

The seal of the Missouri State Auditor is circular and features a central figure holding a scale and a sword. The text around the seal reads "SEAL OF THE STATE AUDITOR" at the top, "JUSTICE WE STAND DIVIDED" in the middle, and "1820 MISSOURI 1892" at the bottom.

Nicole Galloway, CPA

Missouri State Auditor

FOLLOW-UP REPORT ON AUDIT FINDINGS

City of Bel-Ridge

Report No. 2021-046

August 2021

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City of Bel-Ridge

Follow-Up Report on Audit Findings

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*Includes selected findings



NICOLE GALLOWAY, CPA Missouri State Auditor

To the Honorable Mayor
and
Members of the Board of Aldermen
City of Bel-Ridge, Missouri

We have conducted follow-up work on certain audit report findings contained in Report No. 2020-072, *City of Bel-Ridge* (rated as Poor), issued in September 2020, pursuant to the Auditor's Follow-Up Team to Effect Recommendations (AFTER) program. The objectives of the AFTER program are to:

1. Identify audit report findings for which follow up is considered necessary, 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 specific plans to begin, or 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 has no specific plans to implement the recommendation.

As part of the AFTER work conducted, we reviewed documentation provided by city officials and held discussions with city officials to verify the status of implementation for the recommendations. Documentation provided by the city included minutes of meetings, financial records, and other pertinent documents. This report is a summary of the results of this follow-up work, which was substantially completed during May and June 2021.

A handwritten signature in black ink that reads "Nicole R. Galloway".

Nicole R. Galloway, CPA
State Auditor

City of Bel-Ridge

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Status of Findings

1. Financial Condition

The Board of Aldermen had not adequately monitored the city's financial condition, had not received detailed information showing financial data for each fund, and had poor budgeting procedures. These practices allowed the fund balance of the General Fund to decline in recent years.

By commingling revenues of the Tax Increment Financing (TIF) Fund with the General Fund, the city used restricted funds to help finance the general operations of the city. In addition, the Board did not adequately monitor the city's financial condition.

The city's poor budgetary preparation and monitoring procedures contributed to the financial condition problem. Financial reports, such as budget-to-actual reports, had not been presented to the Board to allow it to properly monitor the financial position of the city.

Recommendation

The Board of Aldermen ensure detailed financial data is received monthly, perform immediate and long-term planning, and closely monitor and take necessary steps to improve the city's financial condition.

Status

In Progress

In November 2020, the city executed a contract with a consultant to assist and advise the city related to this recommendation and other recommendations, as well as assisting the city with other general operational matters. City officials indicated the Board considered options proposed by the consultant to improve the city's financial condition, and in June 2021, the Board began acting on one of those options by deciding to contract with the City of Normandy for police services. Additionally, city officials indicated the city's new accounting firm has developed a package of monthly financial reports and began providing those reports for the Board's review in June 2021. The city's 2021 budget projects a small improvement for the General Fund balance in 2021.

2. Budgets and Financial Reporting

City officials did not prepare complete and accurate annual budgets or monitor budgets. They also did not publish accurate semiannual financial statements or file annual financial reports.

2.1 Budgets

The city's budgets did not contain all statutorily required elements, were not prepared under the direction of a budget officer, and beginning fund balances were not accurate. The Board budgeted deficit ending fund balances for the General Fund and Police Training Fund for the years ending December 31, 2018, and 2019. The Board did not adequately monitor budget-to-actual revenues or expenditures, and the Park Fund had accumulated a significant fund balance with no documented plans for its use.



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Recommendation

The Board of Aldermen prepare accurate annual budgets that contain all information required by state law, designate a budget officer, discontinue deficit budgeting, and ensure the budgets are adequately monitored and properly amended. Additionally, the Board should evaluate funding needs of the city parks and consider reducing future taxes, and if plans have been made for expending the accumulated cash balance, such plans should be set forth publicly in the budget document.

Status

In Progress

In January 2021, the Board appointed the Mayor as budget officer, and in May 2021 the Board approved the 2021 budget after temporarily extending the 2020 budget to allow the Board more time to consider changes to address the city's financial condition and incorporate decisions from that process into the 2021 budget. The 2021 budget contained a budget message, beginning fund balances based on 2020 ending fund balances, and other required elements. However, the 2021 budget projected negative end-of-year fund balances for the General Fund (negative \$1,176,555) and the Police Training Fund (negative \$30,468). Additionally, the 2021 budget projected Park Fund revenues to exceed expenditures with no documented plans for use of the large fund balance. As previously noted, city officials indicated they have begun making changes to city operations to improve the General Fund balance. Additionally, city officials indicated the city is evaluating options for the Park Fund, and the city's accounting firm began providing monthly 2021 budget and actual reports for the Board to review in June 2021.

2.2 Published financial statements

The city did not publish financial statements for the year ended December 31, 2018.

