

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, "WE STAND DIVIDED" in the middle, and "1820 MISSOURI 1892" at the bottom.

Nicole Galloway, CPA

Missouri State Auditor

City of Belton

Report No. 2022-028

May 2022

auditor.mo.gov



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of the City of Belton

Allocations and Disbursements	The city's established procedures for allocating overhead and administrative costs to restricted funds are not adequate. During the years ended March 31, 2021, and 2020, approximately \$2.9 million in administrative costs paid by the General Fund were allocated each year to various city funds. The beginning cash balance is included in the annual revenue totals for each of these funds, inflating revenues by approximately \$17.8 million during the year ended March 31, 2020, with the majority (approximately \$15 million) being the cash balances of the Wastewater and Water Funds. Recalculations of the overhead allocation excluding cash balances for these funds significantly decreased the amount of costs allocated to the Wastewater and Water Funds. Recalculations performed determined excess transfers were made from the Wastewater and Water Funds during fiscal year 2020 totaling \$64,311 and \$266,519, respectively. Documentation for other administrative costs allocated was not sufficient. In addition, some severance payments made to city employees were not approved by the Council or Park Board and may not have been necessary and/or reasonable.
Police Department's Controls and Procedures	The city has not adequately segregated accounting duties or ensured documented supervisory or independent reviews over various financial accounting functions are performed by the Police department. The Police department's procedures for receipting and recording money are not adequate to ensure all money is handled properly. The city does not have adequate controls and procedures over seized property.
Parks and Recreation Department's Controls and Procedures	Parks and Recreation department personnel do not account for the numerical sequence of receipt slip numbers issued from the financial accounting system, and procedures have not been established for a supervisory review of voided transactions, non-monetary transactions, and adjustments posted to the system.
Electronic Communication Policy	The city has not developed a records management and retention policy in compliance with the Missouri Secretary of State Records Services Division guidance, as approved by the Missouri Local Records Commission.

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 Belton

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NICOLE GALLOWAY, CPA

Missouri State Auditor

To the Honorable Mayor
and
Members of the City Council
City of Belton, Missouri

The State Auditor was petitioned under Section 29.230, RSMo, to audit the City of Belton. We have audited certain operations of the city in fulfillment of our duties. The city engaged Troutt Beeman & Co., P.C., Certified Public Accountants, to audit the city's financial statements for the years ended March 31, 2021, and 2020. To minimize duplication of effort, we reviewed the CPA firm's report for the year ended March 31, 2020, audit, since the year ended March 31, 2021, audit had not been completed. The scope of our audit included, but was not necessarily limited to, the year ended March 31, 2021. The objectives of our audit were to:

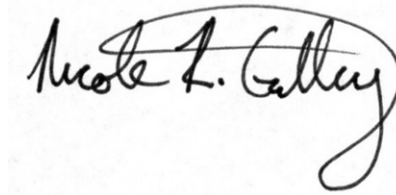
1. Evaluate the city's internal controls over significant management and financial functions.
2. Evaluate the city's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and procedures, including certain financial transactions.

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 performing sample testing using haphazard and judgmental selection, as appropriate. The results of our sample testing cannot be projected to the entire populations from which the test items were selected. We obtained an understanding of internal control that is significant to the audit objectives and planned and performed procedures to assess 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 its audited financial reports 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) no significant 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 Belton.

A handwritten signature in black ink that reads "Nicole R. Galloway". The signature is written in a cursive style with a large, looping flourish at the end of the word "Galloway".

Nicole R. Galloway, CPA
State Auditor

City of Belton

Management Advisory Report

State Auditor's Findings

1. Allocations and Disbursements

The city's established procedures for allocating overhead and administrative costs to restricted funds are not adequate to ensure restricted money is used only for intended purposes, and some amounts transferred from the Wastewater and Water Funds are not adequately supported. In addition, some severance payments made to city employees were not approved by the Council or Park Board and may not have been necessary and/or reasonable.

1.1 Cost allocations and transfers

The process used by the city to allocate overhead and administrative costs to the Wastewater and Water Funds is questionable, and recalculations performed indicate excess transfers totaling \$64,311 and \$266,519, respectively, were made to the General Fund during fiscal year 2020. During the years ended March 31, 2021, and 2020, approximately \$2.9 million in administrative costs paid by the General Fund were allocated each year to various city funds.

Budgeted transfers are made each year from the Park, Street, Wastewater, and Water Funds to reimburse the General Fund for overhead and administrative costs incurred by several city departments budgeted within the General Fund. In addition, budgeted transfers are made each year from the Street, Wastewater, and Water Funds to reimburse the General Fund for budgeted Public Works billing costs that consist of the Public Works department and garage costs charged to the General Fund. The city also makes budgeted transfers from the Wastewater and Waters Funds to reimburse the General Fund for utility billing costs that consist of 100 percent of the budgeted salary and employee benefits for 3 employees paid from the General Fund. These transfers are budgeted annually and the amount allocated to each fund is either established by the Council (overhead allocation) or based on budgeted costs (Public Works billing allocation). The methods utilized in making these allocations are discussed in more detail below.

