



Thomas A. Schweich
Missouri State Auditor

City of University City



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CITIZENS SUMMARY

Findings in the audit of the city of University City

Trash Service Billing and Collection	Although the city has made a concerted effort to improve collections, 3,373 citizen accounts for trash service were delinquent as of June 2010, totaling \$1.6 million. Without collection enforcement, customers have less incentive to pay their accounts, which may reduce city revenues and increase the rates charged to paying customers.
Employment Contract	The city paid \$97,400 in severance pay to its former City Manager and included the same severance package clause in the new City Manager's employment agreement. If the former City Manager's termination date had been just 8 days later, the city would have saved \$28,600.
Cost Allocations and Administrative Transfers	The city allocated over \$900,000 in costs to various departments based upon estimates and without adequate supporting documentation. This makes it difficult to determine if the individual department or program is charged the right amount for the benefit it is receiving.
Legal Services	The city paid outside law firms over \$230,000 in fiscal year 2010 (FY10), including \$43,000 for City Attorney services, but it has not done an analysis to determine if outsourcing legal services makes fiscal sense. The city did not solicit proposals for legal services to make sure it gets the best value and does not have written agreements with its legal services providers. The city retained the City Attorney on a contingency fee basis to represent it in a class-action lawsuit, but there is no documentation the City Council formally approved the retainer agreement or had it reviewed by an independent attorney until 5 years after it was signed. To avoid conflict of interest concerns, an independent attorney should review any contracts between the city and City Attorney. The city paid \$146,000, including legal fees, to settle a discrimination case, instead of only paying the \$15,000 deductible, because it failed to notify its insurance company promptly.
Parking Garage Operations	The city does not adequately supervise the operations of the parking facility. Monthly reports of receipts and disbursements do not contain detailed supporting documentation, making it difficult to determine if all receipts are accounted for and all disbursements are necessary. The city has not conducted an analysis to determine whether outsourcing management of the parking facility makes fiscal sense and has not rebid the contract since 1997.
Accounting Controls	The city needs to improve its accounting controls in order to ensure transactions are accounted for properly. When the Collector's Office collects monies from other departments, the amounts are not immediately verified and entered into the system, and receipt slips are not given to the departments. The Community Development Department does not adequately segregate duties, and some departments do not account for the numerical sequence of receipt slips. Bank reconciliations are not performed timely. Services are provided to local businesses without first ensuring there are adequate funds in the businesses' escrow accounts.

City Budget and Financial Reports	The Finance Director increased the fiscal year 2011 budgeted expenditures by \$276,000, after the budget had been approved by the City Council. The City Council only receives quarterly financial reports, which impairs its ability to make effective management decisions.
Minutes, Meetings and Public Records	The City Council did not document the reasons or the votes regarding meeting closures, as required by state law. The city should maintain a public request log to document its compliance with the Sunshine Law and should ensure copies of meeting minutes of affiliated boards, committees, and commissions are maintained by the City Clerk.
Personnel	The city salary survey did not use cities of comparable size, so it is unclear if salaries are in line with salaries in similar cities. The city did not comply with its regulations regarding vacation and sick leave accumulation limits.
Emergency Plan	The city does not have an approved formal emergency contingency plan for its computer systems. The city relies heavily on technology and needs to plan for a rapid recovery from disasters or other extraordinary situations.

In the areas audited, the overall performance of this entity was **Fair**.*

American Recovery and Reinvestment Act 2009 (ARRA or Federal Stimulus)	<p>The city was awarded over \$3.4 million in ARRA funds in four grants:</p> <ul style="list-style-type: none"> • Assistance to Firefighters Fire Station Construction Grant-\$2,612,197 for construction of a fire station. In FY10, \$4,117 was received and \$17,711 was expended. • Community Oriented Policing Services Hiring Recovery Program-\$559,785 to pay 100 percent of three police officer salaries for 3 years for positions that would have been eliminated. The city must maintain the positions for at least 1 year after the grant period ends. In FY10, \$49,682 was received and \$96,796 was expended. • Recovery Act: Edward Byrne Memorial Justice Assistance Grant Program Local Solicitation-\$122,673 for police equipment. In FY10, \$122,673 was received, but no funds were expended. • Energy Efficiency and Conservation Block Grant-\$149,600 for energy savings. In FY10, \$16,253 was received and \$17,998 was expended toward a greenhouse gas inventory and street lighting evaluation. An energy audit will also be funded through this grant.
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*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

Excellent:	The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
Good:	The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
Fair:	The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
Poor:	The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

