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Missouri State Auditor

Village of Leasburg



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Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of the Village of Leasburg

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| Missing Monies | <p>Between 2011 and 2013, receipt slips totaling \$9,971 were issued for money collected by the village; however, these dollars were never deposited into village accounts and credit memos for monthly utility services were used to conceal the theft of \$3,963 of those receipts. Some essential records were altered including bank reconciliations, deposit records, accounting system reports, and Board of Trustees meeting minutes. Due to the poor condition of records, inadequate computer access controls, and changes in board members and employees, the State Auditor's Office is unable to determine responsibility for some of the issues and problems reported.</p> |
| Accounting Practices, Reporting, and Monitoring | <p>Financial records have not been audited since fiscal year 2007. A lack of proper accounting for activities, not maintaining accurate accounting records, and using multiple bank accounts has led to commingling of funds, excessive transfers between bank accounts, and using restricted revenues for reasons other than their intended purpose. Village officials could not provide documentation that semiannual financial statements have been published since 2007. Annual budgets do not contain all elements required by state law and the village has not established adequate procedures to monitor or amend budgets.</p> |
| Controls and Oversight | <p>The board did not take sufficient steps to properly segregate accounting duties or implement adequate independent reviews of the work performed by the village clerk and bookkeeper. The board has not established adequate password controls to restrict access to computer systems and electronic data to only authorized users and has not limited user access rights. Information in the computerized accounting records did not always agree with information on the actual payroll checks issued.</p> |
| Accounting Records and Procedures | <p>The village does not maintain adequate records of receipts, and depositing procedures are not adequate. The village does not issue receipt slips for payments received by check or money order unless a receipt is requested. The only documentation available to support some cash register withdrawals were informal notes, some of which were initialed by village officials. The village does not issue manual receipt slips in date order, consistently indicate the method of payment, or reconcile the method of payment to the composition of receipts recorded in the computer system. Deposits are not reconciled to receipt records. The petty cash fund is not maintained appropriately and documentation is not adequate.</p> |
| Utility System Controls | <p>Village officials entered into a 20-year loan agreement for \$17,401 in 2010 with the Missouri Department of Natural Resources, which, along with a \$106,197 grant, provided the required funds for a water meter replacement project. The village agreed to replace 118 water meters; however, only 75 meters were purchased, and as of May 2014, approximately 50 of those meters were still in storage even though the village reported to the grantor</p> |

that 118 new meters were installed. In addition, village officials increased sewer rates in May 2013 without preparing a statement of costs or maintaining documentation of how they calculated the rate increase. Some village residents are not connected to the village's utility system, in violation of village ordinance. The village did not perform monthly reconciliations of amounts billed, payments received, and amounts unpaid for utility services in 2013. Some customers were not charged late fees on delinquent bills, and amounts assessed are not supported by village ordinance. Refundable water deposit monies held in the utility escrow account are not accounted for properly.

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| Payroll and Related Matters | Employee records are not properly secured to prevent improper access or removal from village hall. Village officials failed to withhold federal taxes from employee pay checks. Village officials also do not properly maintain employee I-9 and W-4 forms as required by law. The village overpaid the police officer because compensation was based on working 12 hours each pay period; however, the officer did not always work 12 hours. The village did not have proper documentation for \$3,505 in payments to the board chairperson's son in 2013. The village improperly paid and provided benefits to some employees even though village policy states employee benefits are not offered. The village issued payroll checks prior to the pay period to which they pertained, provided pay advances to employees, and issued bonuses in violation of state law. |
| Disbursements | The village did not solicit bids for contracted water and sewer services or for services to install water meters, in violation of village ordinance. The board chairperson did not always abstain from voting on contract approvals and payments to a relative, and the village did not adequately monitor that contract. The village did not maintain adequate supporting documentation for many payments issued. The village did not accurately report information on some 1099-MISC forms. The village clerk did not ensure bills were paid on time, causing the village to incur late fees and finance charges. |
| Elected Officials and Election Procedures | A board member's actions resulted in nepotism and the village has not established adequate procedures to ensure that individuals filing as candidates for the Board of Trustees meet statutory requirements to qualify as candidates. Village officials failed to submit board candidate certifications to the Crawford County Clerk before the certification deadline. |
| Monitoring of Excess Revenues | The village did not calculate the percent of annual general operating revenue from fines and court costs related to traffic violations for 2013 and 2014, determine whether excess revenues should be distributed to the state Department of Revenue, and provide an accounting of the percent in its annual financial report as required by state law. |
| Sunshine Law and Compliance Ordinances | The village did not always ensure compliance with the Sunshine Law and significant improvement is needed with village ordinances. Closed meetings were not always properly posted, minutes were not prepared for numerous closed meetings, and some discussions in closed meetings were not allowable by law. Also, some official meeting minutes could not be located. |

Property Controls and Records Capital asset records have not been updated since 2010; property is not tagged, numbered, or otherwise identified as village property; and an annual physical inventory is not performed. Also, the village has not maintained adequate records related to the disposition of capital asset items.

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

*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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Village of Leasburg

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NICOLE R. GALLOWAY, CPA
Missouri State Auditor

To the Honorable Chairperson
and
Members of the Board of Trustees
Village of Leasburg, Missouri

The State Auditor was petitioned under Section 29.230, RSMo, to audit the Village of Leasburg. We have audited certain operations of the village in fulfillment of our duties. The scope of our audit included, but was not necessarily limited to the year ended December 31, 2013. The objectives of our audit were to:

1. Evaluate the village's internal controls over significant management and financial functions.
2. Evaluate the village's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.
4. Determine the extent of monies missing.

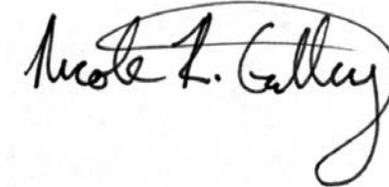
Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the village, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. 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 village's management and was not subjected to the procedures applied in our audit of the village.

For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with legal provisions, (3) the need for improvement in management practices and procedures, and (4) missing monies. The accompanying Management Advisory Report presents our findings arising from our audit of the Village of Leasburg.

An additional report, No. 2014-053, *Forty-Second Judicial Circuit, Village of Leasburg Municipal Division*, was issued in August 2014.

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:

| | |
|-----------------------|---------------------------------------|
| Deputy State Auditor: | John Luetkemeyer, CPA |
| Director of Audits: | Regina Pruitt, CPA |
| Audit Manager: | Chris Vetter, CPA |
| In-Charge Auditor: | Candi Copley |
| Audit Staff: | Josh Allen, CPA, CFE Hailey Turner |

Village of Leasburg

Management Advisory Report

State Auditor's Findings

1. Missing Monies

From January 1, 2011, through December 31, 2013, receipts totaling \$9,971 were not deposited by the village. Credit memos issued to various customer utility accounts were used to conceal the theft of \$3,963 of those receipts. Some essential records were altered including bank reconciliations, deposit records, accounting system reports, and Board of Trustees (Board) minutes. See Appendix B for details regarding undeposited receipts and Appendix C for the related credit memos used to adjust customer utility accounts to conceal theft, along with other credit memos used to reduce customer utility account balances with insufficient supporting documentation.