For the overhead and Public Works billing allocations, a process was developed during fiscal year 2019 to compare budgeted transfers made the prior year from the various restricted funds to what transfers would have been made for that year based on actual costs instead of budgeted amounts. The differences are added together to determine if a restricted fund transferred too much money to the General Fund. If this difference for the 2 allocations indicates a fund's total budgeted transfers were more than the calculated allocation based on the prior year's actuals, the General Fund may, with Council approval, reimburse that fund. If a fund's total budgeted transfers were not sufficient compared to the calculated allocation (i.e., an under payment), an additional transfer is likely not requested. A comparison is not performed for the utility billing transfer. Our review of these allocations and the results of the comparisons performed for the fiscal year 2020 transfers identified multiple concerns as follows.

Overhead allocation

The overhead allocation represents each fund's share of the expenses for the following General Fund departments: Legislative, Administration, City



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Attorney, City Clerk, Information Technology, Finance, Inspection, and Community Planning. The budgeted amount allocated to each fund for overhead is as follows.

Fund	Budgeted Overhead Allocation
Park	\$ 53,000
Street	97,471
Wastewater	618,674
Water	815,025
Total	\$1,584,170

The annual amounts budgeted for overhead allocations from the Street, Wastewater, and Water Funds have not changed since 2016, and the annual amount budgeted for the Park Fund has not changed since 2018. In addition, the Golf Fund is included in the allocation calculation, although the Council has made the decision to not allocate any costs to it.

The results of the overhead allocation comparison for the fiscal year ended March 31, 2020, were as follows:

Table 1: Overhead Allocation - Fiscal Year Ended March 31, 2020

Fund	Actual Revenue	Percentage of Revenue ¹	Calculated Allocation Amount	Budgeted Allocation Amount	Amount Over/(Under) Transferred
General	\$ 17,039,505	30.07	\$ 1,014,990	\$ 1,619,041	\$ 604,051
Park	4,133,824	7.30	246,239	53,000	(193,239)
Street	5,331,766	9.41	317,597	97,471	(220,126)
Golf	1,391,617	2.46	82,894	0	(82,894)
Wastewater	15,149,733	26.74	902,423	618,674	(283,749)
Water	13,611,903	24.02	810,819	815,025	4,206
Total	\$ 56,658,348	100.00	\$ 3,374,962	\$ 3,203,211	\$ (171,751)

¹ Percentages shown are rounded.

We identified several concerns regarding these overhead allocations:

- When determining the percentages to be applied to each fund for the overhead allocation comparison calculation that began in 2019, the beginning cash balances carried over from the prior fiscal year were included in the actual annual revenue totals for all funds except the General Fund. City personnel could not explain why an allocation based on annual revenue would include the prior year's ending cash balances, or why it was not included for the General Fund. Including beginning cash balances for the restricted funds inflated 2020 revenues by approximately \$17.8 million, with the majority (approximately \$15 million) making up the cash balances of the Wastewater and Water Funds. We recalculated the overhead allocation excluding cash balances



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for all funds, which significantly decreased the percentage of revenue for the Wastewater and Water Funds, which would have caused the calculated allocation amount to decrease for both funds. The recalculated differences (over/(under)) are as follows:

Table 2: Recalculated Overhead Allocation - Fiscal Year Ended March 31, 2020

Fund	Actual Revenue Excluding Cash Balances	Recalculated Percentage of Revenue ¹	Recalculated Allocation Amount	Budgeted Allocation Amount	Recalculated Over/(Under) Transferred
General	\$ 17,039,505	43.90	\$ 1,481,455	\$ 1,619,041	\$ 137,586
Park	3,771,479	9.72	327,901	53,000	(274,901)
Street	3,189,719	8.22	277,322	97,471	(179,851)
Golf	1,152,390	2.97	100,192	0	(100,192)
Wastewater	7,404,813	19.08	643,792	618,674	(25,118)
Water	6,260,473	16.13	544,300	815,025	270,725
Total	\$ 38,818,379	100.00	\$ 3,374,962	\$ 3,203,211	\$ (171,751)

¹ Percentages shown are rounded.

Comparing the percentages and differences in these tables shows that removing the cash balances from the calculations would significantly decrease the overhead costs allocated to the Wastewater and Water Funds for fiscal year 2020, which would impact if, or how much, each fund is due a refund.

