



# CITIZENS SUMMARY

---

## Findings in the audit of the City of Liberal

---

### Accounting Controls, Procedures, and Records

The city does not segregate accounting duties, and the Board of Aldermen does not provide any independent or supervisory review of the City Clerk's work. The city does not have a consistent receipting procedure and does not always timely record or deposit monies received. Some disbursements were not recorded accurately in the accounting system, but were recorded at wrong amounts or in the wrong fund. Other disbursements were not posted to the accounting system, and some were posted to the system twice. Audit staff found serious problems with bank reconciliations, resulting in a \$151,330 difference between the adjusted bank balance and book balance, and the city issued over 100 checks which were not signed by a Board member.

---

### Utility System Controls and Procedures

The city has not performed a formal review of water, sewer, gas, electric, and trash rates, providing less assurance that utility rates are set at an appropriate level. The city had not performed a reconciliation of total gallons of water billed to gallons of water pumped until we brought it to their attention. In addition, city water usage is not tracked, making it difficult to perform a proper reconciliation. The city conducted a reconciliation for the February 2013 billing cycle which revealed a discrepancy of 755,431 gallons (32 percent of water pumped). The City Clerk has the ability to make adjustments to the utility computer system without approval, which is a significant control weakness. A monthly list of utility deposits on hand is not prepared and reconciled to the deposit payable balance in the general ledger. At our request a list of utility deposits was prepared as of April 8, 2013, and the total differed from the city's general ledger.

---

### Disbursements

The city does not have a formal bidding policy and did not solicit bids for numerous services and purchases during 2012, including \$52,450 for tree trimming, \$44,027 for natural gas, and \$42,701 for gas system maintenance, repairs and installations. The city did not maintain documentation to support the allocation of expenses among funds and did not maintain invoices for some purchases. The city lacks adequate procedures to review invoices and document receipt of goods and services. Audit staff found a duplicate payment totaling \$1,055 for police equipment; the city has since received a refund from the vendor. The city does not reconcile fuel billings and fuel purchases or have procedures to ensure fuel use is proper. Mayor Garrett approved timesheets of and signed payroll checks written to his wife, which created an actual or the appearance of a conflict of interest, and the city did not document its reasons for classifying the Mayor's wife as an independent contractor rather than an employee.

---

### Payroll Controls

A former City Clerk received a \$4,020 check for accrued sick leave and a \$2,010 check for accrued vacation leave, but the city did not maintain any

leave records to support these final payments, and the city overpaid the former City Superintendent \$2,306 for vacation and sick leave upon termination. The same former City Clerk and former City Superintendent were paid \$220 and \$210, respectively, from the Park and Cemetery Funds, but the city had no documentation to support these additional payments, and these payments were not included on the employees' W-2 forms or subjected to payroll tax withholdings. The city failed to timely remit payroll taxes due for the period August 15 to October 15, 2012, to the IRS and the Missouri Department of Revenue, resulting in \$718 in penalties and interest.

|  |   |
|--|---|
| Budgetary Procedures and Financial Reporting | Annual budgets do not contain all elements required by state law and are not approved timely. A 2011 budget amendment was approved in February 2012, well after the end of the fiscal year, and the city had already overspent the Water and Sewer Fund, Electric Fund, Gas Fund and Cemetery Fund budgets before the amendment was prepared. The city did not publish financial statements in 2012 or 2011, as required by state law.                                      |
| Agendas, Meetings, and Ordinances            | The Board did not retain notification or tentative agendas for some meetings. The Board discussed some issues in closed meetings which were not allowable, and open meeting minutes do not record a roll call vote of the Board to enter into closed session. The city has not adopted ordinances to establish the compensation of city officials or employees; to establish water, sewer, gas, electric, and trash rates; or to address utility service shutoff practices. |
| Capital Assets                               | The city does not maintain records for its capital assets, does not tag assets for specific identification, and does not conduct an annual physical inventory.  |

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

\*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.