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Missouri State Auditor

City of Berger

Report No. 2020-125

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CITIZENS SUMMARY

Findings in the audit of the City of Berger

Accounting Controls and Procedures	The Board of Aldermen has not adequately segregated accounting duties or ensured documented supervisory or independent reviews over various financial accounting functions are performed. The City Clerk did not issue receipt slips for most payments received. City personnel did not prepare bank reconciliations for the city's 14 bank accounts. The city does not have a formal bidding policy and has not established policies for the selection of vendors providing professional services.
Meeting Minutes	Open meeting minutes did not always document the specific reasons or section of law allowing the meetings to be closed. Some topics discussed and voted on in closed meetings were not allowable under the Sunshine Law. The city failed to prepare minutes for 3 of the 8 closed meetings and 2 of the 16 open meetings held from June 17, 2019, through June 30, 2020.
Budgets and Published Financial Statements	City budgets prepared for the years ended June 30, 2018, 2019, and 2020, did not include all required elements. The city does not publish semiannual financial statements as required by state law.
Compensation Ordinance	Other than the Mayor, the city does not have an ordinance establishing the compensation of city officials and the city's part-time employee.

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

*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.

City of Berger

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NICOLE GALLOWAY, CPA

Missouri State Auditor

To the Honorable Mayor
and
Members of the Board of Aldermen
City of Berger, Missouri

The State Auditor was petitioned under Section 29.230, RSMo, to audit the City of Berger. We have audited certain operations of the city in fulfillment of our duties. The scope of our audit included, but was not necessarily limited to, the year ended June 30, 2020. The objectives of our audit were to:

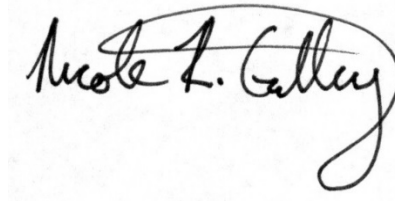
1. Evaluate the city's internal controls over significant management and financial functions.
2. Evaluate the city's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and procedures, including certain financial transactions.

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 control that is significant to the audit objectives and assessed the design and implementation of such internal control to the extent necessary to address our audit objectives. 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 applicable contract, grant agreement, 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 Berger.

A handwritten signature in black ink, reading "Nicole R. Galloway". The signature is fluid and cursive, with a large loop at the end of the last name.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

Senior Director:	Randall Gordon, M. Acct., CPA, CGAP
Audit Manager:	Chris Vetter, CPA, CFE, CGAP
In-Charge Auditor:	Joyce Thomson

City of Berger

Management Advisory Report

State Auditor's Findings

1. Accounting Controls and Procedures

Accounting controls and procedures need improvement. The city collected receipts totaling approximately \$406,000 from water, sewer, trash and natural gas services; Proposition P sales taxes; grants; and other receipts.

1.1 Segregation of duties

The Board of Aldermen has not adequately segregated accounting duties or ensured documented supervisory or independent reviews over various financial accounting functions are performed.

The City Clerk position is responsible for most financial duties of the city including receipting payments received, preparing deposits, preparing invoices for payment, and making transfers between bank accounts.

Proper segregation of duties helps ensure all transactions are accounted for properly and assets are adequately safeguarded. If proper segregation of duties cannot be achieved, documented independent or supervisory reviews of accounting and bank records should be performed.

1.2 Receipting

The City Clerk did not issue receipt slips for most payments received. The City Clerk only issued receipt slips when an individual requested a receipt slip.

Failure to implement adequate receipting procedures increases the risk that loss, theft, or misuse of funds will go undetected.

1.3 Bank reconciliations

City personnel did not prepare bank reconciliations for the city's 14 bank accounts. No bank reconciliations had been prepared since April 2019, as of June 30, 2020. Direct deposits and interest were not always recorded in the check registers and bank statement balances were occasionally recorded in the check registers without properly reconciling the check registers balances to the bank statements balances.

Performing adequate monthly bank reconciliations helps ensure receipts and disbursements have been properly handled and recorded, and increases the likelihood errors will be identified and corrected timely.

1.4 Procurement procedures

The city does not have a formal bidding policy and has not established policies for the selection of vendors providing professional services. The city did not solicit proposals for professional services including legal services (\$12,000), trash services (\$22,000), and utility bill preparation (\$20,000). According to the Mayor, utility bill preparation has been done by the same vendor for at least 15 years without solicitation of bids.

Formal bidding procedures for major purchases or services provide a framework for economic management of city resources and help ensure the city receives fair value by contracting with the lowest or best bidders.



City of Berger
Management Advisory Report - State Auditor's Findings

Competitive bidding also helps ensure all parties are given an equal opportunity to participate in city business. Formal bidding procedures should be sufficiently detailed and include requirements for documenting the process of awarding a bid.

