

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

City of Raytown

Report No. 2020-119

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auditor.mo.gov



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of the City of Raytown

<p>Restricted Monies</p>	<p>The city can improve its monitoring of the use of restricted city sales taxes used to subsidize the Tax Increment Financing (TIF) debt associated with the Raytown Live Redevelopment Area (Raytown Live). The city has not determined and does not monitor the restricted portions of the TIF debt to ensure the non-captured (city) portion of the restricted sales taxes contributed by the city to pay the TIF debt are used only for allowable purposes. The city is not monitoring the outstanding TIF debt related to transportation or stormwater projects and has not determined the outstanding portion of TIF debt related to capital improvements projects. The city provides accounting services for the Highway 350 Transportation Development District (TDD), but since the city is not tracking the balance of the TIF debt, the TDD sales tax could be improperly collected after the transportation portion of the TIF debt is retired. The contributions of the city portion of the Economic Activity Taxes collected within the Raytown Live TIF is not reported transparently in the budgets or financial statements. The city is not properly tracking the expenditures and balance of state motor-vehicle related monies. The city has no documentation to justify the allocation of salaries and fringe benefits of several city employees.</p>
<p>Disbursements</p>	<p>The city did not solicit bids or proposals for some goods and services purchased in accordance with the city's purchasing policy. The city made severance payments totaling \$70,161 to 9 Police department employees during the year ended October 31, 2017, that were not necessary and reasonable. One of these agreements was not formally approved by the Board of Aldermen (Board). The city rehired 4 of these employees by December 1, 2017. The city did not have affidavits from some vendors certifying no conflicts of interest existed with any city officer or employee, appointed or elected, as required by the city purchasing policy.</p>
<p>Budgets and Receipting Procedures</p>	<p>City budgets do not include all statutorily required elements. City personnel do not account for the numerical sequence of receipt slips issued from the financial accounting system.</p>
<p>Sunshine Law</p>	<p>The city did not ensure compliance with the Sunshine Law for closed meetings held by the Board, the Park Board, or the BMX Advisory Board. The Board and Park Board did not maintain meeting minutes for all closed meetings, and discussed some items in closed meeting that were either not allowed by state law or were not cited as the reason for closing the meeting. The Board cited the same reasons for closing many of its meeting, but either did not discuss, or did not adequately document discussion related to some topics cited as the reason for closing the meeting. Park Board minutes did not contain all information required by state law. The BMX Advisory Board does not hold Board meetings consistently.</p>
<p>Police Department Volunteers</p>	<p>The city does not have a contract or formal agreement with a local not-for-profit (NFP) organization that documents the duties and responsibilities of each party. The Police department did not have a method to ensure all expenses eligible for reimbursement from the NFP were requested as applicable. The department did not follow, or did not properly document,</p>

the screening procedures for citizens applying to work in the department's Volunteer Corp as established by department policy.

Parks and Recreation
Department Policies and
Procedures

Receipt slips are not issued for any payments received or amounts transmitted to the Parks and Recreation department and the composition (cash, check, or credit card) of payments received is not compared to the composition of deposits by an independent person. The Park Board has not adopted specific policies and procedures to provide oversight of the BMX Advisory Board.

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

*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 Raytown

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NICOLE GALLOWAY, CPA

Missouri State Auditor

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

The State Auditor was petitioned under Section 29.230, RSMo, to audit the City of Raytown. We have audited certain operations of the city in fulfillment of our duties. The city engaged Mize Houser Company, P.A., Certified Public Accountants, to audit the city's financial statements for the year ended October 31, 2018. To minimize duplication of effort, we reviewed the CPA firm's audit report. The scope of our audit included, but was not necessarily limited to, the year ended October 31, 2018. 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.

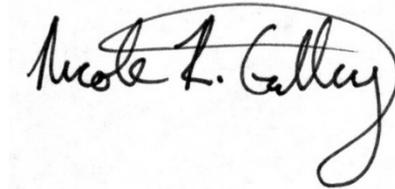
Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the city, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. 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 Raytown.

An additional report, No. 2019-082, *Sixteenth Judicial Circuit, City of Raytown Municipal Division*, was issued in September 2019.

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 name.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

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City of Raytown

Management Advisory Report

State Auditor's Findings

1. Restricted Monies

The city can improve its monitoring of the use of restricted city sales taxes used to subsidize the Tax Increment Financing (TIF) debt associated with the Raytown Live Redevelopment Area (Raytown Live) and subsidies provided to the TIF are not accounted for transparently in city budgets or financial statements. In addition, tracking of motor-vehicle related revenue and spending is not adequate and documentation to support allocations of salaries and fringe benefits to the Sewer Utility Fund are not maintained.

1.1 Monitoring restricted sales taxes

The city has not determined and does not monitor the restricted portions of the TIF debt to ensure the non-captured (city) portion of the restricted sales taxes contributed by the city to pay the TIF debt are used only for allowable purposes.