On our initial visit to the Village of Leasburg on November 25, 2013, former Village Clerk Nicky Phillips indicated she had re-performed monthly bank reconciliations (originally prepared by the Bookkeeper) for 6 of the village's 8 checking accounts for months previously reviewed and approved by the Board because she noted errors in the accounting records. Audit procedures determined that between November 11, 2013, and November 21, 2013, numerous bank reconciliations were re-performed. Accounting records had been altered over the years, causing previously reported cash balances to change.

In January 2014, the State Auditor's Office (SAO) received a written statement and additional information from former Bookkeeper Tina DeScheda indicating village funds were used to pay personal expenses of former Board Chairperson Kathy Byrd and bank records were altered by former Village Clerk Nicky Phillips to conceal customer utility payments that were inappropriately applied to the utility account of former Board Chairperson Byrd to report her account as paid. In addition to items brought to our attention, we identified customer utility payments that were inappropriately applied to former Bookkeeper DeScheda's utility account, to report her account as paid. Prior period reconciliations were voided for the checking accounts as discussed above, allowing the misapplied payments to be re-posted to the correct utility account. The theft of utility payments was concealed with credit memos issued in November and December 2013 so the utility accounts would reflect a zero balance rather than an unpaid balance. We could not determine who prepared the credit memos.

Our consideration of the statement and documents along with the village records identified significant problems in all aspects of the financial operations, including accounts payable processes, utility procedures and records, and compensation and related reporting. Based on the responsibilities/functions as described to us (see MAR finding number 3.1), the Board Chairperson, Village Clerk (also a Board member), and Bookkeeper were and continue to be primarily responsible for the financial and accounting functions of the village. Due to the poor condition of records, inadequate computer access controls, and changes in Board



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members and employees, we cannot determine responsibility for some of the issues and problems reported.

Ms. DeScheda was placed on administrative leave on January 7, 2014, and her employment was terminated on January 9, 2014. She had served as the village's Bookkeeper since March 2011. The village appointed Della Bishop as Bookkeeper in January 2014.

The SAO served subpoenas on select village officials to ensure the preservation of evidence and to compel testimony. On January 28, 2014, attorneys of the SAO deposed former village officials Kathy Byrd and Nicky Phillips to answer questions under oath regarding village records and operations. At the time of the depositions, these individuals provided official Board meeting minutes, ordinances, contracts, Community Development Block Grant (CDBG) records, bank statements and deposit books, financial reports, payroll records, accounts payable files, utility account files, customer files, and electronic files from the village's computer system. Kathy Byrd and Nicky Phillips resigned from the Board in March 2014 and are referred to as Board Chairperson and Village Clerk, respectively, throughout this report.

The scope of our audit included, but was not necessarily limited to, the period ended December 31, 2013. After identification of possible misappropriation of village funds, we applied limited procedures to village records for the period January 1, 2011, through December 31, 2012.

Undeposited cash
receipts

We performed a detailed comparison of receipt and deposit records for the period January 1, 2011, through December 31, 2013, and identified receipts totaling \$9,971 recorded on 151 manual receipt slips for village services were received and not deposited. Missing receipts included \$7,547 received for utility services. An additional \$1,300 was received for utility security deposits. Other receipts were for items including pet tags, various licenses and permits, copies, and payments for bad checks totaling \$1,124.

Our November 25, 2013, cash count and review of November 2013 deposits identified the following discrepancies:

- We determined \$687 in cash was not deposited. Our November 25, 2013, cash count identified \$3,868 on hand (comprised of checks totaling \$2,801 and cash totaling \$1,067). Some monies had been receipted as early as November 11, 2013. A comparison to receipt records showed that recorded cash receipts exceeded cash on hand by \$90. Subsequent to the cash count, the Village Clerk prepared a deposit slip dated November 27, 2013, that listed all checks and cash counted. However, this deposit slip was later voided and when monies were later deposited on December 2, 2013, only \$766 in cash was deposited into the general account. The records do not identify who voided the deposit



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and later made the deposit. In addition our review of the November 13, 2013, deposit and manual receipt slips issued since the previous deposit showed \$386 in cash was received but not deposited.

- Manual receipt slips were issued out of sequence. For example, receipt slip numbers 339082 and 339083 were issued to Board Chairperson Byrd on October 15, 2013, and September 15, 2013, respectively, and deposited on November 13, 2013. We noted the receipt slips issued immediately before and after these 2 receipt slips were issued on October 28, 2013.

Appendix B provides more documentation regarding undeposited receipts. The lack of adequate oversight and reconciliations, and inadequate controls, as discussed in the remainder of this report, resulted in the failure to detect the undeposited receipts.

Credit memos in lieu of
payments

Ninety-eight credit memos totaling approximately \$7,441 (see Appendix C) were recorded in the accounting system to conceal the theft of some undeposited receipts discussed above and to reduce various account balances. Eleven credit memos did not match the recorded receipt amount resulting in some monies collected that were not applied to a utility account and other utility accounts were credited in excess of the amount paid. All of the credit memos included a statement indicating they were approved by the Board; however, village officials indicated the Board did not approve them. Also, our review of Board minutes showed there was no Board review and approval. Our review of the village's computerized Journal Report and Audit Trail Report, and deposit records for the years ended December 31, 2013, 2012, and 2011, obtained from the current Bookkeeper determined payments totaling approximately \$3,963 (see Appendix B) recorded in the accounting system were not deposited and credit memos were subsequently issued for monthly utility services in an effort to conceal monies not deposited.

Our review determined that all credit memos listed in Appendix C were actually prepared between November 4, 2013, and December 9, 2013, even though the credit memos are dated from January 1, 2012, to December 1, 2013. All transactions processed in the accounting system are assigned a unique, sequential transaction number when recorded. We compared the numerical sequence of credit memo numbers to the numerical sequence of transaction numbers recorded to determine when these documents were prepared. Sixteen credit memos totaling \$1,047 were issued to reduce account balances for customer account number 103 for Board Chairperson Byrd and 20 credit memos totaling \$1,679 were issued to reduce account balances for customer account number 151 for former Bookkeeper DeScheda. We cannot determine who prepared these credit memo documents. Appendix C provides details regarding the credit memos issued.



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Our review determined only a small number of credit memos appeared to be legitimate based on documentation available. Also, Appendix C shows numerous gaps in the credit memo number sequence, which a review of the system shows occurred primarily due to issuing and subsequently deleting credit memos.