- The city has not evaluated what departmental costs should be included in the overhead allocations. The current comparison calculation process uses the total costs for each department included in the calculation and does not review the types of costs making up the total costs for each department. Some costs included in the allocation do not benefit multiple city funds and should not be included. For example, transfers made from the General Fund to help subsidize other city funds are included when determining the actual total costs to allocate even though these transfers do not benefit the allocated funds. These transfers, totaling \$815,793 in fiscal year 2020, represent approximately 24 percent of the total costs allocated. There was no written documentation or justification for how transfers made to other city funds provided a benefit to the specific city funds included in the overhead allocation.
- Some of the General Fund departments included in the overhead cost allocation may not provide specific administrative support to each of the restricted funds included in the allocations. The city could not provide justification for the reason certain departments were included in the allocation, other than stating that they have always been included. The Inspection and Community Planning departments do not clearly provide administrative services to the various restricted funds included in the



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allocation, and thus including 100 percent of those departments' expenses in the allocation is questionable.

Public Works billing allocation

The Public Works billing transfers are based on the current year budgeted costs and are allocated 50 percent to the Wastewater Fund, 35 percent to the Water Fund, and 15 percent to the Street Fund. These percentages are estimated, but according to city personnel, are based on each fund's projected workload for the Public Works staff who perform engineering, administrative, and inspection services. No documentation was provided to support how the allocation percentages were determined. The percentages allocated to the Wastewater and Water Funds were 45 and 40 percent, respectively, until fiscal year 2020, when they changed to the current percentages. During the year ended March 31, 2020, transfers to the General Fund for the Public Works billing allocation from the Street, Wastewater, and Water Funds totaled \$1,135,571. The comparison of budget to actual costs for the Public Works billing allocation indicated actual costs were only \$956,713. Based on these results, too much was allocated to the Street, Wastewater, and Water Funds by \$26,829, \$89,429, and \$62,600, respectively.

Transfer comparison and impact of recalculated overhead allocations

Once the comparison of budget to actual amounts is complete for the overhead and Public Works billing allocations, the differences are added together to determine if the cost allocations to the Wastewater or Water Funds are too high. Although the comparisons showed the Water Fund was due a refund from the General Fund for both 2018 and 2019, no reimbursement had been made for either year as of February 2021. At that time, city personnel identified an error in an allocation spreadsheet formula that prevented staff from identifying excess allocation transfers made from the Water Fund to the General Fund in fiscal year 2018 and 2019. The net differences for the 3 years (2018 to 2020) were combined and in March 2021 the Council approved a payment from the General Fund to reimburse the Water Fund for \$230,793. The net difference for the Wastewater Fund for the 3 years was an under payment of \$379,362, and thus no reimbursement was made.

Based on the recalculated overhead allocation differences for fiscal year 2020 (Table 2) combined with the Public Works billing differences, the Wastewater and Water Funds were overcharged \$64,311 and \$333,325, respectively, for the year ended March 31, 2020, for these 2 types of transfers. The Water Fund was already reimbursed \$66,806 for excess transfers, and would have received an additional \$266,519 reimbursement if the cash balances had been excluded from the overhead allocation calculations. Since the Wastewater Fund had received no reimbursement, it would have been reimbursed by the amount overcharged, or \$64,311. We did not recalculate the overhead allocation for 2018 and 2019, but cash balances were also included in the comparison calculations for those years and would have



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caused similar impacts on the overall calculations for these 2 funds in those years.

Utility billing allocation

The budgeted costs during the year ended March 31, 2021, for 3 city employees who are responsible for utility billings and collection procedures, who were paid from the General Fund, were split evenly between the Wastewater and Water Funds, with each fund transferring \$76,945 to the General Fund. These 3 employees also provide services that benefit other funds, including collecting payments for other services such as trash, permits, and business licenses. There is no documentation to support why these costs are fully allocated to only the Wastewater and Water Funds. In addition, the amount transferred each year based on budgeted amounts compared to actual amounts is not calculated, similar to the other allocations, to determine if the restricted funds were over or under charged. City personnel indicated they believed the fluctuations between budgeted and actual amounts for these 3 staff would be small, and thus these fluctuations have not been tracked.

Conclusion

Allocation policies and procedures should be reviewed to ensure restricted funds are used for allowable purposes. Based on our recalculations, the methods used to allocate overhead and administrative costs paid by the General Fund have resulted in excess administrative costs being allocated to the Wastewater and Water Funds.

The proper allocation of expenses is necessary for the city to accurately determine the results of operations of specific activities, thus enabling the city to establish the level of taxation and/or user charges necessary to meet all operating costs. To ensure restricted funds are used for intended purposes, the allocation of expenditures to city funds should be based on specific criteria, such as the number of hours worked by each employee, if possible, or by determining a reasonable basis to allocate costs from shared functions/employees benefiting multiple funds.

1.2 Utility charges

The city has no documentation to support how the annual franchise tax transfer or payment in lieu of tax (PILOT) amounts transferred from the Wastewater and Water Funds to the General Fund were determined. Neither of these transfers represent a reimbursement of costs incurred by either utility, which is accomplished through the transfers discussed in section 1.1.