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City of University City

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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

The State Auditor was petitioned under Section 29.230, RSMo, to audit the City of University City. We have audited certain operations of the city in fulfillment of our duties. The city engaged Hochschild, Bloom & Company LLP, Certified Public Accountants (CPAs), to audit the city's financial statements for the years ended June 30, 2010 and 2009. To minimize duplication of effort, we reviewed the audit report and substantiating working papers of the CPA firm for the year ended June 30, 2009, since the year ended June 30, 2010, audit had not been completed. The scope of our audit included, but was not necessarily limited to, the year ended June 30, 2010. The objectives of our audit were to:

1. Evaluate the city's internal controls over significant management and financial functions.
2. Evaluate the city's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the city, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying 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 our audit of the city.

For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of the City of University City.

An additional report, No. 2010-53, *Twenty-First Judicial Circuit, City of University City, Municipal Division*, was issued in May 2010.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is fluid and cursive, with the first name "Thomas" and last name "Schweich" clearly legible.

Thomas A. Schweich
State Auditor

The following auditors participated in the preparation of this report:

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City of University City

Management Advisory Report

State Auditor's Findings

1. Trash Service Billing and Collection

While significant progress has been made in reducing the delinquent trash service balance, the city needs to continue these efforts to ensure all users are paying for the services provided. The city trash collection service had approximately \$1.6 million in delinquent citizen accounts as of June 2010, which is an improvement from the \$2 million delinquent balance during 2007.

The city provides trash service to its citizens and bills for this service twice a year, with the majority of the bills ranging between \$68 and \$96 every 6 months. The city has taken steps over the last several years to reduce the delinquent trash accounts receivable balance. Most of these efforts have been concentrated on the more significant delinquent accounts (those with three or more outstanding bills). As of June 2010, 1,058 (or 31 percent) of the 3,373 delinquent accounts have three or more outstanding bills.

As established by city ordinance, there are several steps the city can take in an effort to collect a delinquent account. After a bill is 60 days overdue, the city can discontinue service to the account. When an account is 90 days delinquent, the city can put a lien on the property. In addition, the city can remove trash containers from properties after service is discontinued. In February 2008, the city updated the city municipal code to include specific procedures for removing trash containers from the properties after discontinuation of service and to require trash to be hauled by the citizen. The citizen can either purchase trash bags at city hall, which are accepted at the city transfer station, or take the trash to a landfill and obtain a receipt slip providing proof of the transaction. In either case, the citizen must keep the related documentation, which can be audited by the city in an effort to confirm the citizens are taking trash to a landfill or the city transfer station. The city attorney can bring legal proceedings against the property 150 days after service is discontinued. The city works with residents to place them on payment plans whenever possible. In addition, in February 2008, the City Council passed an ordinance significantly increasing delinquent penalties.

The city has used these procedures to reduce delinquent accounts. As of July 2010, the city had discontinued service to approximately 500 accounts, placed approximately 140 accounts on payment plans, and started approximately 380 audits of accounts with discontinued service. Our review of the largest 100 delinquent accounts noted that for all of these accounts service had been discontinued, the account had been placed on a payment plan or paid in full, or a lien had been placed on the property. Seventy-two of these accounts had two of these actions taken against the property. In addition, in March 2008, the city did a one-time partial forgiveness program and waived half of the interest owed on delinquent accounts for residents who paid the entire outstanding principal plus the remaining half of the interest owed. Also, starting in April 2008, the city began offering a low-income program which waives interest and penalties for those who meet the



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requirements. A monthly payment plan is established for the remaining principal amount owed.

Allowing customers to receive service without payment reduces the incentive to make payments, results in loss of city revenue, and could impact the trash rates for other paying customers.

Recommendation

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

Auditee's Response

The City Council provided the following written response:

City Council will continue its efforts to ensure that all users are paying for the services provided. The City will also examine the possibility of either selling the debt to another entity or utilizing the services of a collection agency to collect outstanding payments for trash service.

2. Employment Contract

The employment contract with the former city manager contained a significant severance payout clause, and she was paid \$97,400 in severance pay in 2010. In addition, the current city manager's contract includes a similar severance payout clause.

In March 2006, the city entered into an employment contract with the former City Manager. The contract provided for 2 years of salary as severance pay if the employee was terminated by the city within the first 18 months of employment. If the employee was terminated with 18 to 48 months of employment, the severance pay would be 9 months of salary. Termination after 48 months of employment resulted in severance pay equal to 6 months of salary. In addition, the severance provision included 6 months of health insurance benefits and a contribution to the employee's 401(a) retirement plan.