Recommendation

The Board of Aldermen ensure the city's semiannual financial statements are published as required by state law and city ordinance.

Status

In Progress

The city published a financial statement for the year ended December 31, 2020, in July 2021. City officials indicated they are working with the city's new accounting firm to begin timely publishing of financial statements.

2.3 Filing of financial reports

The city did not timely file annual financial reports with the State Auditor's Office as required by state law.

Recommendation

The Board of Aldermen timely submit annual financial reports to the State Auditor's Office as required by state law.



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Status

Implemented

City officials timely filed the financial report for the year ended December 31, 2020.

**3.1 Tax Increment
Financing - Project
status**

The city had taken no action on the TIF redevelopment plan since its approval in 2006 and had not assessed the status of the project or distributed any surplus TIF revenues collected.

Recommendation

The Board of Aldermen review the current status of the TIF project and assess the city's position whether to proceed with the redevelopment plan or dissolve the TIF district and return all surplus funds to the proper taxing authorities.

Status

In Progress

In February 2021, the city contracted with a law firm to advise the city about the redevelopment area and the related redevelopment agreement. City officials indicated they expect to work with the law firm to assess the TIF situation and determine the appropriate course of action.

**3.2 Tax Increment
Financing -
Commingling TIF
revenues**

The city had not repaid amounts due to the TIF Fund, Park Fund, and Storm Water Fund from TIF revenues commingled among the General, TIF, Park, and Storm Water Funds in previous years. Additionally, during 2018, the city incurred expenses for street repairs and improvements and also tree removal and pruning that were charged to the TIF Fund. City officials could not locate the redevelopment plan or explain why these costs were charged to the TIF Fund. The city also had not established separate accounts for payments in lieu of taxes (PILOTS) and economic activity taxes (EATS).

Recommendation

The Board of Aldermen ensure PILOTS and EATS are separately accounted for, determine whether 2018 expenses charged to the TIF Fund should be repaid to the TIF Fund, and develop plans to repay the amounts due to the TIF Fund, Park Fund, and Storm Water Fund.

Status

In Progress

City officials indicated they have begun separately accounting for the PILOTS and EATS and intend to develop plans for repaying the amounts due the various funds from previous years. In May 2021, the Board approved an adjusting entry to the city's 2018 ledgers made by the city's auditing firm to reclassify as General Fund expenditures the 2018 expenses charged to the TIF Fund.



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4. Restricted Revenues

The city was not properly tracking the balance of some restricted monies deposited into the General Fund.

Recommendation

The Board of Aldermen determine the amount of restricted monies in the General Fund and establish separate funds or a separate accounting of the restricted monies, including the balances.

Status

In Progress

City officials indicated the city's new accounting firm is ensuring restricted monies are properly classified, working to determine the amount of restricted monies in the General Fund, and developing monthly reports of balances of restricted monies for Board review.

5.1 Disbursements -
Disbursement
documentation and
review

The city did not always retain receipt slips for credit card purchases and did not reconcile the receipt slips to the credit card statements. The city did not always properly review invoices prior to payment.

Recommendation

The Board of Aldermen maintain adequate supporting documentation for all disbursements and ensure invoices are adequately reviewed and approved.

Status

In Progress

City officials indicated city staff are striving to obtain and retain all credit card receipts slips. The Mayor has begun reviewing all invoices prior to payment, and the Board continues to review and approve monthly lists of all disbursements. We reviewed 12 disbursements during February 2021 and invoices were retained for all of these disbursements and indicated the Mayor's approval. In addition, we reviewed one credit card statement paid in February 2021 with 3 charges. City officials could not provide the vendor receipt for one of the charges and indicated they will increase efforts to obtain and retain credit card vendor receipts.

5.2 Disbursements -
Questionable
expenditures

The city incurred costs for food, entertainment, supplies, gifts, and alcoholic beverages for Christmas events in December 2017 and 2018 for employees and families that were not reasonable and/or did not provide a benefit to the city.

Recommendation

The Board of Aldermen ensure all disbursements are necessary and prudent uses of public funds.



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Status

Implemented

City officials indicated they now ensure expenditures incurred are necessary and prudent for city operations and no expenses occurred for Christmas events in 2020. The disbursements reviewed as part of the evaluation of the status for section 5.1, were related to city business.

5.3 Disbursements -
Procurement procedures
and contracts

The city had not established policies for the selection of vendors providing professional services, and did not have a formal bidding policy. The city did not solicit bids or proposals for various services, equipment, and vehicles. The city did not have written contracts with 5 attorneys providing legal services for general counsel and consultation on special matters.

Recommendation

The Board of Aldermen periodically solicit proposals for professional services, establish formal bidding policies and procedures, and ensure bids are obtained when applicable. Also, the Board should enter into written contracts defining services provided and benefits received.

