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CITIZENS SUMMARY

Findings in the audit of the City of Joplin

Master Developer

City of Joplin officials did not ensure the selection process for the master developer was independent and free of bias. The request for proposal may have been written to favor Wallace Bajjali Development Partners, L.P., and documentation supporting the selection of the master developer was insufficient to support the city's decision. Some of the points awarded to Wallace Bajjali in the evaluation process were not reasonable. The predevelopment agreement was also written to benefit Wallace Bajjali and did not adequately protect the city. The city did not adequately monitor the predevelopment agreement for compliance with its terms and did not hold Wallace Bajjali accountable for failing to comply with obligations and requirements, including failure to submit a master plan and progress schedule documents. Some expenses related to the creation and presentation of the master plan were erroneously reimbursed to Wallace Bajjali, and many pursuit cost invoices submitted for reimbursement by Wallace Bajjali were inappropriate. Some of the provisions of the land assemblage agreement were unclear, and some amounts paid to Wallace Bajjali for transfer fees were questionable or excessive. As of January 26, 2015, the city had paid Wallace Bajjali $1 million in pursuit costs and $475,500 in land assemblage fees, and no redevelopment had occurred.

Purchases of Redevelopment Area Real Estate and Conflicts of Interest

The Joplin Redevelopment Corporation (JRC) failed to obtain independent appraisals or adequately research previous real estate transactions when purchasing multiple properties for redevelopment, and, as a result, paid substantially more for some of the properties than necessary. The JRC purchased 16 out of 36 properties in the redevelopment zone from Four State Homes (FSH), a real estate development company, which had purchased the 16 properties from the original landowners, and then sold the properties to the JRC, in most cases for substantially higher prices (39 percent higher than the original purchase price), a short time later. Several activities involving former Mayor and current Councilmember Woolston represent potential conflicts of interest, including his signing the real estate sales contracts as the broker on these 16 properties originally purchased by FSH and subsequently sold to the JRC for much higher prices. The JRC entered into multiple agreements to sell property to Wallace Bajjali and his affiliates, who failed to comply with contractual obligations. Despite these failures, the JRC and city extended real estate purchase contract deadlines related to the land assemblage agreement on multiple occasions, with no new provisions to increase the likelihood that Wallace Bajjali and partners would fulfill contract requirements.

Disaster Recovery

The city Finance Department did not file reimbursement claims in a timely manner for approximately $10.9 million in disaster recovery grant funds. The Finance Department also did not allocate city labor and equipment expenses, totaling more than $1.6 million, incurred after the tornado to the applicable Federal Emergency Management Agency (FEMA) projects for reimbursement, or submit supporting documentation to the city's insurance company to claim additional proceeds, totaling approximately $1 million, timely. The city did not take proper action to prevent duplication of benefits from federal disaster recovery funds and other sources. The city did not ensure contracts with various vendors providing services contained suspension and debarment clauses required by city policy and grant provisions. Performance bonds were not required to be furnished by contractors as required by state law related to a disaster recovery grant for soil remediation. The city did not establish adequate and consistent policies and procedures to administer FEMA mutual aid grant funds.

Sunshine Law Issues

The city did not always comply with the Sunshine Law. Minutes were not prepared for 10 of 24 closed sessions held from the date of the tornado through the year ended October 31, 2013, as required. City officials improved procedures and maintained minutes for 24 of 25 closed sessions held from November 1, 2013, through February 28, 2015. Some issues discussed in closed meetings were not allowable under the Sunshine Law. The Council did not prepare meeting minutes for work sessions, which were held on a fairly regular basis, and the city did not always give proper notice of council meetings.

Procurement Procedures and Contracts

The city and the JRC did not solicit proposals, enter into or update written contracts, or ensure invoices were adequate for several professional services. The city did not always follow its own bid policy for goods and services. The city does not have a formal written change order policy, and neither the City Manager nor the Council approved change orders for significant amounts or changes in scope of services. The Public Works Department poorly planned projects, resulting in significant change orders, and did not competitively bid significant changes to construction projects. The city did not properly monitor its contract or expenditures paid to the Joplin Area Chamber of Commerce.

Joe Becker Stadium

The city entered into an agreement with a baseball organization without conducting a feasibility study and purchased property without obtaining a current appraisal.

Disbursements and Payroll

Adequate controls and procedures over manual and system generated checks have not been established. Purchase orders were sometimes approved or prepared after the date of the corresponding invoices. Some city disbursements and purchases appeared to be unreasonable or have no benefit to the city. The city used grant monies to fund a salary increase although the reason for the increase did not pertain to grant related duties.

Overhead Cost Allocations and Restricted Funds

The city has not established adequate procedures to allocate overhead costs and ensure restricted monies are used only for intended purposes. Some city parks/stormwater and transportation sales tax monies were used for Joplin School District projects rather than city projects.

Fuel and Vehicle Use and Vehicle Allowances

The city does not have adequate procedures to review and evaluate the reasonableness of vehicle and equipment usage, and access to the city's public works facility and unleaded fuel pumps is not adequately restricted. The city allows 62 city vehicles to be taken home by city employees and has not established procedures to adequately review and document the necessity and justification for use of the vehicles. Forty of these vehicles are driven to addresses outside the city. The city has no documentation to show vehicle allowance amounts are reasonable or necessary compared to actual expenses incurred.

Cash Handling Controls and Procedures	Significant improvement is needed in the handling of city monies including the segregation of duties; receipting, recording, and depositing/transmitting of city monies; reconciliation of licenses and permits; petty cash and change funds; and the security of monies.
Finance Department Controls and Procedures	Improvement is needed in the city's handling of adjustments and write-offs related to the sewer system and special tax bills, assessment of late payment penalties on delinquent sewer accounts, and assessment of administrative fees on special tax bills.
Financial Issues and Reporting	The city has not prepared adequate long-range plans for the Health Self Insurance Fund. The golf course and airport operate at a loss and need continual financial support from other city funds. The city and the municipal division do not have procedures in place to identify traffic violation tickets and the associated fines and court costs collected, and did not accurately calculate the percent of annual general operating revenue from fines and costs related to traffic violations.
Internal Audit Function	The city does not have an internal audit function and some recommendations made by the city's independent financial statement auditor had not been implemented.

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.

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