Franchise taxes

During the year ended March 31, 2021, franchise taxes totaling \$513,910 were transferred from the Wastewater Fund and \$479,990 from the Water Fund to the General Fund, based on 7 percent of budgeted sales and fees revenue of each fund. From fiscal year 2015 to fiscal year 2021, these 2 restricted funds each transferred over \$3.1 million of water and wastewater revenues to the General Fund for franchise taxes. The City Attorney indicated the city charges other commercial utilities the same 7 percent franchise tax rate.



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PILOT

A PILOT is also charged to each of these funds, which totaled \$115,000 (\$65,000 to the Water Fund and \$50,000 to the Wastewater Fund), during the year ended March 31, 2021. The city could provide no written documentation for how the amount of this PILOT was determined, but indicated the amounts were established during the year ended March 31, 2000, and have remained unchanged since then. The city indicated the PILOT is charged in lieu of the tax on the property and land that the sewer plant, lift stations, water towers and pump stations, etc., are using for which the city would otherwise be receiving taxes. PILOT payments from the Water and Wastewater Funds to the General Fund totaled \$455,000 and \$350,000, respectively, from fiscal years 2015 through 2021.

Conclusion

During fiscal year 2020, when considering the various cost allocations discussed in section 1.1, the franchise tax transfers, and PILOT, the city transferred \$1,806,810 from the Water Fund in total and had water revenue of \$6,260,473, for a 28.9 percent transfer rate. For the Wastewater Fund, the total transferred was \$1,792,741, with sewer revenue of \$7,404,813, for a 24.2 percent transfer rate. To ensure utility transfers are reasonable and proper, it is important the city ensure the transfers reasonably relate to the services being provided and formally document the process for determining the percentage or amount to be charged. In addition, when considering reasonableness, the Council should consider the bond covenants related to the 2015 water works and sewage bonds, which do not permit excess funds to be diverted to the general government or municipal functions of the city.

1.3 Severance agreements

The city entered into severance agreements totaling \$240,119 with 11 employees between January 2016 and August 2020 that may not have been necessary and/or reasonable. In most instances, these agreements were not approved by the Council or Park Board, as applicable. Severance pay and insurance benefits were provided to all 11 employees for periods ranging from 2 to 26 weeks, totaling \$233,125. Under these agreements, the city received a release from any future legal liabilities. Severance payments totaling \$6,994 for sick leave hours in excess of the number of hours authorized by city code were paid for 2 employees. Only 2 of the 9 severance agreements with non-park employees were approved by the Council and neither agreement with park employees was approved by the Park Board. The other agreements were signed by either the City Manager or the City Manager's designee. In addition, none of these employees had an employment contract and it is not clear whether these severance payments were a necessary and/or a reasonable use of city funds.

To ensure city funds are spent appropriately, all contracts should be approved by the Council or Park Board, as applicable, and be in the best interest of the city. In addition, Section 432.070, RSMo, states any contract with the city shall be subscribed by the parties thereto, or their agents authorized by law and duly appointed and authorized in writing. If authorization is granted for



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an agent to act on behalf of the Council or Park Board, the authorization should be written and entered into the Council or Park Board meeting minutes.

Recommendations

The City Council:

- 1.1 Allocate overhead and other administrative costs to city funds based on specific criteria, ensure costs allocated represent administrative costs that benefit all the restricted funds included in the allocation, and discontinue including cash balances when determining overhead allocation percentages.
- 1.2 Review payments from the Wastewater and Water Funds to the General Fund to ensure they reasonably relate to the services being provided and maintain documentation to support the amounts transferred.
- 1.3 And Park Board consider the necessity of severance packages in the future and if granted, ensure they are reasonable and authorized by the Council and/or Park Board.

Auditee's Response

- 1.1 *ADOPTED - Based on this recommendation from the State Auditor's Office, the city has engaged a consulting firm to review and update its General Fund cost allocations to the Golf, Street, Water, Sewer (Wastewater), Solid Waste Disposal, Park, and Hotel/Motel Tax Funds. The firm's report is anticipated to be delivered before the end of the current fiscal year.*
- 1.2 *ADOPTED - The city will take the auditor's recommendation under advisement and continue to review the transfers each year to ensure the transfers are made in accordance with applicable Missouri law, including Pace v. City of Hannibal and Arbor Investments v. City of Hermann.*
- 1.3 *ADOPTED BY BOTH COUNCIL AND PARK BOARD - All severance and release agreements will continue to be reviewed on a case-by-case basis with the city's legal counsel, and when found necessary, reasonable, and appropriate, the agreements will be authorized by the City Council and/or Park Board.*

2. Police Department's Controls and Procedures

The Police department's controls and procedures need improvement. The Police department's receipts include record requests, bonds, inmate/jail funds, and other miscellaneous receipts. During the year ended March 31, 2021, Police department personnel processed receipts totaling approximately \$130,000.