Soliciting proposals for professional services is a good business practice, helps provide a range of possible choices, and allows the city to make better-informed decisions to ensure necessary services are obtained from the best qualified provider after taking expertise, experience, and cost into consideration.

Recommendations

The Board of Aldermen:

- 1.1 Segregate the accounting duties to the extent possible and implement appropriate reviews and monitoring procedures.
- 1.2 Require issuance of prenumbered receipt slips for all monies received.
- 1.3 Ensure adequate monthly bank reconciliations are prepared. Any differences between accounting records and reconciliations should be promptly investigated and resolved.
- 1.4 Establish formal bidding policies and procedures and periodically solicit proposals for professional services.

Auditee's Response

- 1.1 *We have split the duties of the City Clerk and City Treasurer. We have also implemented a two-signature requirement on our checking account. All checks must be signed by the City Treasurer and the Mayor. All expenditures exceeding \$500 must be approved by the Board.*
- 1.2 *We do not accept cash payments. We copy each check received and place it with all invoices (utility bills) submitted. Cashed checks serve as the customer receipt, a customary business practice.*
- 1.3 *Bank reconciliations are now required every month and are prepared by the City Treasurer, subject to review monthly by the Mayor. The Mayor will initially investigate differences between accounting records and reconciliations. The City Marshal will be involved where appropriate.*
- 1.4 *We will develop and adopt formal bidding policies and procedures by January 31, 2021. We will solicit proposals for legal, accounting, engineering, and other professional services upon completion of current contract terms.*



City of Berger
Management Advisory Report - State Auditor's Findings

Auditor's Comment

1.2 Issuing a receipt slip for each payment received provides a record of the transaction and helps reduce the risk of loss, theft, or misuse of funds.

2. Meeting Minutes

The city did not comply with the Sunshine Law for closed and open Board meetings.

2.1 Closed meetings

The city did not comply with the Sunshine Law for the 8 closed meetings held during the year ended June 30, 2020.

Reasons for closing meetings

Open meeting minutes did not always document the specific reasons or section of law allowing the meetings to be closed. Most meeting notices and agendas included a statement that a closed session could be held, in the event the Board wanted to enter into a closed session.

Section 610.022, RSMo, of the Sunshine Law, requires public bodies announce the specific reasons allowed by law for going into a closed session and to enter the vote and reason into the minutes. The section also limits discussion topics and actions in closed meetings to only those specifically announced prior to closure.

Allowable topics

Some topics discussed and voted on in closed meetings were not allowable under the Sunshine Law. For example, in closed meetings the Board passed a motion to add signers to the bank accounts, reviewed the budget, passed a motion to purchase an evidence safe, discussed the city's Facebook page, and discussed starting a Community Action Plan. In addition, due to the pandemic, the Board held its regular monthly meetings in April and May as closed meetings instead of open meetings and did not provide an alternative way for the public to access these meetings.

Section 610.021, RSMo, lists the topics that may be discussed in closed meetings. Section 610.022.3, RSMo, requires that the discussion topics and actions in closed meetings must be limited to only those specifically allowed by law as announced in the justification for closing the meeting.

2.2 Meeting minutes

The city failed to prepare minutes for 3 of the 8 closed meetings and 2 of the 16 open meetings held from June 17, 2019, through June 30, 2020.

Section 610.020.7, RSMo, requires meeting minutes be maintained as a record of business conducted and to provide an official record of actions and decisions.

Recommendations

The Board of Aldermen:

2.1 Ensure specific reasons for closing a meeting are documented in the open minutes, ensure only topics allowed by state law are discussed



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Management Advisory Report - State Auditor's Findings

in closed meetings, and discussions are limited to the specific reasons cited for closing the meeting.

2.2 Ensure minutes are prepared and retained for all open and closed meetings.

Auditee's Response

2.1 *We are now including statutory provision(s) for closed sessions in the minutes and public notices. The Mayor and City Clerk will ensure that discussions in closed sessions are limited to the specific reason cited for closing the meetings and allowed by law.*

2.2 *Minutes will be prepared and retained for every Board meeting. The minutes, public notices, and all documents reviewed by the Board will be available to the public for open sessions. The minutes and public notices for all closed sessions will be made available pursuant to state law.*

3. Budgets and Published Financial Statements

The city does not properly prepare budgets, and does not publish semiannual financial statements in accordance with state law.

3.1 Budgetary requirements

The city budgets prepared for the years ended June 30, 2018, 2019, and 2020, did not include all required elements. The budget documents did not include a budget message, actual or budgeted amounts for the 2 preceding years, the actual beginning and estimated ending cash balance for each fund, or a budget summary.