The city is the developer for redevelopment area 1 of the Raytown Live TIF. In June 2007, the city issued approximately \$40 million in tax increment revenue bonds to finance the project, which included transportation and stormwater improvements, along with a variety of capital improvements.

TIF is an economic development tool that redirects local tax revenues to the redevelopment of eligible properties that are otherwise economically unfeasible. Sections 99.800 to 99.865, RSMo, the Real Property Tax Increment Allocation Redevelopment Act, enables cities to finance certain redevelopment costs with the incremental tax revenue generated by the net increase in assessed valuation, along with a portion (50 percent in this case) of the incremental increases to sales taxes, resulting from the redevelopment. When a TIF plan is adopted, a base valuation of the real estate assessments and amounts collected from economic activity taxes in the redevelopment area is established. By applying the real estate tax rate of all taxing districts having taxing power within the redevelopment area to any increased assessed valuation above the base value and by applying 50 percent of any increases to sales taxes over the base year, a tax "increment" is created. The real estate tax increments are referred to as payments in lieu of taxes (PILOTS) and the sales taxes increases are referred to as economic activity taxes (EATS). The PILOTS and the TIF portion (50 percent) of EATS collected within the redevelopment areas are deposited by the city into a special allocation fund. In addition, the city is also depositing its portion of the EATS as a contribution to the special allocation fund, to ensure sufficient funds are available to pay the TIF debt.

City sales tax

The city collects several sales taxes, including a general sales tax, and restricted sales taxes for capital improvements, transportation, stormwater, and public safety, but is not monitoring the outstanding TIF debt related to transportation or stormwater projects and has not determined the outstanding portion of TIF debt related to capital improvements projects. The city discontinued contributing the city's portion of the public safety sales taxes in November 2017.



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The city requested a legal opinion in May 2018 from the law firm serving as special counsel related to TIF issues for the city that analyzed the legality of contributing the city portion of the various sales taxes. The opinion determined the contributions being made at that time were allowable (the city had already discontinued contributing the city portion of the public safety sales taxes). Although not requested, the law firm also documented the approximate amount of the remaining portion of the TIF debt allocated to transportation projects.

Based on data provided by the city, the opinion concluded approximately \$4.1 million of transportation related costs were incurred on the \$40 million Raytown Live TIF project. The opinion concluded contributions of the city's transportation sales tax totaled approximately \$1.6 million as of October 31, 2017, leaving approximately \$2.5 million as the unpaid transportation portion of the TIF debt. These calculations did not take into consideration the amounts contributed by the Highway 350 Transportation Development District (TDD), which can only be used for the transportation related portion of the TIF debt, and would have reduced the balance further.

The opinion indicated the stormwater portion of the \$40 million debt was approximately \$600,000 and that contributions were approximately \$400,000 as of October 31, 2017, leaving approximately \$200,000 as the unpaid stormwater portion of the debt. The capital improvements portion was stated to be more than \$20 million, but did not indicate the amount of capital improvement sales tax contributed or the outstanding balance of the capital improvement portion of the debt.

The city needs to determine the current outstanding debt balance allocated to each restricted purpose and develop procedures to track the balances. Once the transportation, capital improvements, or stormwater portion of the overall TIF debt has been repaid, city personnel indicated any shortfall in the Special Allocation Fund necessary to make the debt payment could be taken from the debt service reserve.

To ensure restricted sales taxes are used only for its intended purposes, the city should determine the current balance of each restricted portion of the TIF debt and develop procedures to monitor those balances.

Transportation development
district sales taxes

The city provides accounting services for the Highway 350 TDD, but since the city is not tracking the balance of the transportation portion of the TIF debt, the TDD sales tax could be improperly collected after the transportation portion of the TIF debt is retired.

During the year ended October 31, 2018, the TDD received \$77,994 in sales taxes, of which 50 percent, or \$38,997, was the TIF portion of the EATS and was paid to the Special Allocation Fund and used to repay the overall TIF



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debt. The TDD's portion of the EATS was also \$38,997 and \$34,107 was used to help pay the transportation portion of the debt, and the remainder was used for TDD administrative expenses. Tracking the balance of the transportation portion of the TIF debt will allow the TDD Board to know when to rescind the sales tax and abolish it. Any payments made by the TDD would reduce the transportation portion of the debt previously discussed.

Section 238.235.1(6), RSMo, requires all transportation development districts sales tax revenues designated for transportation development be used solely for the purposes established pursuant to the Missouri Transportation Development District Act (Sections 238.200 to 238.275, RSMo).

1.2 Transparency

The contribution of the city's portion of the EATS collected within the Raytown Live TIF is not reported transparently in the budgets or financial statements. The city accounts for the city and non-city portion of the EATS in the same manner, although the city is not required to contribute its portion of the EATS to the Special Allocation Fund for repayment of the TIF debt. The contribution of the city's portion of the EATS for each fund is not budgeted or shown in the financial statements as a transfer from the applicable fund. Failing to account for the city portion of the EATS within the various city funds gives the appearance that contribution of EATS to the Special Allocation Fund is required.