Status

In Progress

In April 2021, the Board adopted ordinance 2021-5 establishing a policy for purchasing including requirements for competitive bidding. The policy does not include any requirements related to the procurement of professional services. City officials indicated the Board intends to consider establishing policies for procuring professional services. The city recently executed written contracts for consulting, accounting, and legal services. City officials solicited proposals for the accounting services, but not for the consulting or legal services.

6. Officials'
Compensation

The city did not annually fix salaries for officers and employees of the city by ordinance as required. Additionally, the city executed a multi-year contract with the Chief of Police that conflicted with city ordinances, and approved compensation to a former Alderman that was not allowable.

Recommendation

The Board of Aldermen ensure salaries and compensation for city officers and employees are in accordance with city ordinances and state law.

Status

Implemented

In November 2020, the Board adopted ordinance 2020-14 fixing 2021 salaries for city administration, court, and public works employees, and in December 2020, the Board adopted ordinance 2020-15 fixing 2021 salaries for police employees. In April 2021, the Mayor notified the Police Chief that the city considered the contract to be invalid, and the city decided to contract for police services in June 2021. Our review of the city's general ledger for January 2021 identified no unallowable payments to any Board member and



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city officials indicated no additional payments have been made to any Board member.

7.1 Receipting Controls and Payroll Procedures - Segregation of duties The Board had not adequately segregated accounting duties or ensured a documented supervisory or independent review over receiving and depositing monies was performed. No reviews of the detailed receipt slips and deposits were performed by other city personnel or Board members.

Recommendation The Board of Aldermen segregate the accounting duties. If proper segregation cannot be achieved, ensure documented independent or supervisory reviews are performed.

Status **In Progress**

City officials indicated the city's new accounting firm is beginning to provide oversight and review of the bank deposits prepared by city staff. However, for the 6 deposits reviewed from March 19, 2021, through March 29, 2021, we saw no indication on the receipt and deposit records of review by the accounting firm. City officials indicated they are making efforts to improve the documentation of independent oversight of receipts and deposits.

7.2 Receipting Controls and Payroll Procedures - Receipts, deposits, and reconciliations Receipt slips were not always issued for monies received, the numerical sequence of receipt slips was not accounted for, receipts were not reconciled to deposits, and checks/money orders were not restrictively endorsed immediately upon receipt.

Recommendation The Board of Aldermen ensure receipt slips are issued for all monies received, ensure the numerical sequence of all receipts slips is accounted for, and reconcile receipts to deposits. In addition, the Board should ensure checks are restrictively endorsed upon receipt.

Status **In Progress**

City officials indicated the city's new accounting firm is beginning to provide assistance to city staff in accounting for the numerical sequence of receipt slips and reconciling receipts to deposits, and the City Clerk is restrictively endorsing checks upon receipt. However, for the 6 deposits reviewed from March 19, 2021, through March 29, 2021, we saw no documentation that receipts slips were reconciled to deposits and receipts slips issued exceeded deposits by \$165. The method of payment recorded on the receipts slips did not always agree to the composition of the deposits. City officials indicated they are working to improve the independent verification of receipts and deposits.



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7.4 **Receipting Controls and Payroll Procedures - Payroll segregation** Payroll duties were not properly segregated and payroll records were not properly reviewed.

Recommendation The Board of Aldermen segregate the payroll duties. If proper segregation cannot be achieved, ensure documented independent or supervisory reviews are performed.

Status **In Progress**
City officials indicated that the Board intends to implement this recommendation after the contract for police services is implemented and reductions to city staffing occur.

9.1 **Sunshine Law and Ordinances - Meeting minutes** Minutes for several open and closed Board meetings could not be located. In addition, the City Clerk had not signed some minutes as the preparer, and the Board had not timely approved some minutes.

Recommendation The Board of Aldermen maintain complete and accurate minutes for all meetings and ensure meeting minutes are signed by the preparer and approved by the Board timely.

Status **Implemented**
City officials indicated efforts have been made to ensure meeting minutes are compliant with these requirements. We reviewed meeting minutes for the period January 5, 2021, through March 18, 2021, and determined open and closed minutes were maintained, signed by the preparer, and approved by the Board.

9.2 **Sunshine Law and Ordinances - Closed meetings** Open meeting minutes did not document the specific reasons or section of law allowing the meeting to be closed, and some topics discussed and voted on in the closed meetings were not allowable under the Sunshine Law.

Recommendation The Board of Aldermen ensure specific reasons for closing a meeting are documented in the open minutes, and ensure only topics allowed by state law are discussed in closed Board meetings.

Status **Implemented**
City officials indicated efforts have been made to ensure minutes and closed meetings are compliant with these requirements. We reviewed meeting minutes for the period January 5, 2021, through March 18, 2021. City officials



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held two closed meetings during this period. For each meeting, they documented the specific reasons for closing it in the open minutes and only discussed allowable topics.