Altered records

As previously mentioned, when the SAO arrived at Village Hall on November 25, 2013, the Village Clerk indicated she had located errors in the financial statements and in order to correct these errors, reconciliations were voided and revised for the general, water, sewer, sanitation, municipal division, and escrow accounts. Re-performing bank reconciliations allowed balances to agree to the updated balances in the accounting records. These bank reconciliations were re-performed without adequate documentation for the changes or Board discussion. Former Village Clerk Phillips re-performed bank reconciliations for the general account for 21 months going back to March 2011. The sewer and municipal division bank reconciliations were re-performed for periods going back to January 2012 and February 2012, respectively. The water bank reconciliations were re-performed for the 7 months of March 2011 through September 2011. The sanitation bank reconciliations were re-performed for the 2 months of September 2013 and October 2013 and the escrow bank reconciliations were re-performed for the 2 months of August 2013 and October 2013. We found 5 instances where deposit summary reports showed payments were incorrectly applied to the utility accounts of the Board Chairperson and the husband of the former Bookkeeper. However, a review of the actual receipt slips issued indicates the payments were received for balances due on other customer utility accounts. Manual receipts improperly recorded included:

| Receipt number | Date of receipt | Receipt amount | Account received for | Account applied to* |
|----------------|-----------------|----------------|----------------------|---------------------|
| 793075 | 8/22/2011 | \$ 82.01 | 210 | 103 |
| 793089 | 9/14/2011 | 79.81 | 210 | 151 |
| 793124 | 10/24/2011 | 71.35 | 210 | 151 |
| 793139 | 11/18/2011 | 77.35 | 351 | 103 |
| 793165 | 12/26/2011 | 81.11 | 210 | 151 |

*Utility account number 103 is the account of former Board Chairperson Kathy Byrd and utility account number 151 is the account of the former Bookkeeper DeScheda's husband.

An Audit Trail Report obtained on January 23, 2014, identified numerous changes to previously recorded deposit information. A review of a deposit totaling \$9,418 recorded on November 18, 2011, indicates the deposit was changed and then deleted on December 7, 2011. The transaction was re-recorded on December 8, 2011. As a result, deposit information obtained from the computerized financial system during audit procedures has likely been altered.



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A March 18, 2014, Audit Trail Report indicates 189 various invoices, payments, and deposits initially recorded from July 2010 through December 2013 were altered on February 13 and February 15, 2014, showing village officials continued to change financial information after records were subpoenaed and depositions were compelled on January 28, 2014. The report shows the date of initial entry into the system and then the dates any changes were made to the entry.

Conclusion

The lack of segregation of duties, inadequate controls, and the absence of proper oversight by the Board, as discussed in the remainder of this report, resulted in the untimely detection of missing monies, noncompliance with tax withholding and reporting requirements, and unauthorized utility account adjustments. It is apparent village financial activity was not adequately monitored. Due to inadequate or incomplete records, additional missing monies could exist but cannot be readily determined.

Recommendation

The Board of Trustees work with law enforcement officials regarding possible criminal prosecution related to the missing funds, including restitution.

Auditee's Response

At the conclusion of the audit, the Board will provide a copy of the audit to the appropriate law enforcement agency and work with them in regards to any possible criminal prosecution related to the missing funds, including restitution.

2. Accounting Practices, Reporting, and Monitoring

The village's accounting practices need improvement. Financial records have not been audited since the fiscal year ending June 30, 2007, and that report noted similar conditions.

2.1 Accounting practices

A lack of proper accounting for activities, not maintaining accurate accounting records, and using multiple bank accounts has led to commingling of funds, excessive transfers between bank accounts, and disbursing restricted revenues for reasons other than their intended purpose.

- The village has 8 checking accounts and 5 savings accounts. Most monies from various sources including restricted utility receipts are first deposited into the general bank account. Checks are then issued from the general account to transfer utility monies to each respective utility fund bank account. However, the village does not transfer all the utility monies it receives each month. Bond agreements require restricted utility monies to be kept separate and not commingled with other village funds. According to the village's accounting records, the village deposited approximately \$104,000 in water and sewer receipts into the general bank account but only transferred approximately \$88,500 to the



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Water Fund and Sewer Fund bank accounts for the year ended December 31, 2013. As a result, the utility funds subsidize general operations of the village. Village officials transferred approximately \$108,000 from the general bank account to the other village bank accounts during the year ended December 31, 2013.

- The village does not maintain accurate accounting records. As a result, reports generated from the accounting system cannot be relied upon by village officials when making decisions. For example, December 2013 financial reports under reported cash balances. Cash totaling \$4,468 was transferred from the combined water and wastewater debt service savings account to open a maintenance and replacement savings account in December 2013, however, the balance of this new account was not reported until April 2014. In addition, 2014 financial reports continued to report the cash balance for an account that was closed in August 2012.
- The village has no documentation to justify the allocation of salaries and employee fringe expenses to various funds for employees that perform multiple activities. The allocation percentages by fund do not change and there is no documentation showing how the percentages were established. Transfers are made from the various fund bank accounts to the general bank account when payroll is processed. During the year ended December 31, 2013, the village paid payroll and employee fringe expenses totaling approximately \$36,500.

Most non-payroll expenditures are allocated equally between all funds regardless of expenditure activity and results in inappropriate borrowing of restricted monies. Transfers are made from the restricted fund bank accounts to the general bank account. Documentation is not maintained on how transfer amounts are determined. Approximately \$14,700 was transferred from various village fund bank accounts to the general bank account during the year ended December 31, 2013. Village officials also used \$2,000 from the Water Fund account to purchase a police vehicle in June 2012 without documentation to support the specific utility system purpose.

In addition, the Board does not reconcile approved payments to checks issued. Amounts due are not shown in total, instead they are shown by each accounts' portion of the bill. To ensure disbursements are properly approved, the Board should ensure the list of bills approved for payment is complete and accurate and checks issued are compared to this list.

- During the year ended December 31, 2013, the village deposited Law Enforcement Training (LET) fees totaling \$208 into the general account, without tracking the receipts, disbursements, and balances of these restricted monies. LET fees collected prior to 2013 were also not



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properly tracked. Additionally, the village paid \$250 to a vendor in 2013 for the police officer to receive Continuing Education Programs for the year ended December 31, 2013; however, the police officer did not attend any training programs in 2013. The village paid \$800 in January 2014 to the same vendor for continuing education classes for the village officer and reserve officers.

A lack of proper accounting for activities and using restricted monies for unintended purposes makes it more difficult for village officials to make good management decisions. Also, accurate and complete financial information is necessary to assist the Board in making informed decisions and to provide residents with reliable information about village finances. To be of maximum assistance to the Board and adequately inform the public, accounting records should accurately report financial activity and fund balances. To ensure restricted monies are used for the intended purpose, monies received should be credited to the appropriate fund and disbursements should be paid from the appropriate funds. Purchases from restricted funds should occur only for allowable and specific purposes, and reasons should be adequately documented.