To ensure transparency and accountability, the city's portion of the EATS collected for the general sales tax, transportation sales tax, stormwater sales tax, and capital improvement sales tax should be accounted for in the applicable city fund established to account for those tax collections and all contributions of these funds to the TIF development should be budgeted in the applicable fund.

1.3 Motor vehicle-related revenues

The city is not properly tracking the expenditures and balance of state motor-vehicle related monies. These revenues totaled approximately \$1.1 million and \$1.2 million during the years ended October 31, 2018, and 2019, respectively and can only be used for street related purposes. Although these revenue transactions are separately identified within the General Fund, the expenditure transactions for street related purposes and the remaining balance are not tracked. As a result, the city cannot determine at a point in time what portion of the General Fund balance represents restricted street related monies or if these revenues were spent on allowable purposes. At our request, the city prepared a listing of street related expenditures for the year ended October 31, 2019, which totaled approximately \$1.3 million, but this total included \$576,190 (60 percent) of public works salaries and fringe benefits, and a transfer of \$150,000 to the Stormwater Fund. The percentage of salaries was an estimate and tracking of expenditures from the Stormwater Fund was not performed to determine if the amount transferred was spent on street related purposes.



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Article IV, Sections 30(a) and 30(b), of the Missouri Constitution require motor-vehicle related receipts apportioned by the state of Missouri be disbursed for street related purposes only. A separate accounting, with a current balance, is necessary to ensure street related revenues are accounted for and expended properly in compliance with the Missouri Constitution.

1.4 Allocations

Several city employees perform tasks related to multiple city functions, but the city has no documentation to justify the allocation of salaries and fringe benefits to the General Fund or Sewer Utility Fund. Public works employees perform various tasks such as street repairs, building maintenance, sewer line maintenance, and engineering of street and sewer improvements. For example, the Public Works Superintendent and City Engineer each have 50 percent of their salary and fringe benefits allocated to each fund. The Public Works department has 2 Senior Maintenance Workers whose salary and fringe benefits are paid entirely from the General Fund, while the salaries and fringe benefits for the Fleet Maintenance Supervisor is allocated 80 percent to the General Fund and 20 percent to the Sewer Utility Fund. Finance department employees perform all accounting functions for city funds and several of these employees' salaries and fringe benefits are allocated between the General Fund and the Sewer Utility Fund. For example, a Treasury Clerk and Treasury Analyst each have 50 percent of their salary and fringe benefits allocated to each fund, while the Controller has 85 percent of her salary and fringe benefits allocated to the General Fund and 15 percent to the Sewer Utility Fund. None of these allocations are based on actual time spent or some other documented basis. Instead, the allocations are based on estimates.

The proper allocation of expenses is necessary to accurately determine the results of operations of specific activities, thus enabling the Board 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 for employees.

Recommendations

The Board of Aldermen:

- 1.1 Determine the remaining portion of the overall TIF debt being paid with restricted sales tax collections and develop procedures to monitor the amount of outstanding TIF debt associated with each restricted activity, for both the city and the TDD, to ensure compliance with state law.
- 1.2 Ensure the city portion of the EATS collected on TIF projects are recorded in the appropriate fund and any contributions of these funds are budgeted transfers from the applicable funds.



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- 1.3 Determine the balance of motor-vehicle related revenues in the General Fund and establish a separate fund or a separate accounting for these monies.
- 1.4 Ensure salaries are properly allocated to the applicable city funds and allocations are supported by adequate documentation.

Auditee's Response

- 1.1 *(In Progress) The city will - through city staff, legal counsel, and other appropriate professionals – determine more fully the principal and interest portions of the remaining TIF debt associated with transportation, stormwater, and capital-related expenses and develop additional, suitable accounting procedures to ensure that the city continues to use restricted sales tax revenues in compliance with state law.*
- 1.2 *(In Progress) The city will record all EATS generated by TIF Projects in the appropriate fund and show the transfer of said EATS to the Special Allocation Fund in the city budget.*
- 1.3 *(Completed) After being made aware of this common recommendation, city staff concurred and have developed a schedule of expenses compared to motor-vehicle related revenues so that the balance of those revenues is clearly used for their intention. This schedule is a part of our annual financial audit items prepared by the city and verified by external auditors annually.*
- 1.4 *(In Progress) City staff will expand on current employee tracking practices to implement a system of documentation verifying that allocations of personnel time are supported by adequate documentation.*

2. Disbursements

2.1 Bidding

Controls and procedures over disbursements need improvement.

The city did not solicit bids or proposals for some goods and services purchased in accordance with the city's purchasing policy. During our review of selected disbursements, we noted proposals were not solicited for accounting services (\$55,933), written bids were not obtained for the purchase of asphalt (\$10,269), and competitive bids were not sought for sewer repairs (\$61,708) and sewer root control services (\$27,629).

