the year ended June 30, 2010.

Timesheets did not indicate hours worked by activity for each employee, nor had the city conducted a time study to serve as a basis for allocation of salary and fringe benefits to the appropriate funds. Other expenses were also allocated to functions based on estimates without documentation of how the allocation was determined.

Recommendation

The City Council ensure all expenditures are properly allocated to the various funds and all transfers between funds are adequately documented.

Status

Implemented

The city now has written procedures in place for determining various allocations and has integrated these updated allocations into the fiscal year 2012 budget.

According to city officials, the city is conducting time studies by tracking several months of timesheets to determine the amount of time an employee works in a specific area. At the conclusion of these studies, city officials indicated the fiscal year budget will be adjusted, as needed.

For other programs, the city has developed procedures to determine the amount of monies to be allocated between various funds.

6. Accounting Controls

Concerns were noted with various accounting issues including transmittals, receipt slips, segregation of duties, and bank reconciliations.

6.1 Collector's Office

- Transmittals were dropped off at the Collector's Office by various departments, but were not counted and entered into the accounting system until a later time. Transmittal forms were sent back to the respective department without a receipt slip. Therefore, the departments could not perform a reconciliation between the transmittals submitted to the Collector's Office and the receipt slips generated from the Collector's Office accounting system.
- The Collector's Office did not properly account for the numerical sequence of receipt slips.



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6.2 Segregation of Duties

- Cash custody and accounting duties were not adequately segregated in the Community Development Department.

6.3 Numerical Sequence of Receipt Slips

- The Parks, Recreation, and Forestry and the Community Development Departments did not account for the numerical sequence of receipt slips. Personnel indicated all receipt numbers were included in the system-generated daily reports reviewed by management, but our review of the daily reports noted they did not include all transactions. Therefore, reports viewed by management were not always accurate and could not be relied upon to ensure all transactions were reviewed.

6.4 Bank reconciliations

- Bank reconcilaitions were not performed on a timely basis for the General Fund bank account.

Recommendations

The City Council:

- 6.1 Require the Collector's Office to immediately issue receipt slips for all monies transmitted from other city departments, and ensure these receipt slips are reconciled to amounts transmitted by the city departments. In addition, the City Council should ensure the numerical sequence of receipt numbers are accounted for properly.
- 6.2 Segregate the accounting duties of the Community Development Department to the extent possible. If proper segregation of duties cannot be achieved, timely supervision or independent review of the work performed and investigation into unusual items and variances are necessary.
- 6.3 Ensure the numerical sequence of receipt numbers are accounted for properly.
- 6.4 Ensure bank reconciliations are prepared monthly and retained for all accounts.

Status

6.1 Implemented

The city has created new procedures for the Collector's Office to count transmittals and issue receipt slips to the respective departments immediately. In addition, the city has established procedures to ensure all



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receipt numbers are accounted for properly and, according to city officials, the Senior Accountant is reviewing this process for compliance.

6.2 Implemented

New policies and procedures have been created to segregate duties. According to city officials, the Deputy Director reviews and signs off on all transmittals before they are submitted to the Collector's Office to ensure accuracy.

6.3 In Progress

According to city officials, the city has recently changed to a new computer system in the Community Development Department and has established a procedure for reviewing all receipt slips monthly.

City officials stated the city is working with a new software company to develop a system by which it can review individual transaction numbers for the Parks, Recreation, and Forestry Department.

6.4 Implemented

According to city officials, the city has recently hired a Senior Accountant, who has begun monthly reconciliations of bank statements. Additionally, the city Finance Officer reviews the work of the Senior Accountant.

8. Minutes, Meetings, and Public Records

Concerns were noted with procedures regarding closed City Council meetings, the failure to maintain a log of public record requests, and the retention of auxiliary minutes.

8.1 From July 2009 through October 2010, the city did not document the reasons or the votes regarding meeting closure for six closed meetings of the City Council. The Council went directly into closed meetings without first starting in open session and holding a vote to close the meeting, as required by law.

8.2 Although city personnel indicated public requests were handled in a timely manner, the city did not maintain a log of public requests to ensure all requests were handled in compliance with the Sunshine Law.

8.3 The minutes and records of meetings of city affiliated boards, committees, and commissions were not always maintained by the City Clerk, the official custodian of records.



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Recommendations

The City Council:

- 8.1 Ensure votes to close a session are documented in open meeting minutes, along with the reason for the closing of the session.
- 8.2 Maintain a public request log to help ensure the city is complying with state law.
- 8.3 Ensure copies of meeting minutes of city affiliated boards, committees, and commissions are maintained by the City Clerk.

Status

8.1 Implemented

According to the city, only one closed session has been held since the audit. The city provided documentation showing the notice was properly posted, and the City Council entered closed session after properly voting to do so. The minutes of the meeting reflect both the votes and the reason for entering closed session.

8.2 Implemented

The City Clerk now maintains a log of public requests.

8.3 Implemented

According to the City Clerk, all minutes of meetings of affiliated boards, committees, and commissions are submitted to her office and copies of the minutes are posted to the city website.

10. Emergency Plan

The city did not have an approved formal emergency contingency plan for its computer systems. The city had been in the process of developing a plan for several years but a plan had not been finalized as of December 2010.

Recommendation

The City Council develop a formal contingency plan for the various computer systems.

Status

In Progress

According to city officials, the city is now contracting with an information technology company to perform periodic back-ups and provide off-site back-up storage.

The city has yet to produce a formal, documented emergency plan, but city officials indicated they plan to do so by the end of 2011.