In April 2010, the former City Manager and City Council agreed to a resolution for termination of employment. The effective termination date was only 8 days before the former City Manager's completion of 48 months of employment. If the City Council had waited to agree to this resolution, the former City Manager would have been entitled to only 6 months of severance instead of 9 months. As a result, the city paid a severance amount to the former City Manager of approximately \$97,400, instead of approximately \$68,800.

In July 2010, a new City Manager was hired and his employment contract contains the same severance package. The employment contract does not provide for a probationary period which would allow the City Council to terminate employment without paying a severance package.



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State law does not expressly prohibit severance package provisions in contracts for top administrative employees; however, should the City Council wish to terminate the contract, buyout terms can prove costly. As a result, the City Council needs to reevaluate its practice of providing large severance packages.

Recommendation

The City Council should ensure the employment contract for its city manager is in the best interest of the city, and limit the city's potential liability for termination pay.

Auditee's Response

The City Council provided the following written response:

The employment contract with the current City Manager has been approved by the City Council and entered into with the new City Manager. Further consideration will be given to reviewing the severance provisions in future contracts.

3. Cost Allocations and Administrative Transfers

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

Timesheets do not indicate hours worked by activity for each employee nor has the city performed a time study to serve as a basis for allocating salary and fringe benefits to the appropriate funds. Administrative transfers from the Solid Waste Fund and the Sewer Lateral Fund to the General Fund totaled approximately \$177,000 and \$47,000, respectively, during the year ended June 30, 2010.

Other expenses are also allocated to functions based on estimates without documentation of how the allocation was determined. The cost of the city's annual audit, approximately \$43,000 during 2010, was allocated to various city funds. In addition, the city allocated \$40,000 from the Economic Development Sales Tax Fund and \$4,000 from the Library Fund to the General Fund for administration costs. There were also allocations of administrative costs from the Commission for Access and Local Original Programming Fund to the General Fund of approximately \$9,000. Financial system maintenance fees of approximately \$2,800 are charged to the Library Fund without any supporting documentation. Further, contributions to the Non-Uniformed Pension Fund, totaling approximately \$593,000, were allocated to various city funds and departments based on estimates from several years ago.



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To ensure restricted funds are spent appropriately and expenditures are allocated to various funds in proportion to the benefits received, the city should ensure the allocation of costs is supported by adequate documentation.

Recommendation

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

Auditee's Response

The City Council provided the following written response:

The City concurs with this recommendation and will implement this procedure with the fiscal year 2011-2012 budget.

4. Legal Services

Legal services are procured without a competitive process, the city does not have written contracts for legal services provided, and the city has not performed a cost analysis to determine if outsourcing legal services is cost beneficial. In addition, an agreement with the City Attorney was not reviewed by an independent attorney prior to execution, and the city incurred unnecessary legal and settlement costs due to not filing an insurance claim timely. The city employs a City Prosecutor on a full time basis at a salary of approximately \$35,000 per year. This person also serves as City Attorney on a fee for service basis and was paid approximately \$43,000 for City Attorney services during the year ended June 30, 2010. The city paid for additional legal services, totaling approximately \$189,000, during the year.

4.1 Proposals for legal services

The city has not obtained proposals for legal services. The city hires various law firms based on the type of specialized services needed. In addition, the City Attorney is also considered a contracted position and is paid at an hourly rate. However, the city does not solicit proposals for legal services and has used the same individual as City Attorney since 1994 without periodically soliciting proposals for this position.

While professional services, such as attorneys, may not be subject to standard bidding procedures, the city should solicit proposals for legal services to the extent practical. Soliciting proposals and subjecting such services to a competitive selection process does not preclude the city from selecting the vendor or individual best suited to provide the service required. Such practices help provide a range of possible choices and allow the city to make a better-informed decision to ensure necessary services are obtained from the best-qualified vendor at the lowest and best cost.

4.2 Retainer Agreement

The city did not have an independent attorney review a retainer agreement with the City Attorney until 5 years after the agreement was signed. The agreement related to a class-action lawsuit including several cities against various telephone companies and provided a contingency fee of 25 percent



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of any such recovery, based on various criteria provided in the agreement, be paid to the two lead special counsel (one of whom was the City Attorney) and an associate special counsel. Because the settlement fees are not paid directly by the city, the city did not have the records documenting the total attorney fees. The net amount received by the city from this litigation through June 30, 2010, was approximately \$2.9 million. In addition, there is no documentation in the meeting minutes to indicate this retainer agreement was formally approved by the City Council.