City personnel used existing contracts between the sewer repair contractor and the sewer root control vendor and another governmental entity to obtain those services, rather than competitively bidding or seeking competitive proposals. While one of the exceptions to the formal competitive bid procedures is use of an existing contract between a vendor and another governmental entity, if seeking a fixed priced contract where the quoted



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prices are more advantageous to the city than local market prices, and if in excess of \$15,000, the department director seeking the exception must explain the reason for not seeking competitive bids to the Board. Neither the sewer repairs or the sewer root control services contracts qualified for the policy exception. City staff indicated they used a section of the purchasing policy that encouraged use of existing government contracts, but that section did not provide an exception to the bidding requirements and did not exempt the requirements of the exception.

The city purchasing policy requires department heads solicit 3 written bids, use an existing governmental contract, or submit in writing a sole-source justification for purchases between \$10,000 and \$15,000. Any purchase in excess of \$15,000 is required to be competitively bid. The city purchasing policy also contains a section regarding contracting for professional services that specifies the types of activities considered professional services, including accounting services, and what should be included in requests for proposals (RFP). While it does not indicate the specific dollar threshold when RFPs are required, for contracts in excess of \$15,000, RFPs should be issued.

Bidding procedures for major purchases provide a framework for economical management of city resources and help ensure the city receives fair value by contracting with the lowest and best bidder. In addition, competitive bidding ensure all interested parties are given an equal opportunity to participate in city business.

2.2 Severance agreements

The city made severance payments totaling \$70,161 to 9 Police department employees during the year ended October 31, 2017, that were not necessary and reasonable. One of those employees also received 26 weeks health insurance coverage as part of his/her severance package. None of these employees had employment contracts requiring severance payments. In addition, there is no evidence the Board approved one of the severance agreements.

The former Police Chief approved a severance agreement with a former Captain in February 2017. The former Captain was paid a lump sum payment of \$44,806, which was equivalent to 26 weeks of salary, and was also paid for 26 weeks of health care, totaling \$9,964. While city personnel indicated this agreement was discussed with legal counsel and the former City Administrator, there is no evidence in any open or closed Board meeting minutes that the Board discussed and approved this agreement. One Board member indicated he was not aware of this agreement.

The former Police Chief was notified by email on August 29, 2017, of pending budgets cuts to the Police department's 2018 budget. The email message requested he determine ways to reduce the budget without reducing the number of police officers serving in a patrol capacity. The former Police



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Chief discussed the pending budget cuts with officers, detention personnel, and administrative staff in September 2017. In mid-October 2017, 8 employees, consisting of one officer, 6 detention employees, and one administrative assistant, were offered severance packages by the city equal to 4 weeks of salary, effective October 31, 2017. These agreements were approved by the Board and were accepted, resulting in a total of \$25,355 in severance payments to these employees.

Between October 16, 2017, and December 17, 2017, 17 police officers resigned, with 11 resigning in October 2017. Police department personnel indicated the reductions in detention personnel occurred with the expectation that officers would take on additional responsibilities of booking detainees. Due to the number of officers resigning unexpectedly, the former Police Chief hired back 4 detention employees who had received severance packages totaling \$12,120 in October 2017 by December 1, 2017.

None of these individuals had an employment contract and it is questionable whether these severance payments were a necessary use of city funds. To ensure city funds are spent appropriately, all contracts should be approved by the Board 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 an agent to act on behalf of the Board, the authorization should be written and entered into the Board meeting minutes.

2.3 Vendor affidavits

The city did not have affidavits from some vendors certifying no conflicts of interest existed with any city officer or employee, appointed or elected, as required by the city purchasing policy. During our review of selected disbursements, 8 of 17 vendors did not have an affidavit on file with the city.

Section 1.8 of the city purchasing policy states "no contract shall be let to any person, firm, or corporation unless it has submitted an affidavit to the City stating no officer or employee of the City, whether elected or appointed, shall in any manner whatsoever be interested in or receive any benefit from the profits or emoluments of any contract, job, work, or service for the City."

Recommendations

The Board of Aldermen:

- 2.1 Solicit competitive bids and proposals for all applicable purchases in accordance with the city purchasing policy.
- 2.2 Consider the necessity of severance packages in the future and if granted, ensure they are reasonable and authorized by the Board.



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Auditee's Response

- 2.3 Ensure an affidavit is received from all vendors confirming no conflicts of interest exists with any officer or employee.
- 2.1 *(In Progress) City staff felt they followed the Board approved purchasing policy as it was written by utilizing "intergovernmental purchasing," but will continue to review the purchasing policy to ensure a clear and understandable policy is maintained. A revision was made to the purchasing policy in 2019 to improve clarity of the policy as well as better definition of approval authority. It is the intention of the Finance department to review the policy for clarity and proper control over the city's purchases.*
- 2.2 *(Completed) The Board will consider the necessity of severance packages and continue to work with legal counsel regarding recommendations for future Board approval regarding severance agreements. It is our understanding that prior city staff had been advised that Section 26-21 in the city code gave the elected Police Chief the authority to negotiate and enter into a severance agreement on behalf of the city. With the April 2019 election, the Police Chief position changed from an elected position to an appointed position, therefore all future severance agreements will be approved by the Board.*
- 2.3 *(Completed) After being made aware of some inconsistencies with the collection of the affidavits, city staff took the recommendation and revised the purchasing policy in 2019 to clarify the language of the policy regarding vendor conflict of interest.*

3. Budgets and Receipting Procedures

Budgets and receipting procedures need improvement.