Section 67.010, RSMo, requires the budget present a complete financial plan for the ensuing budget year and sets specific guidelines for the information to be included in the budget. A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific financial expectations for each area of city operations. It also assists in determining tax levies and utility rates and informing the public about city operations and current finances.

3.2 Published financial statements

The city does not publish semiannual financial statements as required by state law. As a result, information regarding the city's financial activity and condition is not available to all citizens.

Section 79.160, RSMo, requires the Board to prepare and publish semiannual financial statements that include a full and detailed account of the receipts, disbursements, and indebtedness of the city.



City of Berger
Management Advisory Report - State Auditor's Findings

Recommendations

The Board of Aldermen:

- 3.1 Prepare annual budgets that contain all information required by state law.
- 3.2 Publish semiannual financial statements as required by state law.

Auditee's Response

- 3.1 *City officers and employees will prepare annual budgets that conform to state law.*
- 3.2 *We will publish semiannual financial statements as required by state law.*

4. Compensation Ordinance

Other than for the Mayor, the city does not have an ordinance establishing the compensation of city officials and the city's part-time employee.

Ordinances documenting approved salary amounts help ensure equitable treatment and prevent any misunderstandings. Section 79.270, RSMo, authorizes the Board to fix the compensation of all city officials and employees by ordinance.

Recommendation

The Board of Aldermen establish, by ordinance, the compensation of city officials and employees.

Auditee's Response

We are preparing an ordinance to establish salaries for the Board and all appointed officers and employees.

City of Berger

Organization and Statistical Information

The City of Berger is located in Franklin County. The city was incorporated in 1928 and is currently a fourth-class city. The city employed 3 part-time employees on June 30, 2020.

City operations include water, sewer, trash, and natural gas services.

Mayor and Board of Aldermen

The city government consists of a mayor and 4-member board of aldermen. The members are elected for 2-year terms. The mayor is elected for a 2-year term, presides over the board of aldermen, and votes only in the case of a tie. The Mayor and Board of Aldermen, at June 30, 2020, are identified below. The Mayor is paid \$250 per month and Board of Aldermen members \$35 per month. The Mayor's compensation is established by ordinance; however, an ordinance has not been established for the compensation of the Board of Aldermen.

Harold Englert, Mayor
Liz Fields, Alderwoman
Eric Bruckerhoff, Alderman
Dennis Reed, Alderman
Bernard Steinhoff, Alderman

Other Principal Officials

The City Clerk and Police Marshal are appointed positions. The city's principal officials at June 30, 2020, are identified below:

Nina Adams, City Clerk
Trace Gutierrez, Police Marshal

Financial Activity

A summary of the city's financial activity, prepared using the city's bank statements, for the year ended June 30, 2020, follows:

City of Berger
Schedule of Receipts, Disbursements, and Changes in Cash Balances
Year Ended June 30, 2020

	General Fund	Gas Fund	Police Fund	Sewer Operations Fund	Solid Waste Fund	Utilities Fund	Water Fund	Park Fund
RECEIPTS	\$ 19,370	57,856	30,938	70,495	33,110	150,960	26,157	0
DISBURSEMENTS	58,533	26,479	40,117	37,398	13,869	177,949	9,315	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	(39,163)	31,377	(9,179)	33,097	19,241	(26,989)	16,842	0
OTHER FINANCING SOURCES (USES)								
Transfers in	39,227	0	0	0	0	0	0	0
Transfers out	0	0	(14,227)	0	0	0	0	0
Total Other Financing Sources (Uses)	39,227	0	(14,227)	0	0	0	0	0
CASH BALANCE, JULY 1, 2019	11,452	41,614	41,201	43,117	14,123	44,033	8,760	1,863
CASH BALANCE, JUNE 30, 2020	\$ 11,516	72,991	17,795	76,214	33,364	17,044	25,602	1,863

	Short Lived Asset Reserve Fund	State Fuel Fund	Money Market Fund	Natural Gas Deposit On Meter Fund	Debt Service Fund	Court Fund	Total
RECEIPTS	\$ 2,377	8,736	1,569	2,115	2,609	3	406,295
DISBURSEMENTS	0	19,520	0	4,675	0	0	387,855
RECEIPTS OVER (UNDER) DISBURSEMENTS	2,377	(10,784)	1,569	(2,560)	2,609	3	18,440
OTHER FINANCING SOURCES (USES)							
Transfers in	0	0	0	0	0	0	39,227
Transfers out	0	0	(25,000)	0	0	0	(39,227)
Total Other Financing Sources (Uses)	0	0	(25,000)	0	0	0	0
CASH BALANCE, JULY 1, 2019	16,519	15,217	301,310	11,645	23,543	2,192	576,589
CASH BALANCE, JUNE 30, 2020	\$ 18,896	4,433	277,879	9,085	26,152	2,195	595,029