In addition, Section 250.150, RSMo, restricts the use of water and sewer monies for operating the systems, payment of bonds, establishment of a reserve, fulfillment of any agreements contained in ordinances, and payment of costs of improvements of such systems. Article IV, Sections 30(a) and 30(b), Missouri Constitution, requires motor vehicle-related receipts, such as those deposited in the village's Street Fund, apportioned by the state of Missouri be disbursed for street-related purposes. Also, Section 488.5336.2, RSMo, requires LET fees be used only for the training of law enforcement officers.

To help simplify village records, reduce the number of account transfers, and minimize the risk of errors, the Board should consider reducing the number of bank accounts.

2.2 Financial statements

The village did not comply with state law regarding publishing financial statements and submitting financial statements to the SAO. Village officials could not provide documentation that semiannual financial statements have been published for the village since the village's independent Certified Public Accountant (CPA) audit in June 2007. From 2008 through August 2015, village officials filed only the village's 2013 financial statement (in April 2014) with the SAO. In addition, the village's monthly finance report provided to Board members combines all accounts (General, Street, Water, Sewer, and Sanitation) into a consolidated statement, which does not allow for a clear, detailed analysis of each fund's financial status. The Board passed a motion to have semi-annual financial statements published on September 24, 2013; however, the Board has taken no further actions regarding this matter.



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Section 105.145, RSMo, requires each political subdivision to file annual reports of its financial transactions with the SAO. Section 80.210, RSMo, requires the Board prepare and publish semiannual financial statements in a local newspaper, or if there is no local newspaper, to post semiannual financial statements in at least six of the most public places in the village.

2.3 Annual audits

The village does not obtain annual audits as required. The last audit of village finances occurred for the fiscal year ended June 30, 2007. The village fiscal year was changed to a calendar year beginning January 1, 2011.

Section 250.150, RSMo, requires the village to obtain annual audits of the combined waterworks and sewerage system, and the cost of the audit is to be paid from the revenues received from the system. Additionally, as a condition of bond covenants, grant, and loan agreements, the village is required to obtain annual audits. Bond covenants also require the village to annually submit audited financial statements to the United States Department of Agriculture, Rural Development (USDA).

In a May 2013 letter to the village, the USDA indicated village officials had failed to submit financial statements for the years ended December 31, 2012 and 2011, after numerous requests. The letter further indicated that because the USDA was not able to obtain the village's financial information, the agency requested the village either pay off or refinance the remaining debt balance of \$110,149 owed as of June 1, 2013, to the USDA. The village eventually submitted unaudited financial statements to the USDA in 2014. The March 26, 2013, meeting minutes indicate the Board approved hiring an independent accountant to examine the village's finances. Similarly, the March 25, 2014, meeting minutes indicate the Board approved hiring a CPA to perform an audit of the combined water and sewerage system in accordance with bond requirements and Section 250.150, RSMo. Other than these approvals, no further actions regarding an audit of the village financial statements have been taken by the Board. Compliance with the requirements of grant and debt agreements is the responsibility of the Board and failure to comply with the agreements could jeopardize future grant and/or financing opportunities for the village.

2.4 Budgets

Annual budgets do not contain all elements required by state law and the village has not established adequate procedures to monitor or amend budgets. As a result, during 2013 amounts budgeted for disbursements were overspent by \$3,826.

Budget preparation

The Board prepares budgets for each village department checking account. However, the 2013 budget did not include a budget message, comparative statements of actual or estimated receipts and disbursements for the 2 preceding years, and indebtedness. In addition, the budget reported inaccurate beginning cash balances, and actual 2012 disbursements were



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used as 2013 budgeted disbursements without considering financial circumstances for the ensuing year. As a result, the Board is not using all available information or carefully evaluating budgeted disbursements to assist in effectively managing the village, and the public is not provided a complete overview of village finances. Also, budgets are not approved timely. The Board approved the 2013 budget on March 26, 2013, the 2014 budget on March 25, 2014, and the 2015 budget on April 23, 2015.

Section 67.010, RSMo, requires the budget to present a complete financial plan for the ensuing budget year and also sets specific guidelines for the format. A complete and well planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific financial expectations for each area of village operations.

Budget monitoring

The Bookkeeper provides the Board with monthly financial statements at each Board meeting; however, the reports do not include budget-to-actual information and the financial statements are not broken down by fund. As a result, the Board is not reviewing information to ensure disbursements remain within budgeted appropriations. Budgeted disbursements for 2013 totaled \$173,250 while actual disbursements totaled \$177,076. Without preparing and reviewing budget-to-actual information by fund, the Board cannot effectively monitor the financial operations of the village.

Budget documents are an essential tool for the efficient management of village finances. Actively utilizing budget-to-actual status reports by fund when making spending decisions is necessary to improve the effectiveness of the budgets as a planning tool and ensure compliance with state law. Section 67.040, RSMo, requires political subdivisions to keep disbursements within amounts budgeted but allows for budget increases if the governing body officially adopts a resolution setting forth the facts and reasons. In addition, Section 67.080, RSMo, provides that no disbursement of public monies should be made unless it is authorized in the budget.

Recommendations

The Board of Trustees:

- 2.1 Require proper accounting of village activities, including reducing transfers from the general bank account to the fund bank accounts and properly document the calculations used to allocate expenses among the village's funds. In addition, the Board should consider reducing the number of village bank accounts. The Board should also ensure accounting records are accurately maintained, the list of bills approved each month is complete and reconciled to the corresponding checks issued, and LET funds are expended in accordance with state law.



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- 2.2 Ensure complete and accurate financial statements are published and submitted to the SAO as required by state law.
- 2.3 Obtain annual audits as required by law, bond covenants, and grant and/or loan agreements.
- 2.4 Ensure budgets comply with state law and monitor budget-to-actual information.

Auditee's Response

- 2.1 *As of this date, the village has already instituted proper accounting methods with proper calculations used in allocating deposit to match monies received per account. The practice of all deposits running through the general bank account has ceased. Expenses and deposits of LET monies are accounted for as line items as of the date of this response. As of the date of this response, the village has already reduced the number of bank accounts. As of the date of this response, the village has undertaken accurate account tracking for expenses to ensure LET funds are expended in accordance with state law. Also as of the date of this response, policy and procedural changes were made to properly allocate expenses amount village funds and to maintain documentation to support the allocation. As of the date of this response, procedure is to provide a complete list of bills being reconciled with corresponding checks issued. The Board is working diligently to ensure only proper allowable expenses are purchased for restricted funds.*
- 2.2 *The Board will work diligently towards ensuring complete and accurate financial statements are published and submitted to the State Auditor's Office as required by state law.*
- 2.3 *The village shall work diligently to obtain annual audits as required.*
- 2.4 *The Board will make every effort to ensure that the budgets comply with state law and to monitor budgeted-to-actual information, based on current information.*

3. Controls and Oversight

We identified serious weaknesses in the controls and oversight of several village functions.

