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Village of Truxton



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YELLOW SHEET

Findings in the audit of the Village of Truxton

Financial Reporting, Budgets, and Ordinances

The village has not published or posted semi-annual financial statements as required by state law. for at least a year. The village's budgets are not complete or in compliance with state law. Village ordinances are not sequentially numbered, thus hindering the village's ability to locate specific ordinances.

Bank Reconciliations

Procedures have not been established to routinely follow up on outstanding checks and other reconciling items noted on bank reconciliations. In addition, the manual checkbook ledger contains calculation errors.

Disbursements

Controls and procedures for disbursements are in need of improvement. The village does not have a formal bidding policy. Bids were not solicited for or documentation of bids received was not maintained for various purchases made by the village, including financial audit services (\$3,475) and ditch repair work (\$2,955) during the year ended April 30, 2009.

The village considers the Village Treasurer to be an independent contractor; however, the village did not clearly document why she qualified as an independent contractor.

Capital Assets

The village has not established formal policies and procedures for capital assets, including procedures for an annual physical inventory. The village does not maintain complete and current records for its capital assets including land, buildings, equipment, and furniture. Also, property is not tagged for specific identification, and an annual physical inventory is not performed.

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Village of Truxton

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SUSAN MONTEE, JD, CPA
Missouri State Auditor

To the Honorable Chairman
and
Members of the Board of Trustees
Village of Truxton, Missouri

The State Auditor was petitioned under Section 29.230, RSMo, to audit the Village of Truxton. The village engaged Zigo & Associates, Certified Public Accountants (CPAs), to audit the village's financial statements for the years ended April 30, 2009 and April 30, 2008. To minimize duplication of effort, we reviewed the report and substantiating working papers of the CPA firm for the year ended April 30, 2008, since the year ended April 30, 2009, audit report had not been completed. The scope of our audit included, but was not necessarily limited to, the year ended April 30, 2009. The objectives of our audit were to:

1. Obtain an understanding of the petitioners' concerns and perform various procedures to determine their validity and significance.
2. Evaluate the village's internal controls over significant management and financial functions.
3. Evaluate the village's compliance with certain legal provisions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the village, 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. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

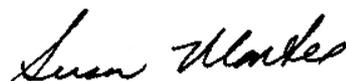
We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

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 village's management and was not subjected to the procedures applied in our audit of the village.

The accompanying Management Advisory Report presents our findings arising from our audit of the Village of Truxton.



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State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA, CIA, CGFM
Audit Manager:	Debra S. Lewis, CPA
In-Charge Auditor:	Katie Twiehaus

Village of Truxton

Management Advisory Report

State Auditor's Findings

1. Financial Reporting, Budgets, and Ordinances

Financial statements are not published or posted within the village. Controls and procedures regarding budgets are in need of improvement. In addition, ordinances have not been sequentially numbered.

1.1 Financial statements

The village has not published or posted semi-annual financial statements as required by state law. The Village Clerk indicated financial statements are to be posted in three locations within the village (village hall, post office, and community vending machine); however, the village has not posted financial statements for at least a year.

Section 80.210, RSMo, requires the chairman of the board of trustees to prepare and publish semiannually, receipts and disbursements of the village or post the statements in the most public places in the village. Complete and accurate financial statements and reports are necessary to inform citizens of the financial activity and condition of the village.

1.2 Budgets

The village's budgets are not complete or in compliance with state law. The budget prepared for the year ended April 30, 2009, did not contain the beginning and ending fund balances for previous years or the estimated fund balances for 2009.

Section 67.010, RSMo, requires the preparation of an annual budget with specific information. A complete budget should include separate receipt and disbursement estimations by fund, and include the beginning available resources and a reasonable estimate of the ending available resources.

1.3 Ordinances

Village ordinances are not sequentially numbered, thus hindering the village's ability to locate specific ordinances. Since ordinances represent legislation passed by the board to govern the village and its residents, it is important ordinances be maintained in a complete, organized, and up-to-date manner.

Recommendations

The Board of Trustees:

- 1.1 Publish or post complete and accurate financial statements that provide the citizens an account of all financial activity of the village.
- 1.2 Ensure budgets include the beginning funds available and the estimated ending balance.
- 1.3 Assign sequential numbers to village ordinances and maintain copies of ordinances in sequence.



Auditee's Response

The Board of Trustees and City Clerk/Treasurer provided the following response:

These recommendations will be implemented.

2. Bank Reconciliations

Procedures have not been established to routinely follow up on outstanding checks and other reconciling items noted on bank reconciliations. At April 30, 2009, the village's bank reconciliation included two outstanding checks totaling \$161, and six other reconciling items totaling \$1,984, that were older than one year. Several items were older than two years. In addition, the manual checkbook ledger contains calculation errors. It appears the Village Treasurer simply adjusts the manual checkbook balance to agree to the computer balance when differences occur. The book balance maintained on the computer does reconcile to the monthly bank statement.

The reconciling items create additional and unnecessary record keeping. Procedures should be established to routinely investigate any items remaining outstanding over a specified period of time. Old outstanding checks should be voided and reissued to those payees who can be readily located. If the payees cannot be located, the amount should be disbursed to the state's Unclaimed Property Section as required by Sections 447.500 through 447.595, RSMo. All other reconciling items should be investigated and resolved timely.