3.1 Budgets

City budgets do not include all statutorily required elements. The city budgets for the years ended October 31, 2018, and October 31, 2019, did not include actual or estimated disbursements for the 2 preceding years for each department, activity, or line item within each fund's budget, although 2 prior years actual or estimated disbursements were included in total for each fund. The budget for the year ended October 31, 2020, included 2 prior years actual or estimated disbursements for each department and activity within each fund, but still did not include the required information for each line item.

Section 67.010, RSMo, requires the budget to present a complete and accurate financial plan for the ensuing budget year, outlines the various 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



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establishing specific financial expectations for each area of city operations. It also assists in setting tax levies and informing the public about city operations and current finances.

3.2 Receipt slips

City personnel do not account for the numerical sequence of receipt slips issued from the financial accounting system. The city's financial accounting system assigns one numerical receipt slip sequence, even though receipt slips are issued by various personnel for different functions, such as utility payments, court payments, and Police department reports.

To ensure all payments received are accounted for properly, personnel should account for the numerical sequence of receipt slips issued through the accounting system.

Recommendations

The Board of Aldermen:

3.1 Prepare annual budgets that contain all information required by state law.

3.2 Account for the numerical sequence of receipt slips issued.

Auditee's Response

3.1 *(In Progress) The city began its revisions to the budget based on this common recommendation provided to us in 2019. We will include historical data on individual expense accounts in our next published budget. As shown by our receipt of the distinguished budget award recently from Government Finance Officers Association, we have made a continued effort of providing a transparent and clear budget document.*

3.2 *(In Progress) The Board agrees with this recommendation. We currently track and reconcile all funds received by the city but will further enhance our procedures and controls to account for and reconcile the receipts by receipt number.*

4. Sunshine Law

The city did not ensure compliance with the Sunshine Law for closed meetings held by the Board, the Park Board, or the BMX Advisory Board. In addition, minutes were not maintained for work sessions held by the Board.

- The Board and the Park Board did not maintain meeting minutes for all closed meetings held during the 2 years ended October 31, 2019. Meeting minutes were only maintained for 16 of the 30 closed meetings held by the Board and for 9 of the 12 closed meetings held by the Park Board.
- The Board and the Park Board discussed some items in closed meetings that were either not allowed by state law or were not cited as the reason for closing the meeting. For example, the Board discussed a



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memorandum of understanding (MOU) with a national charitable organization in closed session after the MOU was approved by the Board in open session, and discussed refinancing TIF debt in closed session. The Park Board discussed procedures for hiring a director in closed session.

- The Board cited the same reasons for closing many of its meeting, but either did not discuss, or did not adequately document discussion related to some topics cited as the reason for closing the meeting. From May to November 2018, the Board held 16 closed sessions and each one cited the same 4 reasons for closing the meeting; legal, real estate, personnel, or individually identifiable personnel information/applicants for employment. But for meetings where minutes were kept, the Board did not discuss all those topics. For example, in one closed meeting the Board discussed a potential lawsuit and voted to authorize a suit be filed, but no discussion of real estate transactions, personnel, or applications for employment were discussed.
- Park Board minutes for several meetings, both open and closed, did not contain all information required by state law. Open and closed minutes did not always contain the time or place of the meeting or the members present or absent, and for several closed meetings, the vote to close the meeting was not documented and the reason for closing the meeting was not documented in open session.
- The BMX Advisory Board does not hold Board meetings consistently. BMX Board members indicated if issues arise they discuss those issues while working at the BMX track since all Board members are also volunteers at the track. The Board did not hold formal public meetings during the year ended October 31, 2018, and only held 3 public meetings during the year ended October 31, 2019. It is unclear how many informal Board meetings occurred during the 2 years ended October 31, 2019.

Section 610.020.7, RSMo, requires meeting minutes be maintained as a record of business conducted and to provide an official record of Board actions and decisions. Meeting minutes shall include the date, time, place, members present, members absent, and a record of any votes taken. Section 610.021, RSMo, lists the topics that may be discussed in closed meetings and requires discussion in closed meetings be restricted to the allowable topics listed. Section 610.022, RSMo, requires a closed meeting, record, or vote be held only after the vote of each member on the question of closing the meeting and the specific reason for closing the meeting or vote by making specific reference to the specific section of law is to be announced publicly at an open session and entered into the minutes. This section also provides that public governmental bodies shall not discuss any other business during the meeting that differs from the specific reasons used to justify closing such meeting, record, or vote.



Recommendation

The Board of Aldermen work with the Park Board and the BMX Advisory Board to ensure complete and accurate minutes are kept for all closed meetings and only allowable topics are discussed in closed meetings. In addition, ensure the specific section of law allowing the closure is announced publicly and recorded in the minutes, and ensure discussions in closed meetings are limited to only those specific reasons cited for closing the meeting. Also, ensure minutes are maintained for any work sessions.