3.1 Oversight

The Board did not take sufficient steps to properly segregate accounting duties or implement adequate independent reviews of the work performed by the Village Clerk and Bookkeeper. Despite becoming aware in early 2014 of alterations being made to village records and other concerns with



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village finances and records, lack of Board oversight continues to be a problem.

The Village Clerk is responsible for supervising the work performed by the Bookkeeper and ensuring the accuracy of village records. Bookkeeper duties include receipting, depositing and disbursing monies, handling invoice preparation and utility collections, payroll functions, performing bank reconciliations, preparing monthly financial reports, and acting as the Board's secretary. During the audit period, two signatures were required on checks and although another Board member was authorized to sign checks, Village Clerk Phillips and Board Chairperson Byrd signed a majority of checks issued in 2013 and prior years without adequate independent reviews of the work performed. The Board Chairperson, along with the Village Clerk, continues to sign the majority of checks issued.

The lack of adequate controls and the absence of proper oversight by the Board allowed unsupported and unnecessary payments, alteration of village records, and noncompliance with village policy and state law. Had proper controls and oversight procedures been in place, it is likely some of the problems noted in this report may have been detected more timely and/or prevented. The Board should adequately review invoices provided by the Bookkeeper and checks should be signed by at least one Board member not involved with the day-to-day operations of the village. In situations where there are limited personnel and individuals become responsible for all aspects of financial functions, it is imperative that independent reviews and adequate monitoring procedures be implemented and documented.

3.2 Electronic data security

The Board has not established adequate password controls to restrict access to computer systems and electronic data to only authorized users and has not limited user access rights. For example, the Bookkeeper and Village Clerk are not required to change passwords on a periodic basis and they share passwords. The deleted deposit transactions discussed in MAR finding number 1, were completed by personnel with unlimited computer administrative rights. A user with unlimited rights could delete an audit trail. In addition the village has not established procedures to disable computer access promptly upon employee terminations or changes in Board members.

Passwords are required to authenticate access to computers. The security of a computer password is dependent upon keeping passwords confidential. However, since passwords do not have to be periodically changed and are shared, there is less assurance passwords are effectively limiting access to computers and data files to only those individuals who need access to perform their job responsibilities. Passwords should be unique and confidential and changed periodically to reduce the risk of a compromised password and unauthorized access to and use of computers and data.



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Additionally, village officials had not established sufficient policies or procedures to ensure village computer systems were adequately protected from malware¹ and did not install adequate virus protection software until May 2014. At that time, the village's computer contained 25 malware and/or Trojan Horse infected files. Without adequate malware protection procedures, there is an increased risk that the confidentiality, integrity, or availability of data stored in the accounting system can be compromised. Additionally, adequate computer and malware protection controls have not been established for the police department computer.

3.3 Cash controls

Controls over cash have not improved since the change in Bookkeeper in January 2014 and Board members in April 2014. For example, in May 2014, the Bookkeeper, who is responsible for making deposits, held a utility deposit for 37 days prior to depositing the monies. Additionally, these monies were deposited over the weekend at a bank branch location approximately 30 miles from the village. Other general operation deposits made on the same date and at the same location were held in excess of 46 days. A review of these deposits revealed some monies deposited could not be identified to a manual receipt slip and monies recorded on some manual receipt slips during this period could not be located in the deposit records. The Bookkeeper could not provide an explanation.

To improve internal controls and reduce the risk of loss, theft, or misuse of monies, the Board should require someone independent of the cash custody and record-keeping functions perform periodic reconciliations of receipts to deposits.

3.4 Payroll check dates

Information in the computerized accounting records did not always agree with information on the actual payroll checks issued. The computerized accounting system allows the user to change the date posted to the system. As further discussed in MAR finding number 6.5, dates on many payroll checks issued to the former Bookkeeper differed from the accounting records and bank records. It appears changes were made to dates subsequent to check issuance so that the system dates would be consistent with the pay period to which the checks pertained.

To account for all monies disbursed, the information on actual checks issued should agree with the information posted to the accounting records and bank records. To ensure the integrity of disbursement information entered into the payroll accounting system and to prevent changes from being made to check information after the checks have been issued, the village should work with its software provider to add control features to prevent these changes.

¹ Malware includes viruses, worms, spyware, key-logging, etc.



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Recommendations

The Board of Trustees:

- 3.1 Segregate accounting duties to the extent possible. If proper segregation of duties cannot be achieved, timely supervision or independent review of the work performed and investigation into unusual items and variances is necessary. The Board should also consider appointing someone other than the Village Clerk as a check signer.
- 3.2 Establish policies and procedures to ensure village computer systems are protected against unauthorized access and malware and require confidential unique user identifications and passwords for all employees. In addition, the Board should ensure passwords are not shared and are periodically changed.
- 3.3 Establish the necessary cash controls to account for all revenues and ensure receipt slips are issued and accounted for properly and receipts are deposited timely.
- 3.4 Work with its software provider to add control features to the accounting system that will prevent changes from being made to check information after the checks have been issued.

Auditee's Response

- 3.1 *As of the date of this response, the village has already taken steps to ensure proper oversight/review of work performed relating to accounting duties. The Board will ensure timely audits are completed for another level of review of the village's accounting records. The Board will consider appointing someone other than the Village Clerk as a check signer.*
- 3.2 *The village will, at the next possible opportunity, take action to approve purchase of proper malware software. The village has already taken action to protect against unauthorized access by requiring confidential and unique identification(s)/password(s) for all employees with access to computer systems. The Board has ensured that passwords are not shared and are changed periodically.*
- 3.3 *As of the time of this report, the village has already established necessary cash controls to account for all revenues. Receipts are issued and accounted for properly and are deposited in a timely manner.*
- 3.4 *As of the time of this report, the village has already taken steps to prevent changes from being made to check data in the software system after the checks have been issued. As a further level of*



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control the bank statement information is periodically matched with the accounting program to ensure no changes have been made.

4. Accounting Records and Procedures

4.1 Receipting and depositing procedures

We noted serious weaknesses with the village's receipting and depositing procedures and handling of petty cash.

The village does not maintain adequate records of receipts and depositing procedures are poor. As a result, there is no assurance monies collected were properly handled, recorded, or deposited.