Considering the City Attorney's advisory relationship with the City Council and to avoid the appearance of a conflict of interest, an independent attorney should be retained to review any potential contracts with the City Attorney which provide for legal services in addition to normal City Attorney duties. Additionally, all legal services contracts should be formally approved by the City Council.

4.3 Contracts for legal services

The city has not entered into written contracts with the various law firms providing legal services to the city. While there is some documentation of the fee amounts charged by these firms, there are no formal contracts specifying the terms of service and related compensation. For example, the only documentation of the city attorney's hourly rate is an email dated July 2006 from the City Manager indicating the City Council approved a rate of \$135 per hour.

Section 432.070, RSMo, requires contracts of political subdivisions be in writing. A written contract, signed by the parties involved, should specify the services to be rendered and the manner and amount of compensation to be paid. Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to provide protection to both parties.

4.4 Cost analysis

The city has not performed a cost analysis to determine if legal services should be performed in-house or continue to be outsourced. All legal services are outsourced including general services provided by the City Attorney. Without a cost analysis, the city cannot ensure the services are obtained in the most economical way.

4.5 Litigation procedures

Due to the failure to inform its insurance company of a claim in a timely manner, the city incurred approximately \$146,000 in legal and settlement fees. A city employee filed a discrimination lawsuit against the city in May 2009. The city was required to notify the insurance company of possible litigation within 30 days after the end of a policy period. The policy period expired on June 30, 2009, but a claim was not filed by the city with the insurance company until September 2009. As a result, the costs of the litigation and settlement were not covered under the insurance policy. The insurance policy would have limited the costs of the litigation and settlement to a \$15,000 deductible.



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To reduce the city's exposure to unnecessary legal expenses, the city should ensure all insurance claims are filed timely.

Recommendations

The City Council:

- 4.1 Periodically solicit proposals for legal services and maintain all related documentation, including reasons for the city's decisions.
- 4.2 In the future, retain an independent attorney to review potential contracts which could result in a conflict of interest for the City Attorney and ensure approval of all legal service contracts are formally documented.
- 4.3 Enter into written agreements for all services.
- 4.4 Perform a cost analysis to determine the most cost effective method of obtaining legal services.
- 4.5 Improve procedures to ensure insurance claims are filed in a timely manner.

Auditee's Response

The City Council provided the following written responses:

- 4.1 *The City concurs with this recommendation and plans to solicit proposals for legal services and document the City's decisions during 2011.*
- 4.2 *The City agrees with this recommendation. Whenever an issue arises regarding legal work outside the City Attorney's normal duties or where a potential conflict of interest might exist with the City Attorney, the City Council will be advised of the situation and will authorize hiring an independent attorney to review the issue. This authorization will be documented in meeting records.*
- 4.3 *All future legal services contracts will be handled through written agreements.*
- 4.4 *The City agrees to perform a cost analysis to determine whether in-house or outsourced services are most cost effective for the City by September 2011.*
- 4.5 *The City has implemented improved procedures to assure the timely filing of insurance claims.*



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5. Parking Garage Operations

A review of the city parking facility identified weaknesses in oversight of the parking facility management contract. In addition, the management contract has not been rebid since 1997, and the city has not performed a cost benefit analysis to determine if the city should manage the parking garage in-house or if the management should continue to be outsourced. According to city records, for the year ended June 30, 2010, revenues and expenses for parking facility operations totaled approximately \$222,000 and \$148,000, respectively.

The city entered into an agreement with a company to manage the day-to-day operations of the parking facility. The management company collects receipts from monthly permits and daily users, and the city collects receipts from the parking facility for parking meters, retail rental, etc. The management company is entitled to operational expenses plus a management fee and sends the city a check for receipts in excess of expenses.

5.1 Contract oversight

The city has not adequately monitored the operations of the parking contractor. In addition, monthly reports showing receipt and operating expense information submitted by the company contain only general information and do not contain detailed supporting documentation, such as invoices. The contract does not currently require detailed supporting documentation be submitted with the monthly reports; however, without this documentation, the city cannot be assured the related operating expenses are necessary and reasonable for the parking garage operations.

The agreement with the parking facility contractor provides the city the right to examine the accounting records of the management company at any time; however, the city has not performed a review of these accounting records, or of parking cash collections and receipt transmittal procedures. If monthly revenues of the parking garage exceed expenses and the management fee, the difference is remitted to the city along with the monthly report. However, if the monthly revenues are insufficient to cover the monthly operating expenses and the management fee, the city pays the contractor the difference. Operating expenses and management fees for the year ended June 30, 2010, totaled \$142,000, and \$6,000, respectively.