Auditee's Response

(Completed) Board of Aldermen Response: We agree with this recommendation. Since legal counsel for the city changed in January 2019, the City Clerk has attended all closed sessions and appropriate minutes are taken and approved by the Board.

(In Progress) Park Board Response: We agree with this recommendation. The Park Board has implemented a process to include a liaison from the Park Board to attend BMX Advisory Board meetings. The BMX Advisory Board will have regularly scheduled meetings quarterly, at a minimum, and will submit those meeting minutes to the Parks office in a timely manner for record keeping. In addition, the city's legal counsel will provide the Park Board and BMX Advisory Board with Sunshine Law training. Lastly, the new Park Board and BMX Advisory Board member informational packets will be updated with Sunshine Law requirements for open and closed meetings.

5. Police Department Volunteers

Police department policies and procedures regarding volunteer groups assisting the department need improvement.

5.1 Community events

The city does not have a contract or formal agreement with a local not-for-profit (NFP) organization which documents the duties and responsibilities of each party. In addition, the police department did not have a method to ensure all expenses eligible for reimbursement from the NFP were requested as applicable.

This NFP was formed in October 2017 with the purpose to communicate and interact with the Police department to promote public interaction and public safety. The NFP indicated publicly its formation was necessitated by department budget cuts, which caused the cancellation of all community events funded by the department, and the department not being allowed to accept cash donations. The events canceled included the Citizen's Police Academy, Safety Fairs, Coffee-With-A-Cop, community forums, and community requests for public speaking events by members of the department. However, a review of the department's website indicates the Community Services Division coordinates these events and activities. With the majority of the leadership of this NFP being city personnel, many of the organization's meetings conducted at city hall, and the city hall's address



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listed as the NFP's address in the articles of incorporation, it is difficult to differentiate department activities from the NFP's activities.

In August and December 2018, the Board approved the Police department to accept grants from the NFP, totaling \$7,000 and \$12,320, respectively, to reimburse the city for costs incurred by the Police department for overtime, supplies, materials, equipment, or contracting for printing or other services necessary to operate the community events. Grant applications or written grant agreements were not provided for our review for either grant, and Police department personnel did not maintain detailed records of city expenses associated with these events. The city only received \$2,269 in reimbursements from those grants during the year ended October 31, 2018, and no reimbursements were received during the year ended October 31, 2019.

Email messages between Police department personnel regarding volunteer activities indicate some activities performed related to the NFP occurred when personnel were working for the city, such as preparing for meetings, preparing meeting agendas, or finding speakers for community events. The time spent by these personnel performing these functions was not tracked and were not part of the reimbursement requests submitted.

If the Board chooses to continue the relationship with the NFP to conduct community events, a method for tracking costs related to NFP activities and events should be developed to ensure all eligible costs are reimbursed. The lack of grant agreements and other supporting documentation increases the chances that city resources are used inappropriately. In addition, allowable activities by police personnel related to NFP activities could be set forth in a formal agreement to ensure the city and NFP are aware of their duties and responsibilities and to provide protection to both parties.

5.2 Police service volunteers

The Police department did not follow, or did not properly document, the screening procedures for citizens applying to work in the department's Volunteer Corp as established by department policy. The department operates a program that uses qualified volunteers for specified tasks and duties that can create efficiencies for the department and improve services to the community. We reviewed personnel files maintained for each of the 19 former and current members serving in the Volunteer Corp since it was established in 2011. Our review of the files identified the following concerns:

- 5 volunteers had no application on file.
- 14 volunteers did not complete a face to face interview with department personnel.
- 3 volunteers did not have complete background checks documented.
- 12 volunteers did not have evidence of an employment check.
- 2 volunteers did not have signed confidentiality agreements on file.



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Police department policy 4.320 states the application and screening requirements for all members of the Volunteer Corp and states volunteers may have access to confidential department files. Without ensuring all application and screening requirements are met sensitive data or resources may not be adequately protected from unauthorized access and improper disclosure.

Recommendations

The Board of Aldermen:

- 5.1 Work with Police department personnel to establish a formal agreement with the NFP that documents the duties and responsibilities of both parties. In addition, ensure applications for any future funding are maintained and grant agreements exist to specify requirements for reimbursement of costs.
- 5.2 Ensure screening procedures for applicants for the Volunteer Corp are performed and documented in accordance with existing policies.

Auditee's Response

- 5.1 *(In Progress) We agree with this recommendation: The Police department is working on the creation of a memorandum of understanding with the not-for-profit that will outline the duties and responsibilities of both parties. Additionally, the memorandum of understanding will have language that ensures that compliance is maintained with regard to all grant agreements including, but not limited to, requirements for reimbursement as well as any other aspects associated with grant processes, acceptance and assessment of compliance with said grants.*
- 5.2 *(Completed) We agree with this recommendation: The Police department has implemented quality assurance and quality control protocols to ensure that all members of the Volunteer Corps are appropriately vetted; this includes, but is not limited to applications, interviews, background checks, employment checks, confidentiality agreements, and any other applicable existing or future policies associated with that program.*

6. Parks and Recreation Department Policies and Procedures

Improvements are needed in the operations of the Parks and Recreation department.