- The village does not issue receipt slips for payments received by check or money order unless a receipt is requested and a receipt log is not maintained for payments placed in the village hall drop box.
- The only documentation available to support some cash register withdrawals were informal notes, some of which were initialed by village officials. Notes indicate \$1,399 was withdrawn for various purposes including purchases of fuel and supplies (\$819) and salary advances (\$155). Other withdrawals were made for unidentified reasons (\$425), and relevant details associated with the withdrawals were not recorded.
- The village does not issue manual receipt slips in date order, consistently indicate the method of payment, or reconcile the method of payment to the composition of receipts recorded in the computerized accounting system or to the deposit. We noted 5 receipts slips in 2013 dated out of sequence and issued to the Board Chairperson. The dates on these receipt slips give the appearance utility payments were made on time. The 5 receipt slips were dated before the monthly deadline, while the receipt slips issued immediately before and after were dated after the monthly deadline. In addition, 2 of the 5 payments (receipt slip numbers 169987 and 339012) were not deposited.
- Monies deposited are not reconciled to receipt records. Utility monies collected are posted to the computerized financial system and a deposit summary report is generated; however, amounts deposited did not always agree with the deposit summary report. Instances were identified where deposits were less than the deposit report amount and monies are missing (see MAR finding number 1). Also, instances were noted where deposits were more than the deposit report amounts, and some monies received and deposited were not recorded on the deposit report.

Failure to implement adequate receipting, recording, and depositing procedures increase the risk that loss, theft, or misuse of monies received will go undetected and accounting records will contain errors.



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4.2 Petty cash fund

The petty cash fund is not maintained on an imprest basis, a complete petty cash ledger is not maintained, and documentation to support disbursements is not adequate.

Village records indicate checks totaling at least \$6,440 were issued payable to cash or petty cash from July 2010 through December 2013. Check memo notations indicate \$935 was withdrawn to replenish monies in the cash drawer and the remaining \$5,505 to replenish petty cash. These checks were issued in amounts ranging from \$50 to \$500. Vendor receipts totaling \$3,298 for petty cash purchases were located, leaving an unidentified difference of \$2,207.

To provide proper accountability over cash on hand, and to ensure these monies are adequately safeguarded against loss, theft, or misuse, monies should only be requested as needed and the balance of the petty cash fund should be maintained on an imprest basis.

Recommendations

The Board of Trustees:

- 4.1 Require all receipt slips be issued in date order, the method of payment documented on the receipt slips, and the composition of receipts reconciled to the composition of deposits. The Board should ensure all monies are deposited intact and timely.
- 4.2 Maintain petty cash at a constant/imprest amount and review supporting disbursement documentation prior to replenishment of the fund.

Auditee's Response

- 4.1 *As of the time of this report, the village has already set procedures in place for all monies to have receipt slips issued in date order with the method of payment documented on the receipt slips and the composition of receipts reconciled to the composition of deposits, with monies deposited intact and in a timely manner.*
- 4.2 *As of the time of this report, the petty cash fund no longer exists.*

5. Utility System Controls

Some village residents are not connected to the village's utility system. Sewer rates were increased without preparing a statement of costs as required by law, controls over utility deposits need improvement, and a reconciliation of customer utility deposits to accounting records is not performed.

5.1 Water meters

Some village residents are not connected to the village's utility system. Municipal Ordinance 83 approved by the Board on September 19, 1989, requires all dwelling units within the village to have a water meter. In addition, revenue bonds issued on January 29, 2002, require the owners of



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all houses, buildings or properties, situated within the village, at the owner's expense to connect directly with the utility system within a reasonable time. We obtained a county assessment map of the village property limits and determined 6 properties (including a property owned by the Village Clerk) are not connected to the village's utility system. Based on 2013 water and sewer rates and using an average household usage of 5,000 gallons monthly, an estimated \$4,560 in utility revenue is not being received by the village from these properties.

Failure to comply with bond agreements and municipal ordinances over utility system connections could result in lost revenues for utility services and bond default. The Board should seek legal counsel regarding any action that should be taken.

Meter replacement program

Village officials entered into a 20-year loan agreement for \$17,401 in July 2010 with the Missouri Department of Natural Resources (DNR). This loan provided the required matching funds for a water meter replacement project in combination with receiving a Community Development Block Grant (CDBG) totaling \$106,197. Grant documents indicate the village agreed to replace 118 water meters, in addition to other water system program improvements. However, Board minutes from May 2014 indicate only 75 meters were purchased. In May 2014, we, along with the water/sewer contractor, observed about 50 meters in storage even though Board Chairperson Byrd signed CDBG close out documents in January 2012 reporting 118 new meters were installed.

In March 2014, Board members were not aware of the meter replacement conditions of the CDBG agreement until we brought them to their attention and they could not provide documentation of the meter replacement project. The village's water/sewer contractor provided us an accounting of the replaced meters. His listing indicated 29 meters had been replaced however, that list included some meters that had been replaced earlier using DNR loan monies. Our audit work determined 21 meters had been replaced with grant monies.

The Board's failure to properly plan and oversee the meter replacement project has resulted in meters purchased but not installed or accounted for accurately and improper reporting to the granting agency.

Further, the village spent \$16,390 for these meters and was eligible for an early payment discount of \$327 if paid by February 28, 2011. The village paid the vendor on February 1, 2011, but did not apply the discount.

Good business practices require adequate planning prior to approving significant capital improvement projects and entering into long-term financing arrangements. Adequate planning for major capital projects is necessary to ensure the projects are financially feasible and supported by the



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taxpayers, and to ensure projects are completed in accordance with written agreements.

5.2 Trash fees

The Bookkeeper indicated several utility customer accounts are not charged trash fees. Village Ordinance 400 authorizes trash fees and states that every user shall pay \$15 each month for trash removal services. Additionally, the solid waste contract dated September 1, 2011, states the trash contractor shall have the exclusive responsibility to collect, haul, and dispose of all trash from village residences. A representative of the village's trash contractor indicated the contractor provides trash services to all village residents. However, the village provided us with a list of 6 residents who do not pay for trash services. A review of Board meeting minutes indicated the Board waived fees for one residence; however, no explanation was given for this decision. We could not find documentation waiving trash service fees for the other 5 residents. Trash services fees not collected for these 6 residents total \$1,080 annually.

5.3 Water and sewer rate

Village officials increased sewer rates in May 2013 without preparing a statement of costs or maintaining documentation of how they calculated the rate increase. Additionally, accounting records are not accurately maintained to provide the financial data necessary to calculate the cost of operating the utility system. Board meeting minutes indicate village officials discussed rate increase requirements with the village's legal counsel, however, no written legal opinion was obtained. Without a current cost study, it is unclear whether the rates assessed for these services are set at an appropriate level.

Section 67.042, RSMo, provides that fees may be increased if supported by a statement of costs, which shows the increase is necessary to cover costs of providing the service. To ensure utility rates are set to cover the cost of providing the related services, the village should perform and document a detailed cost study of its water and sewer costs, including depreciation, and establish rates to cover the total cost of operations without generating excessive profits.

5.4 Water reconciliations

The village did not perform monthly reconciliations of amounts billed, payments received, and amounts unpaid for utility services during 2013. Monthly reconciliations are necessary to ensure accounting records balance, transactions are properly recorded, and errors or discrepancies are detected timely. In addition, the most recent water loss review performed by the water/sewer contractor was for the period ending 2011 and indicated water lost or unaccounted for was 39 percent of water pumped. Village officials did not receive or review this information until we obtained it from the water/sewer contractor.