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2.1 Segregation of duties

The city has not adequately segregated accounting duties or ensured documented supervisory or independent reviews over various financial accounting functions are performed by the Police department. One employee is responsible for most financial duties of both the bond and inmate/jail accounts including receipting and disbursing money, preparing deposits, posting transactions to the accounting system, preparing monthly bank reconciliations, and preparing annual financial reports for the Finance department. Another employee is responsible for records requests received by the Police department that includes receiving money, maintaining a log of payments received, and preparing transmittals. No independent reviews of receipt, disbursement, and deposit/transmittal records is performed for either employee to ensure all money collected was properly recorded, deposited/transmitted timely, and properly disbursed.

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.

2.2 Receipting and recording

The Police department's procedures for receipting and recording money are not adequate to ensure all money is handled properly.

- Receipt slips are not issued for record requests, payments received are not immediately recorded in the receipts log maintained or are not recorded, and the method of payment is not always indicated. In addition, notations are not made in the log to indicate when transmittals are made, making it difficult to determine which transactions are included in a particular transmittal. As a result, a reconciliation of the composition of receipts to the composition of transmittals cannot be performed. A cash count performed on January 26, 2021, identified cash receipts totaling \$325 and checks totaling \$315. At the time of our count, 24 of the 58 checks on hand, totaling \$145, had not been recorded in the receipts log. We scanned receipts logs prepared for 2020 and haphazardly selected the December 4, 2020, transmittal (prepared on December 1, 2020) to compare the composition of the transmittal to the composition of the receipts log. The transmittal consisted of \$247 in cash and \$305 in checks, while the receipts log indicated \$180 in cash and \$305 in checks. One \$5 transaction did not indicate the composition, but was likely cash, resulting in \$62 in cash transactions not recorded in the receipts log, or were recorded prior to the November transmittal, but were not included with that transmittal. The receipts log is not provided to the Finance department with the transmittal. The employee stated the receipts log is not intended as an audit function for money taken in and indicated it was possible that some transactions had not been recorded in the receipts log.



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- Checks received for records requests and bonds are not restrictively endorsed until a transmittal/deposit is prepared. The employees indicated they believe the risk of someone misappropriating or stealing a check is minimal considering entry to the Police department is secured.

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

2.3 Seized property

The city does not have adequate controls and procedures over seized property. Inventory records are not accurate and a physical inventory of seized property has not been performed since at least 2010. In addition, the city has not adopted procedures to periodically review cases and dispose of related seized property items. Some seized property has been held for years.

The computerized system used to track seized property contains records of items dating back to 2001. A physical inventory of seized property has not been completed since at least prior to 2011. The inventory system included 16 items that were entered into the system between 2001 and 2010. Police personnel were unable to locate any of these items, but indicated one of the items (bicycle) was determined to be missing several years ago and the system had not been updated. We identified several seized items still on hand for closed cases, including drugs and drug paraphernalia. The oldest of these items was seized in 2012.

Considering the often sensitive nature of seized property, adequate internal controls are essential and would significantly reduce the risk of loss, theft, or misuse of the property. Complete and accurate inventory records should be maintained and periodic physical inventories performed with the results compared to inventory records to ensure seized property is accounted for properly. Section 542.301, RSMo, provides the requirements for the disposition of seized property that has not been forfeited or returned to the claimant.

Recommendations

The City Council:

- 2.1 Segregate the accounting duties at the Police department. If proper segregation cannot be achieved, ensure documented independent or supervisory reviews of detailed accounting and bank records are performed.
- 2.2 Ensure receipt slips are issued for all money received at the Police department with the method of payment indicated and reconcile the composition of receipts to the composition of amounts deposited/transmitted. In addition, checks should be restrictively endorsed upon receipt.



Auditee's Response

- 2.3 Maintain a complete and accurate record of seized property, and ensure a periodic inventory is conducted and reconciled to the seized property system, and investigate any differences. In addition, ensure the Police department makes timely and appropriate dispositions of seized property in accordance with state law.
- 2.1 *ADOPTED - Procedures were put into place effective April 2022 to require a supervisory review of detailed accounting and bank records.*
- 2.2 *ADOPTED - In April 2021, based on this recommendation from the State Auditor's Office, a new cash receipts program was purchased and implemented to account for all receipt slips and procedures were put into place to restrictively endorse checks immediately upon receipt.*
- 2.3 *ADOPTED - The FY2023 budget included a new full time Property Officer/Quartermaster position and new shelving for the property room. When the new shelving is delivered, a complete property room inventory will be conducted and reconciled to the seized property system and seized property will be disposed of in accordance with state law this year. An inventory of the property room will be done at least biannually, thereafter.*

3. Parks and Recreation Department's Controls and Procedures

The Parks and Recreation department's controls and procedures for receipting and recording transactions need improvement. As a result, there is less assurance all money collected is accounted for properly. During the year ended March 31, 2021, Parks and Recreation department personnel processed receipts totaling approximately \$1.7 million.