Recommendation

The Board of Trustees establish procedures to routinely follow up on outstanding checks and other reconciling items on a timely basis. An attempt should be made to contact the payees of old outstanding checks. If the payees cannot be located, the monies should be distributed in accordance with applicable statutory provisions. In addition, the Board should ensure an accurate checkbook balance is maintained.

Auditee's Response

The Board of Trustees and City Clerk/Treasurer provided the following response:

This recommendation has already been implemented and reconciliation errors have been corrected.

3. Disbursements

Controls and procedures for disbursements are in need of improvement.

3.1 Formal bidding policy

The village does not have a formal bidding policy. The village has a general bidding requirement of \$2,500; however, this is not formally documented. Bids were not solicited for or documentation of bids received was not maintained for various purchases made by the village, including financial audit services (\$3,475) and ditch repair work (\$2,955) during the year ended April 30, 2009.



Village of Truxton
Management Advisory Report - State Auditor's Findings

Formal bidding procedures for purchases provide a framework for economical management of village resources and help ensure the village receives fair value by contracting with the lowest and best bidders. Competitive bidding also helps ensure all parties are given equal opportunity to participate in the village's business. Bids can be handled by telephone quotation, written quotation, sealed bid, or advertised sealed bid. Various approaches are appropriate, based on dollar amount and type of purchase. Whichever approach is used, complete documentation should be maintained of all bids received and reasons noted why the bid was selected.

While professional services, such as attorneys, consultants, and accountants may not be subject to the standard bidding procedures, the village should solicit proposals for professional services to the extent practical. Soliciting proposals and subjecting such services to a competitive selection process does not preclude the village from selecting the vendor or individual best suited to provide the service required. Such practices help provide a range of possible choices and allow the village to make a better-informed decision to ensure necessary services are obtained from the best qualified vendor at the lowest and best cost.

3.2 Employment classification

The village considers the Village Treasurer to be an independent contractor; however, the village did not clearly document why she qualified as an independent contractor. Payroll taxes were not withheld from payments to the Village Treasurer, nor were the payments reported on an Internal Revenue Service (IRS) W-2 Form. She was paid on a monthly basis, for a total of \$2,450 during the year ended April 30, 2009. The village provided her with a place to work and village equipment, so it would appear she may be considered a village employee, meaning payments should be reported on Forms W-2 and payroll taxes withheld. The village did issue a Form 1099 for this service.

For employees, the IRS requires employers to report compensation on W-2 forms and withhold and remit federal income taxes. Similarly, Chapter 143, RSMo, includes requirements for reporting wages and withholding state income taxes. State and federal laws require employers to pay the employer's share of Social Security and Medicare on the compensation paid to employees. Additionally, Section 105.300, RSMo, defines an appointive officer or employee of a political subdivision as an employee for Social Security and Medicare tax purposes.



Recommendations

The Board of Trustees:

- 3.1 Establish formal bidding policies and procedures, including documentation requirements regarding the bids or quotes received and justification for the bid selected. In addition, the Board should periodically solicit proposals for the selection of various professional service providers. All documentation regarding proposals solicited should be retained.
- 3.2 Ensure all persons hired by the village are clearly documented as employees or contract employees in compliance with IRS rules and regulations. In addition, the Board should ensure all compensation paid to employees is subject to payroll taxes and properly reported on W-2 forms.

Auditee's Response

The Board of Trustees and City Clerk/Treasurer provided the following responses:

- 3.1 *This recommendation will be implemented.*
- 3.2 *This recommendation will be reviewed.*

4. Capital Assets

The village has not established formal policies and procedures for capital assets, including procedures for an annual physical inventory. The village does not maintain complete and current records for its capital assets including land, buildings, equipment, and furniture. Also, property is not tagged for specific identification, and an annual physical inventory is not performed. Adequate capital asset records are necessary to ensure accountability for all items purchased and owned, for determining the proper amount of insurance coverage, and to provide a basis for proper financial reporting.

Recommendation

The Board of Trustees should establish policies requiring capital asset records be maintained on a perpetual basis, accounting for property acquisitions and dispositions as they occur. The Board should ensure property records are maintained which include all pertinent information for each asset such as tag number, description, cost, acquisition date, location, and subsequent disposition. The village should properly tag, number, or otherwise identify all applicable village property and conduct an annual inventory.

Auditee's Response

The Board of Trustees and City Clerk/Treasurer provided the following response:

This recommendation will be implemented.

Village of Truxton

Organization and Statistical Information

The Village of Truxton is located in Lincoln County. The village was incorporated in 1864.

Board of Trustees

The village government consists of a five-member board of trustees. The members are elected for 2-year terms. The chairman is appointed by the board from the members. The members of the Board of Trustees receive no compensation. The members of the Board of Trustees and other officials during the year ended April 30, 2009, are identified below.

Name and Title	Dates of Service During the Year Ended April 30, 2009
Glen Winter, Chairman	May 2008 - April 2009
Charles "Royce" Hunter, Trustee (1)	May 2008 - April 2009
Joanne Bruton, Trustee	May 2008 - April 2009
John Mills, Trustee	May 2008 - April 2009
Beverly Cole, Trustee	May 2008 - April 2009

(1) Royce Hunter was appointed Chairman in May 2009.

Other Officials

Name and Title	Dates of Service During the Year Ended April 30, 2009	Compensation Paid for the Year Ended April 30, 2009
Drewanna Schutte, Clerk/Treasurer (1)	May 2008 - April 2009	\$ 2,450

(1) Drewanna Schutte is considered a contracted employee.

The village did not have any employees during the year ended April 30, 2009.