The Parks and Recreation department is governed by a 9-member Park Board appointed by the Mayor with the consent of the Board. As authorized by state law, the Park Board has exclusive control over expenditures of parks funding and supervision of the department, city parks activities, and improvements to parks facilities. The Park Board oversees a variety of city parks and facilities and provides both youth and adult recreational sports programs. The department received approximately \$1 million during the year ended October



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31, 2018, consisting of approximately \$580,000 in property taxes; \$280,000 in sales taxes; and approximately \$140,000 from activity fees, rentals, and donations.

6.1 Receipting and depositing

Receipt slips are not issued for any payments received or amounts transmitted to the Parks and Recreation department and the composition (cash, check, or credit card) of payments received is not compared to the composition of deposits by an independent person.

While receipts slips are not issued, payments received by the Parks and Recreation department are posted to a daily receipt report that lists the composition of the payment, the payee, and the date. Cash and checks received are posted and deposited by the Administrative Service Coordinator. We reviewed amounts received in September 2018, which included transmittals of funds collected by the BMX Advisory Board operating the BMX track for the Park Board. While the city's daily receipts report for September 27, 2018, indicated cash receipts of \$11,366, the deposit slip indicated \$8,286 in cash and 2 checks totaling \$3,080. From a review of the bank records, the Parks and Recreation department staff did not enter the correct method of payment for the checks. No one identified this error because an independent comparison of the composition of amounts received to the composition of amounts deposited is not performed.

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

6.2 BMX Accounting Controls and Procedures

The Park Board has not adopted specific policies and procedures to provide oversight of the BMX Advisory Board, which is responsible for operating and maintaining the city's bicycle motocross track. The Park Board appoints members to the BMX Advisory Board, although during the year ended October 31, 2018, none were Raytown residents. The BMX Advisory Board does not give notice of or always hold public meetings in compliance with state law and members of that Board indicated decisions are typically made when enough of them are at the BMX track to have a meeting.

Accounting records

The BMX Advisory Board, with assistance from volunteers, collects registration fees for events and operates concessions at the track. Most funds collected are transmitted to the Parks and Recreation department for deposit to a city bank account. The BMX Advisory Board retains some money to operate and replenish concession items, but the amount kept is not set at a certain amount. Records are not maintained of all registration fees collected or to support amounts collected or profits earned from concessions. The amounts transmitted by the BMX Advisory Board to the city are tracked separately within the Parks Fund, but expenditures for the track are not tracked separately. The City Finance Director provided us a summary of total



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expenditures from the Parks Fund related to the track. During the year ended October 31, 2018, expenditures related to the track were \$61,236, while revenues generated by the track were \$37,764.

Due to the lack of accounting records maintained by the BMX Advisory Board we could not determine if all money received was properly transmitted to the Park Board for deposit. Accurate accounting transactions and financial information are necessary for the Park Board to make informed decisions and to provide the Parks and Recreation department with reliable information of the track's finances. The lack of financial records makes it more difficult to detect loss, theft, or misuse of funds.

Recommendations

The Board of Aldermen work with the Park Board to:

- 6.1 Ensure prenumbered receipt slips are issued for all monies received and account for the numerical sequence of receipt slips issued. In addition, the composition of receipts should be reconciled to the composition of transmittals by an independent person.
- 6.2 Establish policies and procedures for accounting records to be maintained by the BMX Advisory Board and provide adequate oversight to ensure all money received is transmitted to the Parks and Recreation department.

Auditee's Response

- 6.1 *(In Progress) We agree with this recommendation: Receipts will be written for cash received on sales or rentals at the Parks and Recreation department office and kept on file for the year which they pertain to. These receipts will be able to be reconciled with the registrations and rentals entered in the Parks and Recreation department's finance software and additional reconciliation by the Finance department.*
- 6.2 *(In Progress) We agree with this recommendation. We shared this recommendation with the Parks and Recreation department and BMX Advisory Board, along with recommendations from the Finance department, and they have instituted multiple measures of reconciliation to provide adequate oversight. Those changes include continual annual review of the established policies and procedures for accounting records.*

City of Raytown

Organization and Statistical Information

The City of Raytown is located in Jackson County. The city was incorporated in 1950 and is currently a fourth-class city. The city employed 111 full-time employees and 32 part-time employees on October 31, 2018.

City operations include law enforcement, sewer system, stormwater system, and recreational facilities.

Mayor and Board of Aldermen

The city government consists of a mayor and 10-member board of aldermen. These members are elected for 4-year terms. The mayor is elected for a 4-year term, presides over the board of aldermen, and votes only in the case of a tie. The Mayor and Board of Aldermen, at October 31, 2018, are identified below. The Mayor is paid \$1,000 per month with a \$200 monthly car allowance and members of the Board of Aldermen are paid \$400 per month with a \$50 monthly car allowance. The compensation of these officials is established by ordinance.