3.1 Receipting procedures

Parks and Recreation department personnel do not account for the numerical sequence of receipt slip numbers issued from the financial accounting system. The department's financial accounting system assigns one numerical receipt slip sequence, with various personnel issuing receipt slips at different cash collection points, such as the pool, community center, or concessions at one of the city parks. Receipts from the various collection points are transmitted daily to the parks' offices for deposit. A cash receipts journal showing receipts separated by collection point is reviewed by a supervisor for each cashier submitting a transmittal, but this journal only includes receipt slips for monetary transactions from each collection point. Receipt slips are also generated for voided and non-monetary transactions and there is no procedure in place to produce a report of all receipt slip numbers, listed numerically, rather than by collection point, to account for the numerical sequence of all



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receipt slips. In addition, checks received are not restrictively endorsed until a deposit is prepared. Staff at the various collection points do not have endorsement stamps to allow restrictive endorsement upon receipt.

Failure to implement adequate receipting procedures increases the risk that loss, theft, or misuse of money will occur and increases the likelihood that errors will go undetected.

3.2 Non-monetary transactions

Procedures have not been established for a supervisory review of voided transactions, non-monetary transactions, and adjustments posted to the system. Non-monetary transactions, including membership renewals or cancellations, event registrations, or complimentary concession items for staff and umpires, are transactions for which no money is received; however, a credit is applied in the system or the amount due is changed. Adjustment transactions include corrections for drawer overages or shortages from a previous days transactions or a chargeback for a declined ACH/debit transaction. Voided or non-monetary transactions can be entered by various employees at all the cash collection points within the department. Supervisory review of these transactions is not performed and documented. A supervisor performs a review of cash receipt journals for each collection point and the amount of money transmitted, but the journals only include monetary receipts. This same employee is responsible for making adjustments to the system and no supervisory review of those adjustments is performed.

An independent and/or supervisory review and approval of voided and nonmonetary transactions and adjustments is necessary to help ensure such transactions are appropriate and reduce the risk of loss, theft, or misuse of funds.

Recommendations

The Park Board:

- 3.1 Ensure procedures are adopted to account for the numerical sequence of all receipt slips issued and for checks to be restrictively endorsed immediately upon receipt.
- 3.2 Require an independent and/or supervisory review and approval of all voided and non-monetary transactions and adjustments made in the system.

Auditee's Response

- 3.1 *ADOPTED - Procedures were put into place effective March 2021 to account for the numerical sequence of all receipt slips issued and for checks to be restrictively endorsed immediately upon receipts.*
- 3.2 *ADOPTED - Procedures were put into place effective April 2022 to require a random independent review and approval of voided and*



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non-monetary transactions and adjustments made in the cash receipts system.

4. Electronic Communication Policy

The city has not developed a records management and retention policy in compliance with the Missouri Secretary of State Records Services Division guidance, as approved by the Missouri Local Records Commission. This guidance recommends government entities have a policy on electronic messaging, including text messages, email, and other third party platforms.

Section 109.270, RSMo, provides that all records made or received by an official in the course of his/her public duties are public property and are not to be disposed of except as provided by law. Section 109.255, RSMo, provides that the Local Records Board issue directives for the destruction of records. The guidelines for managing electronic communications records can be found on the Secretary of State's website.¹

To ensure compliance with state law, the Council needs to develop a written policy to address the use of personal email, social media and message accounts, and management and retention of electronic communications.

Recommendation

The City Council develop a written records management and retention policy to address electronic communications management and retention to comply with Missouri Secretary of State Records Services Division electronic communications guidelines.

Auditee's Response

ADOPTED - The city will research and adopt a policy to address electronic communications management and retention before the end of the current fiscal year.

¹ Missouri Secretary of State Records Services Division, *Electronic Communications Records Guidelines for Missouri Government*, May 14, 2019, is available at <<https://www.sos.mo.gov/CMSImages/LocalRecords/CommunicationsGuidelines.pdf>>, accessed February 17, 2022.

City of Belton

Organization and Statistical Information

The City of Belton is located in Cass County. The city was incorporated in 1872 and is currently a constitutional charter city operating under the provisions for a mayor, council, and city manager form of government. The city employed 198 full-time employees and 161 part-time employees on March 31, 2021.

City operations include utility services (water, sewer, and trash), police, fire, emergency medical services, maintenance of streets, economic development, recreational facilities (parks, pool, wellness center, and community center), and golf course.

Mayor and City Council

The city government consists of a mayor and eight-member city council. The members are elected for 3-year terms, with 2 members from each of the 4 wards. The mayor is elected at-large for a 4-year term and is a voting member of the city council. The Mayor is paid \$1,400 per month with a \$600 monthly car allowance and Councilmembers are paid \$400 per month with a \$300 monthly car allowance. The compensation of these officials is established by ordinance. The Mayor and Councilmembers as of March 31, 2021, are identified below.