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Monthly reconciliations of gallons of water billed to gallons of water pumped and tracking village water usage is necessary to help detect significant water loss and ensure all water use is properly billed.

5.5 Penalties

Some customers were not charged late fees on delinquent bills, and amounts assessed are not supported by village ordinance. Additionally, monies received for late fees and reconnection fees are transferred to the General Fund and used to fund general operations.

Late fees

The village assesses late fees on utility bills even though village Ordinance 400, approved by the Board on July 21, 2010, repealed the collection of late fees. Late fees are assessed on accounts when payments are not received by the 15th of the month. However, we noted numerous instances in the accounting records indicating Village Clerk Phillips and Board Chairperson Byrd waived late fees without supporting documentation indicating the Board's approval.

Utility fee transfers

In September 2010, village officials approved the transfer of utility system late fees and reconnection fees to the General Fund to fund general operations. However, village Ordinance 400 regulating the village's utility system indicates all charges generated from the utility system will be used for the purpose of operating and maintaining the public utility system. The village transferred late fees and reconnection fees totaling approximately \$4,700 during 2012 and 2013.

Conclusion

The Board does not provide adequate oversight related to assessing utility system fees and how the fees are handled by the village. Ordinances related to the utility system should be clarified and enforced consistently to ensure equitable treatment of customers. In addition, fees generated from the utility system should not be used to fund general village operations.

5.6 Utility deposits

Refundable water deposit monies held in the utility escrow account are not accounted for properly. Several questionable transfers were made to and from the utility escrow account. In February 2011, \$1,200 was transferred from the utility escrow account to the police checking account. In March 2011, \$200 was transferred from the street account to the utility escrow account. In August 2011, \$3,750 was transferred from the general account into the utility escrow account.

Board Chairperson Byrd and Village Clerk Phillips created a listing of utility deposits held in escrow in January 2014. However, this list was incomplete, lacked necessary details, and differed from amounts recorded in the accounting records. The bank account had an approximate balance of \$7,000 while the list totaled approximately \$5,400.

Refundable water deposit monies are restricted funds held for customers. To ensure all water deposit monies received from customers are accounted for



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properly, the Board should review water deposit records to ensure all monies received were deposited and posted to the appropriate customer account, and prepare an accurate list of water deposits held by the village and reconcile the list monthly to monies held in the Utility Escrow Fund bank account.

Recommendations

The Board of Trustees:

- 5.1 Consult with legal counsel and investigate the village's legal obligations regarding some village residents not being connected to the utility system. The Board should also consult with appropriate state and federal agencies regarding incorrect reporting and noncompliance with grant or loan arrangements.
- 5.2 Assess and collect trash fees from all residents in accordance with ordinance and contracted terms.
- 5.3 Ensure a statement of costs is prepared to support utility rate increases and document formal reviews of water and sewer rates periodically to ensure revenues are sufficient to cover all costs of providing these services.
- 5.4 Ensure monthly reconciliations of system water loss amounts and amounts billed to amounts collected and delinquent accounts are performed. In addition, the Board should ensure documentation to support reconciliations is retained.
- 5.5 Consistently enforce utility account penalties as appropriate, clarify utility system ordinances, and cease transferring restricted utility fees to the General Fund.
- 5.6 Ensure an accurate list of utility deposits is prepared and reconciled monthly to monies in the Utility Escrow Fund bank account. Any discrepancies should be investigated and resolved.

Auditee's Response

- 5.1 *The village will consider consulting with legal counsel and conduct a cost analysis to determine expense with the goal towards mandating all residents be hooked up to the utility system. The village will also consider consulting with the appropriate state and federal agencies regarding any possible incorrect reporting and noncompliance with grant and loan arrangements.*
- 5.2 *In accordance with ordinance, the village will ensure all residents are charged a sanitation (trash) fee as required by municipal ordinance.*



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- 5.3 *The village will institute a cost analysis policy to periodically review expenditures with revenues to coincide with yearly audit.*
- 5.4 *As of the time of this report, reconciliation of system water loss amounts and amounts billed to amounts collected and delinquent accounts are in place with adequate documentation in place.*
- 5.5 *As of the time of this report, the village has taken steps to cease transfer of funds into and out of the general account. All deposits are correctly deposited into the proper banking account. At the first opportunity, the Board will enact a new ordinance to simplify/clarify penalties.*
- 5.6 *At the first opportunity, the village will ensure that an accurate list of utility deposits is prepared and reconciled with the escrow account.*

6. Payroll and Related Matters

Significant improvement over payroll controls and procedures is needed. The village has not followed its personnel policies regarding employee leave and benefits, and numerous problems were identified with payroll disbursements. Additionally, the village did not comply with court orders timely and there is no evidence the Board is adequately monitoring annual payroll costs. The village's gross wage expenses were approximately \$36,500 and \$29,800 in 2014 and 2013, respectively.

6.1 Employee records security

Trustee Byrd was removed as Board Chairperson during a meeting on March 5, 2014, after the Board reviewed a recording of the village's closed circuit security system showing Board Chairperson Byrd removing a personnel file without authorization. Employee records are not properly secured to prevent improper access or removal from village hall. Without adequate safeguards over employee records, there is the risk of inappropriate access to personal, confidential employee information.

6.2 Withholding and reporting of compensation

Village officials failed to withhold federal taxes from employee pay checks. Village officials also do not properly maintain employee I-9 and W-4 forms as required by law.

In addition, the former Bookkeeper failed to file federal payroll tax reports for quarters ending March 31, 2012, September 30, 2012, and December 31, 2013. The village has not paid the taxes, penalties, and interest related to late filing of the 2012 reports. The amount due to the Internal Revenue Service (IRS) is at least \$870. The village paid penalties and interest totaling \$406 for the late 2013 report.

The IRS requires employers to withhold and remit federal income taxes and ensure a W-4 form is completed by each employee. If an employee does not submit a W-4 form the village is to withhold federal taxes based upon a



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single person with no withholding. Additionally, according to the Immigration Reform and Control Act of 1986, an individual may not begin employment unless an I-9 form is completed. Employers are subject to civil or criminal penalties if they do not comply.

The Internal Revenue Code requires Form 941 to be filed with the IRS on a quarterly basis along with payment of Social Security and Medicare taxes withheld from the employee and the employer's share, as well as federal income taxes withheld. The failure to withhold and properly report payroll and income taxes for workers makes the village potentially subject to additional tax liabilities along with penalties and interest.

To prevent unnecessary fees and charges, procedures should be in place to ensure bills are paid timely and account balances monitored.

6.3 Time records and overtime

We noted the following problems related to payroll records and disbursements.