Mike McDonough, Mayor
 Frank Hunt, Alderman - Ward 1
 Karen Black, Alderwoman - Ward 1 (1)
 Jim Aziere, Alderman - Ward 2
 Jason Greene, Alderman - Ward 2
 Ryan Myers, Alderman - Ward 3
 Mark Moore, Alderman - Ward 3 (2)
 Bill Van Buskirk, Alderman - Ward 4
 Steve Meyers, Alderman - Ward 4 (3)
 Derek Ward, Alderman - Ward 5
 Bonnaye Mims, Alderwoman - Ward 5

- (1) Replaced by Greg Walters, who was elected in April 2019.
- (2) Replaced by Janet Emerson, who was elected in April 2019.
- (3) Replaced by Mary Jane Van Buskirk, who was elected in April 2019.

Other Elected Officials

Name and Title	Compensation Paid for the Year Ended October 31, 2018
James B. Lynch, Police Chief (1)	\$99,832
Traci Fann, Municipal Judge	31,372
Kathie Schutte, City Collector	1,200

- (1) James B. Lynch resigned in February 2019 and Randy Hudspeth was appointed Interim Police Chief. On April 2, 2019, voters approved making the Police Chief an appointed position and on April 1, 2020, the Board appointed Robert Kuehl as Police Chief.

Financial Activity

A summary of the city's financial activity for the year ended October 31, 2018, obtained from the city's audited financial statement follows:



City of Raytown
Organization and Statistical Information

CITY OF RAYTOWN, MISSOURI
STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended October 31, 2018

	General	TIF	Transportation Sales Tax	Other Governmental Funds	Total Governmental Funds
REVENUES:					
Taxes	\$ 7,702,356	\$ 1,412,050	\$ 1,171,590	\$ 3,461,790	\$ 13,747,786
Intergovernmental activity taxes	-	1,303,364	-	-	1,303,364
Licenses and permits	413,067	-	-	-	413,067
Intergovernmental	1,216,094	-	452,377	-	1,668,471
Fines, forfeitures and penalties	364,763	-	-	-	364,763
Charges for services	1,317,364	-	-	99,164	1,416,528
Use of money and property	68,413	253,836	8,892	144,608	475,749
Miscellaneous	70,964	-	1,656	145,322	217,942
Total revenues	11,153,021	2,969,250	1,634,515	3,850,884	19,607,670
EXPENDITURES:					
Current:					
General government	1,858,021	-	-	39,824	1,897,845
Parks and recreation	-	-	-	887,187	887,187
Community development	737,318	241,283	-	-	978,601
Public safety	5,434,955	-	-	1,327,180	6,762,135
Public works	1,819,243	-	-	191,785	2,011,028
Capital outlay	-	-	2,453,207	700,296	3,153,503
Debt service					
Principal	-	1,355,000	-	-	1,355,000
Interest and other charges	-	1,675,650	-	-	1,675,650
Total expenditures	9,849,537	3,271,933	2,453,207	3,146,272	18,720,949
Excess [deficiency] of revenues over [under] expenditures	<u>1,303,484</u>	<u>[302,683]</u>	<u>[818,692]</u>	<u>704,612</u>	<u>886,721</u>
OTHER FINANCING SOURCES [USES]					
Transfers in	-	-	-	150,000	150,000
Transfers [out]	<u>[150,000]</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>[150,000]</u>
Total other financing sources [uses]	[150,000]	-	-	150,000	-
Excess [deficiency] of revenues and other sources over [under] expenditures and other [uses]	1,153,484	[302,683]	[818,692]	854,612	886,721
Fund balance - Beginning of year	5,096,224	7,085,008	1,156,136	4,343,893	17,681,261
Fund balance - End of year	\$ 6,249,708	\$ 6,782,325	\$ 337,444	\$ 5,198,505	\$ 18,567,982

The notes to the financial statements are an integral part of this statement



City of Raytown
Organization and Statistical Information

CITY OF RAYTOWN, MISSOURI
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended October 31, 2018

	Sewer Utility
Operating revenues:	
Charges for services	\$ 6,875,494
Other	69,673
Total operating revenues	<u>6,945,167</u>
Operating expenses:	
Personal services	866,814
Contractual	4,377,632
Commodities	94,193
Capital outlay	204,498
Depreciation	538,121
Total operating expenses	<u>6,081,258</u>
Operating income [loss]	<u>863,909</u>
Nonoperating revenues [expenses]:	
Interest on long term debt	[439,747]
Interest income	309,901
Total nonoperating revenues [expenses]	<u>[129,846]</u>
Change in net position	<u>734,063</u>
Net position, November 1	8,461,774
Prior period adjustment	[7,493]
Net position, November 1, restated	<u>8,454,281</u>
Net position, October 31	<u>\$ 9,188,344</u>

The notes to the financial statements are an integral part of this statement