Jeff Davis, Mayor (1)
Ryan Finn, Councilman (2)
Dave Clark, Councilman (3)
Dean VanWinkle, Councilman (4)
Chet Trutzel, Councilman (5)
Stephanie Davidson, Councilwoman (6)
Lorrie Peek, Mayor Pro Tem (7)
Tim Savage, Councilman (8)
Gary Lathrop, Councilman (9)

- (1) Replaced by Norman K. Larkey, Sr., who was elected in April 2021.
- (2) Replaced by Perry Gough, who was elected in April 2021.
- (3) Appointed as Mayor Pro Tem in April 2021 and continues to serve in that role.
- (4) Replaced by Angela Kraft, who was elected in April 2021.
- (5) Replaced by James Pryan, who was elected in April 2022.
- (6) Replaced by Allyson Lawson, who was elected in April 2021.
- (7) Replaced by Chris Richardson, who was elected in April 2022.
- (8) Passed away in December 2021. Bret White was appointed to this position in January 2022 and was elected in April 2022.
- (9) Replaced by Rob Powell, who was elected in April 2021.

Other Principal Officials

The City Manager, City Attorney, and Municipal Judge are appointed by the City Council and the Park Director is appointed by the Park Board. The City Manager appoints the City Clerk, Chief of Police,² and Department Directors with the final approval by the City Council.

² Effective April 13, 2021



City of Belton
Organization and Statistical Information

The city's principal officials as of March 31, 2021, are identified below:

Alexa Barton, City Manager (1)
Andrea Cunningham, City Clerk
Brian Welborn, Parks and Recreation Department Director
Carolyn Yatsook, Economic Development Director
Greg Rokos, Public Works Director
James Person, Chief of Police (2)
John Sapp, Fire Chief
Padraic Corcoran, City Attorney
Ross C. Nigro, Jr., Municipal Judge

(1) Resigned in October 2021. This position remains vacant.

(2) Term expired in April 2021. Scott Lyons was appointed to this position in April 2021 after a change to the city charter made this an appointed position.

Financial Activity

A summary of the city's audited financial activity for the year ended March 31, 2021, obtained from the city's audited financial statements follows.



City of Belton
Organization and Statistical Information

CITY OF BELTON, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE --
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2021

	General Fund	Park	Belton Town Centre-TIF	Street
REVENUES				
Taxes	\$ 12,489,403	\$ 734,311	\$ 1,641,971	\$ 1,964,778
Licenses and permits	693,037	-	-	25,557
Intergovernmental	1,899,773	136,719	-	1,280,025
Charges for services	2,426,301	1,671,044	-	-
Fees and fines	516,878	-	-	-
Interest income and unrealized gains (losses)	33,815	1,749	388	23,987
Contributions	-	-	-	1,189,640
Other	313,729	45,680	-	26,794
Interfund charges for support services	2,551,685	-	-	-
In lieu of taxes	116,297	-	673,631	-
Total revenues	<u>21,040,918</u>	<u>2,589,503</u>	<u>2,315,990</u>	<u>4,510,781</u>
EXPENDITURES				
Current expenditures:				
General government	3,211,172	-	-	-
Public safety	5,666,328	-	-	-
Public works	1,032,644	-	-	1,983,915
Fire and emergency services	5,529,493	-	-	-
Emergency management	98,434	-	-	-
Parks and recreation	-	2,913,007	-	-
Community and economic development	445,132	-	1,497,636	-
Municipal jail	453,166	-	-	-
Capital outlay	844,664	186,270	-	2,103,160
Debt service:				
Principal	-	48,626	2,080,000	-
Interest and other charges	-	8,009	53,313	-
Total expenditures	<u>17,281,033</u>	<u>3,155,912</u>	<u>3,630,949</u>	<u>4,087,075</u>
Excess (deficiency) of revenues over expenditures	<u>3,759,885</u>	<u>(566,409)</u>	<u>(1,314,959)</u>	<u>423,706</u>
OTHER FINANCING SOURCES (USES)				
Issuance of long-term debt	-	113,796	-	-
Sale of capital asset	3,304	6,389	-	-
Transfers in	1,175,444	350,000	-	-
Transfers out	(1,504,185)	-	-	(40,443)
Total other financing sources and (uses)	<u>(325,437)</u>	<u>470,185</u>	<u>-</u>	<u>(40,443)</u>
Net change in fund balances	3,434,448	(96,224)	(1,314,959)	383,263
Fund balances - beginning	<u>6,175,333</u>	<u>387,213</u>	<u>1,314,959</u>	<u>2,957,419</u>
Fund balances - ending	<u>\$ 9,609,781</u>	<u>\$ 290,989</u>	<u>\$ -</u>	<u>\$ 3,340,682</u>

See accompanying notes.



