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Missouri State Auditor

Douglas Square Transportation Development District



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Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of the Douglas Square Transportation Development District

Supervision

The Douglas Square Transportation Development District (TDD) Board does not review and approve loan payments or bank reconciliations. Financial transactions and bank account reconciliations are prepared by a contracted service provider, and without adequate reviews the Board cannot ensure the TDD's financial transactions are proper.

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

American Recovery and Reinvestment Act (Federal Stimulus)

The Douglas Square Transportation Development District did not receive any federal stimulus monies during the audited time period.

*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.

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Douglas Square Transportation Development District

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THOMAS A. SCHWEICH

Missouri State Auditor

Fred Delibero, Chairman
and
Board of Directors
Douglas Square Transportation Development District
Kansas City, Missouri

We have audited certain operations of the Douglas Square Transportation Development District in fulfillment of our duties under Section 238.272, RSMo. The scope of our audit included, but was not necessarily limited to, the 2 years ended December 31, 2011. The objectives of our audit were to:

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

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

For the areas audited, we identified (1) deficiencies in internal controls, (2) no significant noncompliance with legal provisions, and (3) no significant deficiencies in management practices and procedures. The accompanying Management Advisory Report presents our finding arising from our audit of the Douglas Square Transportation Development District.



Thomas A. Schweich
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Harry J. Otto, CPA
Director of Audits:	Alice M. Fast, CPA, CIA
Audit Manager:	Randall Gordon, M.Acct., CPA, CGAP
In-Charge Auditor:	Gayle Garrison
Audit Staff:	Wayne Kauffman, MBA

Douglas Square Transportation Development District

Management Advisory Report

State Auditor's Findings

Supervision

The Douglas Square Transportation Development District (TDD) Board does not review and approve loan payments or bank reconciliations.

We reviewed three loan payments totaling \$25,093 and these loan payments were not reviewed or approved by the Board. Loan payment amounts varied significantly from month to month, and one of the three payments reviewed included late payment charges. The TDD's accountant indicated the TDD had experienced cash flow problems, but was currently paying the loan payments in full when due. In addition, the Board Chairman indicated bank reconciliations are not reviewed and approved by the Board.

Financial transactions and bank account reconciliations are prepared by a contracted service provider. Without adequate reviews of financial documents, the Board has little assurance TDD financial transactions are proper.

Recommendation

The TDD Board review and approve loan payments and bank reconciliations.

Auditee's Response

The TDD Board provided the following written response:

The District's board of directors authorized the loan in 2002 and a modification in 2004, and the District's approved annual budgets include line items for interest and principal payments in connection with the loan. In response to the State Auditor's findings, the District's Chairman will review and approve monthly loan payments and bank reconciliations. In addition, the District notes that the vacant director position has been filled for 2012.

Douglas Square Transportation Development District Organization and Statistical Information

The Douglas Square Transportation Development District (TDD) is located in the City of Lee's Summit. The Douglas Square TDD was organized in September 2000 by petition of the four owners of property within the proposed TDD. The retail establishments located within the TDD collect and remit the TDD sales tax to the Missouri Department of Revenue (DOR). In turn, the DOR distributes the monies to the TDD.

The TDD has a year end of December 31 and did not have independent audits performed during the 2 years ended December 31, 2011.

The TDD was formed for the purpose of improving public transportation infrastructure with a total estimated cost of \$450,000. The City of Lee's Summit is the public entity with jurisdiction over this project. The project was completed in 2002, and the city accepted dedication of the project upon completion.

In February 2003, the TDD authorized adoption of additional public transportation infrastructure projects of the nearby Douglas Station TDD which had a total estimated cost of \$1.5 million. The Douglas Square TDD subsequently began transferring monies to the Douglas Station TDD and has transferred \$798,600 through December 31, 2011.

District Board

An elected board acts as the policy-making body for the district's operations. The board's five members serve 3-year terms without compensation. Members of the board at December 31, 2011, were:

Fred Delibero, Chairman and Executive Director
Michael Atcheson, Member
James Jacob Loveless, Member
Greg Cox, Member
One board seat is vacant

Selected Information on the District

Estimated Project Costs	\$450,000
Estimated TDD Duration	20 years
Total Estimated Sales Tax Revenues	\$4.321 million ⁽¹⁾
Sales Tax Rate	1 percent
TDD is within a TIF District?	No

(1) The additional revenue will be used to supplement the project costs related to the Douglas Station TDD.



Douglas Square Transportation Development District
Organization and Statistical Information

American Recovery and
Reinvestment Act 2009
(Federal Stimulus)

The Douglas Square Transportation Development District did not receive any federal stimulus monies during the 2 years ended December 31, 2011.

Financial Activity

A summary of the district's financial activity for the 2 years ended December 31, 2011, follows:

	Year Ended December 31,	
	2011	2010
Receipts:		
Sales taxes	\$ 160,182	138,027
Total Receipts	<u>160,182</u>	<u>138,027</u>
Disbursements:		
Debt service	49,494	49,592
Administrative	6,124	9,055
Transfer to Douglas Station TDD	91,535	105,171
Total Disbursements	<u>147,153</u>	<u>163,818</u>
Receipts Over (Under) Disbursements	13,029	(25,791)
Beginning Cash Balance	76	25,867
Ending Cash Balance	<u>\$ 13,105</u>	<u>76</u>