By not conducting a review of the management company's receipt procedures and accounting records, the city cannot ensure the amount of revenues and operating expenses are accurate. A periodic review of the accounting records would help ensure the city is receiving the proper amounts. In addition, adding language to the contract to require the submission of supporting documentation with monthly reports would help ensure only actual and necessary operating expenses of the parking contractor are incurred.



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5.2 Rebidding

The city has been using the same management company to run the day-to-day operations of the parking facility since 1997, and has not periodically rebid this service. According to the contract, the company receives \$500 per month unless gross revenues exceed \$150,000 per year, in which case the rate increases to \$650 per month. Periodically rebidding ongoing services helps ensure the city receives these services at the lowest and best price.

5.3 Cost benefit analysis

City management has not performed a cost analysis to determine if parking facility management should be performed by city employees or continue to be outsourced. In addition, a formal analysis of the parking facility's profit or loss is not prepared and presented to the City Council. Without a cost analysis which could be presented to the City Council for review, the city cannot ensure the services are provided in the most economical way.

Recommendations

The City Council:

- 5.1 Ensure a periodic review is conducted of the parking facility management company's records and cash collection and transmittal procedures, as allowed by the contract. In addition, the City Council should update the contract to require reimbursement requests include adequate supporting documentation.
- 5.2 Ensure bids are periodically obtained for management services provided to the city.
- 5.3 Perform a cost analysis to determine the most cost effective method of managing the parking garage.

Auditee's Response

The City Council provided the following written responses:

- 5.1 *The City will begin performing reviews of the current contractor's procedures and records by April 2011 and will immediately work to update the contract to include requiring supporting documentation on reimbursement requests from the management company.*
- 5.2 *The City concurs with this recommendation and plans to solicit proposals for a parking management contract during 2011.*
- 5.3 *The City agrees to perform a cost analysis to determine whether in-house or outsourced parking management services are the most cost effective by August 2011.*

6. Accounting Controls

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



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6.1 Collector's Office

Controls over receipts in the Collector's Office are not sufficient. The Collector's Office, which is part of the Finance Department, is the central collection point in the city for trash bills, permits, licenses, etc. In addition, the Collector's Office receives transmittals of monies collected by other city departments such as Community Development and Parks, Recreation, and Forestry. All monies received are entered into the computer accounting system which generates a receipt number. For the year ended June 30, 2010, the Collector's Office collected approximately \$12.2 million.

- The Collector's Office does not print and return the computer generated receipt slip to other city departments for transmittals of monies. As a result, there is no assurance the amounts transmitted to the Collector's Office from the various city departments are properly recorded into the accounting system and deposited.

Transmittals are dropped off at the Collector's Office by the various departments, but are counted and entered into the accounting system by the Collector's Office employees at a later time. The transmittal forms are stamped as received by the Collector's Office and are sent back to the respective city departments the next day without a receipt slip. Therefore, the departments cannot 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 numerical sequence of receipt slips in the Collector's Office is not accounted for properly. Personnel indicated that since the computer system issues the receipt slip numbers and the daily reports show the receipts issued for the day, they did not think a review of the sequence was necessary. However, our review noted some receipt slip numbers missing from the daily reports.

To provide assurance that all monies have been transmitted and deposited, transmittals should be counted immediately by the Collector's Office and a receipt slip should be issued to the city departments for each transmittal of monies, with the total reconciled to receipts collected by the departments. In addition, to ensure all monies received are properly recorded and deposited, the numerical sequence of receipt slips should be accounted for properly.

6.2 Segregation of duties

Cash custody and accounting duties have not been adequately segregated in the Community Development Department. There are several clerks in the department with responsibilities for collecting monies; however, the Executive Secretary also records transactions, approves voids, and prepares transmittals to the Collector's Office in addition to collecting monies. There is no documented supervisory review or comparison of the monies received



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by the Executive Secretary to amounts transmitted to and received by the Collector's Office.

Proper segregation of duties is necessary to ensure all transactions are accounted for properly and assets are adequately safeguarded. If proper segregation of duties cannot be achieved, an effective supervisory review should be performed and documented.

6.3 Numerical sequence of receipt slips

Various concerns were noted related to the numerical sequence of receipt slips.