City of Belton
Organization and Statistical Information

Debt Service - General Obligation Bond	Street Capital Projects	Storm Water Projects	Other Governmental Funds	Total Governmental Funds
\$ 4,289,949	\$ -	\$ -	\$ 6,221,435	\$ 27,341,847
-	-	-	210,432	929,026
-	701,108	-	625,179	4,642,804
-	-	-	-	4,097,345
-	-	-	14,334	531,212
198,103	(2,280)	70,438	34,799	360,999
-	-	-	-	1,189,640
-	-	-	13,991	400,194
-	-	-	-	2,551,685
-	-	-	<u>1,258,449</u>	<u>2,048,377</u>
<u>4,488,052</u>	<u>698,828</u>	<u>70,438</u>	<u>8,378,619</u>	<u>44,093,129</u>
-	-	-	-	3,211,172
-	-	-	-	5,666,328
-	-	-	-	3,016,559
-	-	-	-	5,529,493
-	-	-	-	98,434
-	-	-	-	2,913,007
-	-	-	3,106,189	5,048,957
-	-	-	-	453,166
-	6,746,372	1,065,348	149,390	11,095,204
11,610,000	-	-	2,304,087	16,042,713
<u>2,265,052</u>	<u>-</u>	<u>-</u>	<u>779,949</u>	<u>3,106,323</u>
<u>13,875,052</u>	<u>6,746,372</u>	<u>1,065,348</u>	<u>6,339,615</u>	<u>56,181,356</u>
<u>(9,387,000)</u>	<u>(6,047,544)</u>	<u>(994,910)</u>	<u>2,039,004</u>	<u>(12,088,227)</u>
-	-	-	-	113,796
-	-	-	-	9,693
-	-	-	161,771	1,687,215
-	-	-	<u>(390,443)</u>	<u>(1,935,071)</u>
-	-	-	<u>(228,672)</u>	<u>(124,367)</u>
(9,387,000)	(6,047,544)	(994,910)	1,810,332	(12,212,594)
<u>13,445,924</u>	<u>6,324,628</u>	<u>10,689,033</u>	<u>4,089,140</u>	<u>45,383,649</u>
<u>\$ 4,058,924</u>	<u>\$ 277,084</u>	<u>\$ 9,694,123</u>	<u>\$ 5,899,472</u>	<u>\$ 33,171,055</u>

See accompanying notes.



City of Belton
Organization and Statistical Information

CITY OF BELTON, MISSOURI
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION --
PROPRIETARY FUNDS
FOR THE YEAR ENDED MARCH 31, 2021

	Sewer Fund	Water Fund	Golf Course Fund	Solid Waste Fund	Total
REVENUES,					
Charges for services	\$ 7,962,040	\$ 7,601,063	\$ 1,131,711	\$ 1,492,836	\$ 18,187,680
OPERATING EXPENSES:					
Personnel services	747,478	813,676	558,330	-	1,919,484
Contractual services	241,653	142,465	42,203	1,224,059	1,650,380
Materials and supplies	83,835	56,009	216,883	-	356,727
Maintenance and repairs	332,461	233,876	58,045	-	624,382
Utilities	224,634	71,051	30,295	-	325,980
Water supply	1,055,987	1,704,183	-	-	2,760,170
Water supply for City facilities	-	169,482	-	-	169,482
Interfund charges for support services	1,238,496	1,028,790	-	-	2,267,286
Depreciation and amortization	1,453,792	633,000	93,652	69,403	2,249,847
Miscellaneous	37,225	46,208	12,108	7,544	103,085
	<u>5,415,561</u>	<u>4,698,740</u>	<u>1,011,516</u>	<u>1,301,006</u>	<u>12,426,823</u>
Operating income	<u>2,546,479</u>	<u>2,902,353</u>	<u>120,195</u>	<u>191,830</u>	<u>5,760,857</u>
NON-OPERATING REVENUES (EXPENSES):					
Franchise tax	(598,067)	(518,850)	-	-	(1,116,917)
Intergovernmental	1,768	501	3,305	-	5,574
Interest income and gains	79,780	73,471	6	2,039	155,296
Miscellaneous income	17,548	1,499	354	-	19,401
Capital contributions	690,147	366,870	-	-	1,057,017
Interest expense	(261,089)	(155,942)	(27,105)	(12,747)	(456,883)
Loss on disposal of assets	(33,433)	-	-	-	(33,433)
	<u>(103,346)</u>	<u>(232,451)</u>	<u>(23,440)</u>	<u>(10,708)</u>	<u>(369,945)</u>
Net income before transfers	<u>2,443,133</u>	<u>2,669,902</u>	<u>96,755</u>	<u>181,122</u>	<u>5,390,912</u>
Transfers in	-	-	247,856	-	247,856
Increase in net position	<u>2,443,133</u>	<u>2,669,902</u>	<u>344,611</u>	<u>181,122</u>	<u>5,638,768</u>
Total net position - beginning	<u>25,955,109</u>	<u>19,316,939</u>	<u>148,997</u>	<u>184,109</u>	<u>45,603,154</u>
Total net position - ending	\$ <u>28,398,242</u>	\$ <u>21,986,841</u>	\$ <u>491,608</u>	\$ <u>365,231</u>	\$ <u>51,241,922</u>

See accompanying notes.