The Parks, Recreation, and Forestry and the Community Development Departments do not account for the numerical sequence of receipt slip numbers. The Parks, Recreation, and Forestry Department collects monies at both the golf course and the recreation center. These two separate locations share the numerical sequence of receipt slips through a computer system. As each location issues a receipt slip, it is given the next number in the sequence. There is no procedure at the recreation center to account for the numerical sequence of receipt slips issued. The golf course manager stated he conducts random checks of cash register drawer monies and receipts, but does not document his review. For the year ended June 30, 2010, the Parks, Recreation and Forestry Department collected approximately \$1.7 million in fees and the Community Development Department collected approximately \$627,000 for permits, inspections, etc.

Personnel in each department told us all receipt numbers are issued in numerical sequence by the computer system and are included in the system-generated daily reports reviewed by management; therefore, they did not think a review of the numerical sequences was necessary. However, we noted the daily reports do not always include all transactions, and therefore, the reports reviewed by management are not always accurate and cannot be relied upon to ensure all transactions are reviewed.

To ensure all monies received are properly recorded and deposited, the numerical sequence of receipt numbers should be accounted for properly.

6.4 Bank reconciliations

Bank reconciliations have not been performed on a timely basis for the General Fund bank account. The Finance Director indicated as of July 2010, the General Fund account was reconciled through August 31, 2009, but reconciliations had not been performed on the account since then. The city was behind in performing the reconciliations due to needing to post various journal entries, as well as changes in personnel who were performing the work in the Finance Department.



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Monthly bank reconciliations are necessary to ensure the accounting records are in agreement with bank records and to help detect errors on a timely basis.

6.5 Escrow accounts

The Community Development Department does not have access to view escrow account balances in the Finance Department accounting system; therefore, Community Development personnel cannot verify monies held in trust for various local businesses are sufficient to cover the services requested by these businesses.

The Community Development Department receives monies from local businesses which are deposited with the city in an escrow account. The businesses then access services through the Community Development Department such as obtaining inspections, permits, etc. The fees for these services are deducted from the applicable business account with the city. However, the Community Development Department does not have access to view these accounts in the city's computerized general ledger account, and must authorize these services without knowing if the business has an adequate balance in its account to cover the related fees.

The Community Development Department provides the Finance Department with daily reports of authorized services for which the Finance Department reduces the applicable account balances. As of June 30, 2010, the overall escrow account had a balance of approximately \$33,000 covering 13 accounts with local businesses. Our review of the 13 accounts noted 6 had negative balances totaling approximately \$8,100. If the Community Development Department had access to the computer general ledger accounts, personnel could verify the accounts had positive balances before authorizing services, thereby ensuring the city is receiving proper compensation for all services rendered.

To ensure proper accounting and reporting of escrow account transactions, the Community Development Department should have access to view the escrow account balances maintained in the Finance Department accounting system. Without this access, the city is at risk of providing services without proper payment.

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.



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- 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 is 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.
- 6.5 Ensure the Community Development Department is granted access to view escrow balance data from the Finance Department accounting system.

Auditee's Response

The City Council provided the following written responses:

- 6.1 *This recommendation will be implemented by April 2011.*
- 6.2 *This recommendation has been implemented.*
- 6.3 *The City will perform a monthly analysis of receipt numbers and permits by April 2011 to assure proper accounting.*
- 6.4 *All reconciliations have been completed for the period under the audit. This recommendation is under implementation currently and will be complete by June 2011.*
- 6.5 *This recommendation has been implemented.*

7. City Budget and Financial Reports

Concerns were noted with the approval of the city budget and submission of financial reports to the City Council.

7.1 City budget

Due to an oversight in budget preparation, the Finance Director made changes to the city budget without approval by the City Council. As a result, the fiscal year 2011 city budget did not agree with the budget resolution approved by the City Council on June 21, 2010. The resolution approved total budgeted expenditures for all funds of \$43,107,340; however, the budget used by city employees and presented on the city website had total budgeted expenditures for all funds of \$43,383,340, or a difference of \$276,000. This difference is due to a streetscape project in the Economic Development Sales Tax Fund, which was added by the Finance Director after the City Council approved the budget. City Charter, Article 6, Section



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35 provides the City Council will adopt the city budget which will be in effect for the fiscal year.

A thorough review process should be implemented to ensure budget documents are accurate and complete prior to approval. If changes need to be made to the budget after initial approval, a budget amendment should be formally approved by the City Council.

7.2 Financial reports

The City Council does not receive financial reports in a timely manner. A budget-to-actual financial report, summarizing revenues and expenditures by fund, is prepared quarterly by the Finance Director for review by the City Council and City Manager; however, a quarterly review of financial reports is not often enough for the City Council to make proper management decisions.

Financial reports showing revenue sources and expenditures should be prepared for each fund on a monthly basis and used for comparison to budgeted amounts and overall review of city operations. These reports are necessary to provide accurate and timely financial information to city officials upon which effective management decisions may be made.

Recommendations

The City Council:

7.1 Ensure proper compilation and review procedures are in place and the entire budget is properly approved.

7.2 Ensure financial reports are presented and approved by the City Council on a timely basis.

Auditee's Response

The City Council provided the following written responses:

7.1 *The City concurs with the Auditor recommendation and will assure future budget documents are accurate.*

7.2 *The City will begin distributing monthly reports to the City Council in February 2011.*

8. Minutes, Meetings, and Public Records

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

8.1 Closed meetings

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. As a result of these issues, the public may not be aware of the



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discussions and votes held in these closed meetings. In addition, documented public notices were only retained for one of the meetings.

Section 610.022, RSMo, requires that before any meeting may be closed, the question of holding the closed meeting and the reason for the closed meeting shall be voted on at an open session. In addition, Section 610.020, RSMo, requires public notice of all meetings to assure public awareness of the meetings.

8.2 Sunshine request log

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

Section 610.023, RSMo, provides each request for access to public records shall be acted upon as soon as possible, but in no event later than the end of the third business day following the date the request was received by the custodian of records of a public governmental body. If access to the public record is not granted immediately, the custodian shall give a detailed explanation of the cause for further delay and the place and earliest time and date that the record will be available for inspection.

To ensure compliance with state law, the city should document adequate information in a log to determine if requests are completed timely and all requests are adequately filled. Necessary information includes, but is not limited to, the date of request, a brief description of the request, the date the request is completed or reason why the request cannot be completed, and any associated costs of filling the request.

8.3 Custody of minutes

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.

Complete and accurate minutes provide an official record of board, committee, and commission actions. 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.

Recommendations

The City Council:

- 8.1 Ensure votes to close a session are documented in open meeting minutes, along with the reason for closing 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.



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Auditee's Response

The City Council provided the following written responses:

- 8.1 *This recommendation has been implemented.*
- 8.2 *This recommendation has been implemented.*
- 8.3 *This recommendation will be implemented by May 2011.*

9. Personnel

Concerns were noted with personnel issues including the city salary survey and leave balances.

9.1 Salary survey

The salary survey conducted by the city in the spring of 2008 did not use cities of comparable size. As a result, it is unclear if the salaries of higher level city employees are in line with the same positions in similar cities. According to city personnel, the city's goal is to pay employees in the top 20 percent of surveyed cities. The city used a website service which compiled average salary information of various similar positions (as applicable) in 42 other cities in the St. Louis Metropolitan area. However, city personnel could not demonstrate the survey results were comparable to University City since many of the cities used as the basis for the average salaries were much larger or much smaller than University City. Our review of 12 positions included in the survey indicated the city's salaries ranked in the top 3 for 10 of these positions compared to other cities with similar positions. The city was ranked number one for four of these positions.

A salary survey should only include cities which are similar in size and organization. The results would better reflect the salaries paid in the region and allow the city to make a more informed decision regarding salary levels of employees.

9.2 Leave balances

Accumulated vacation and sick leave balances for some employees exceeded maximums allowed by the city. Administrative Regulation number 9 states vacation time will not be permitted to accrue beyond the amount granted annually. The maximum amount of vacation which can be earned in a year for employees with 20 years of service is 24 days or 192 hours. The leave balance report for June 14, 2010, showed five individuals with vacation balances exceeding this maximum, ranging from 277 to 376 hours. City personnel indicated the normal practice is to enforce the vacation maximum only on a cut-off date of December 31 each year. Employees are allowed to accumulate above the maximum during the year until the cut-off date. However, the city regulation does not specifically discuss or allow this practice. In addition, city regulations do not clearly indicate how much vacation time will be paid out to a terminated employee if accrued vacation leave is above the maximum allowed.

In addition, Administrative Regulation number 8 indicates unused sick leave may be accumulated to a total not to exceed 720 hours for full-time



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employees. However, the leave balance report for June 14, 2010, showed a sick balance of 736 hours for several employees. City personnel indicated this was a computer error which occurred with the conversion to a new payroll accounting system in January 2010; however, as of July 2010, this error had not been corrected.

To ensure all employees are treated consistently, the city should comply with its administrative regulations. City regulations should be updated to reflect practices of the city regarding the maximum vacation cut-off date and how much vacation will be paid out if an employee is terminated. In addition, by allowing accumulation of leave balances in excess of the maximum hours provided by city regulations, the city risks incurring unnecessary leave liability expense.

Recommendations

The City Council:

- 9.1 Ensure cities included in future salary surveys are similar in size and perform additional analysis regarding salaries.
- 9.2 Ensure city administrative regulations are followed regarding maximum vacation and sick leave balances. In addition, regulations should be updated to reflect city practices regarding cut-off dates for maximum vacation accruals and how much vacation will be paid out to employees upon termination.

Auditee's Response

The City Council provided the following written responses:

- 9.1 *The City concurs with this recommendation and during 2011 will choose comparable cities with which to use in future salary analysis.*
- 9.2 *The City concurs with this recommendation and will address this policy by June 2011.*

10. Emergency Plan

The city does not have an approved formal emergency contingency plan for its computer systems. The city has been in the process of developing a plan for several years, but a plan had not been finalized as of December 2010. Contingency plans should include consideration for a variety of situations, such as short- and long-term plans for backup hardware, software, facilities, personnel, and power use. Involvement of users in contingency planning is important since users will likely be responsible for maintaining at least a portion of the backup under various contingencies. The major benefit of a thorough disaster recovery plan is the ability of the city to recover rapidly from disaster or extraordinary situations that might cause considerable loss or disruption to the city. Because of the city's degree of reliance on technology, the need for contingency planning is evident.



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Recommendation

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

Auditee's Response

The City Council provided the following written response:

The City concurs with this recommendation and will complete a formal disaster contingency plan during 2011.

City of University City

Organization and Statistical Information

The City of University City is located in St. Louis County. The city was incorporated in 1906 and is currently a constitutional charter city. The city employed 263 full-time employees and 143 part-time employees on June 30, 2010.

City operations include fire services, law enforcement services, trash collection, street maintenance, permits and inspections, recreational facilities, and community and economic development activities.

Mayor and City Council

The city government consists of a mayor and six-member city council. The city has a council-city manager government. The city manager is appointed by the city council for an indefinite term, and, among other things, is responsible for the day to day operations of the city, ensures the municipal code is implemented, prepares an annual budget to be submitted to the city council, and supervises department heads and other city employees. The acting City Manager at June 30, 2010, was Janet Watson.

The members of the city council are elected for 4-year terms. The mayor is elected for a 4-year term, presides over the city council, and votes on all matters. The Mayor and City Council at the year ended June 30, 2010, are identified below. The Mayor is paid \$400 per month and the City Council members \$200 per month. The compensation of these officials is established by the city charter.

Shelley Welsch, Mayor
Stephen Kraft, Councilmember
Terry Crow, Councilmember
L. Michael Glickert, Councilmember
Lynn Ricci, Councilmember
Arthur Sharpe, Jr., Councilmember
Byron Price, Councilmember

American Recovery and Reinvestment Act of 2009 (Federal Stimulus)

According to city personnel, the city was awarded the following American Recovery and Reinvestment Act of 2009 funding:

A \$2,612,197 Assistance to Firefighters Fire Station Construction Grant was awarded by the U.S. Department of Homeland Security for construction of a replacement fire station. During the year ended June 30, 2010, \$17,711 was expended for architectural design work and \$4,117 was received by the city related to this grant.

A \$559,785 Community Oriented Policing Services (COPS) Hiring Recovery Program (CHRP) grant was awarded by the U.S. Department of Justice to pay 100 percent of three police officer salaries and benefits for 3 years beginning December 2009. This grant funds one position that had previously been eliminated and maintains two other positions previously



City of University City Organization and Statistical Information

planned for elimination. The grant requires these positions be maintained for at least a year after the end of the grant period. During the year ended June 30, 2010, \$96,796 was expended and \$49,682 was received by the city related to this grant.

A \$122,673 Recovery Act: Edward Byrne Memorial Justice Assistance Grant Program Local Solicitation grant was awarded by the U.S. Department of Justice for the purchase of police equipment. During the year ended June 30, 2010, no funds were expended and \$122,673 was received by the city related to this grant.

A \$149,600 Energy Efficiency and Conservation Block Grant was awarded by the U.S. Department of Energy for energy savings. The city is performing a green house gas inventory, evaluating street lighting, and contracting for an energy audit. During the year ended June 30, 2010, \$17,998 was expended to purchase a GPS device and pay the salary of an intern to map city street lights and perform data entry for a green house gas inventory. A total of \$16,253 was received by the city related to this grant.