- The village overpaid the police officer because compensation was based on working 12 hours each pay period. However, the officer did not always work 12 hours and notes on timesheets indicate exceptions. A review of the police officer's January and February 2013; timesheets indicate he worked between 5 hours and 12 hours, and once worked 16 hours, during each 2-week pay period for the 4 pay periods reviewed. Additionally, handwritten notes added to these 4 timesheets indicate the police officer owed the village approximately 14 hours in overpaid compensation. Records were not available to determine if the police officer's future pay was adjusted for the amount over compensated.
- The police officer was compensated at the overtime rate (time and one-half) for working on holidays, even though hours worked did not exceed 40 hours per week, which would require overtime compensation. The village's General Employee Handbook states holiday pay will be paid at the employees normal compensation amount. The officer was also paid overtime compensation for the day after Thanksgiving, even though this day is not listed as a holiday in the employee handbook. As a result, the village paid more than was required.
- The village did not have documentation for 14 of 18 payroll disbursements totaling \$3,505 to Board Chairperson Byrd's son (for more details regarding this employee, see MAR finding number 8.1) from March 2013 through December 2013. Documentation to support payroll checks issued indicate the employee was paid by the hour to perform mowing and clean up services for the village. However, Board minutes indicate the Board only approved compensation at \$100 each time village property was mowed.



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The practice of paying village employees for estimated hours may lead to errors and the potential for employees to be over/under paid. To adequately account for all payroll expenses and ensure the accuracy of hours worked, village employees should prepare and sign timesheets, and timesheets should contain documented supervisory or independent reviews and be approved by the Board. In addition, the Fair Labor Standards Act (FLSA) requires accurate records of actual time worked by employees be maintained.

6.4 Employee benefits

The village improperly paid and provided benefits to some employees even though village policy states employee benefits are not offered.

The village's General Employee Handbook indicates that benefits including health insurance, and vacation and sick leave are not offered. However, we noted an instance where paid vacation was approved for an employee. Also, the village paid several months of health insurance for the police officer. Individual health insurance benefits totaling \$920 and \$2,786 were paid by the village in 2013 and 2012, respectively. The village withheld \$939 from the police officer's paycheck to recover some of the costs of the insurance. In January 2014, the Board approved a \$75 monthly insurance allowance for the new Bookkeeper. In March 2014, 3 checks were issued to a healthcare provider totaling \$188 for personal medical bills of the Bookkeeper.

Strict compliance with the village's written personnel policies is necessary to provide guidance to village employees, ensure employees are treated equitably and properly compensated, and avoid misunderstandings.

6.5 Advance pay and bonuses

The village issued payroll checks prior to the pay period to which they pertained, provided pay advances to employees, and paid Christmas bonuses.

Our review of payroll transactions for the former Bookkeeper identified several problems. For the period December 2012 through December 2013, dates on most payroll checks issued to the Bookkeeper preceded the entire pay period noted on the payroll remittance advice. We also noted that several checks cleared the bank prior to the pay period. For all checks issued prior to October 2013, the dates on the payroll checks differed from the accounting records and bank records. Records indicate that after issuing these payroll checks, the check dates denoted on the remittance advice were manually changed to a later date which matched the date recorded in the accounting system and was subsequent to the pay period. For example, a check dated December 7, 2012, and pertaining to the pay period December 16 to 31, 2012, later showed a check issuance date of January 1, 2013, in the accounting system. This check cleared the bank account on December 7, 2012.



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For 2013 the village issued a W-2 form showing wages to the Bookkeeper totaling \$17,453, which differs from actual wages paid totaling \$14,917 and wages earned totaling \$15,564. Village officials could not explain the discrepancies, but they are likely related to check date changes and other unusual items noted in the payroll reports (multiple checks for same pay period and pay data with no corresponding check).

In addition, the village provided pay advances to 3 employees, in 2013 totaling \$1,768 (\$1,268 to the former Bookkeeper; \$400 to Board Chairperson Byrd's son; and \$100 to the police officer). One advance payment totaling \$100 was not deducted from Board Chairperson Byrd's son's final paycheck when his employment ended. Further, the village paid Christmas bonuses totaling \$350 to village employees and reserve police officers in December 2013. The remittance advices clearly indicate the checks were for payroll advances and Christmas bonuses. Those signing the checks, primarily Board Chairperson Byrd and Village Clerk Phillips, should have identified these as improper payments.

Advance payments of employee compensation are loans of the village's funds. The Board has no statutory authority to make loans and Article VI, Section 23, Missouri Constitution, specifically prohibits counties, cities, or other political subdivisions of the state from granting public money or things of value to any corporation, association, or individual.

Bonus payments appear to represent additional compensation for services previously rendered and, as such, are in violation of Article III, Section 39, Missouri Constitution, and Attorney General's Opinion No. 72, from June 14, 1955, which states, ". . . a government agency deriving its power and authority from the constitution and laws of the state would be prohibited from granting extra compensation in the form of bonuses to public officers after the service has been rendered."

Recommendations

The Board of Trustees:

- 6.1 Properly limit access to payroll records.
- 6.2 Monitor all payroll activity to ensure payroll taxes are withheld and deposited, and payroll checks are authorized. In addition, the Board should ensure payroll tax returns are filed timely and delinquent payroll taxes are remitted. The Board should also ensure I-9 and W-4 forms are maintained for all employees.
- 6.3 Ensure timesheets and time summaries are prepared and signed by employees and reviewed and approved by the Board, and employees record actual time worked. In addition, the Board should ensure the village's overtime policies are followed.



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- 6.4 Ensure the village's personnel policy is followed when determining employee benefits paid, and discontinue the practice of issuing checks for employees personal bills.
- 6.5 Discontinue paying employee bonuses and providing payroll advances. The Board should also ensure regular payroll checks are not issued prior to the pay period or end of the pay period to which they pertain.

Auditee's Response

- 6.1 *The village will consider improving controls to ensure employee records are properly secured at village hall.*
- 6.2 *As of the date of this response, the village has been utilizing the payroll function in QuickBooks and will continue processing payroll forms through the QuickBooks program. In addition, the program has a reminder feature to help with timely payroll tax returns and remittance of such forms. The village will ensure all required employment records are maintained for all employees.*
- 6.3 *As of the date of this response, proper procedures are in place to ensure timesheets and summaries are prepared, signed, and track actual time worked. This documentation is presented to the Chairman of the Board and Clerk for review and approval. Also, as of the date of this response, a personnel policy is in place and being followed when determining overtime/compensatory time.*
- 6.4 *As of the date of this response, a personnel policy is in place and being followed when determining employee benefits paid. The village stopped paying for employees personal bills.*
- 6.5 *As of the date of this response, procedures and practices are in place that have discontinued paying employee bonuses and payroll checks are issued after completion of work performed. All payroll checks are issued at the end of the pay period.*

7. Disbursements

Controls over disbursements need improvement.

7.1 Water and sewer services

The water/sewer contractor reads meters, replaces meters, provides maintenance and repair services, and collects water samples for testing. We identified the following concerns related to the water and sewer operator services:

- The village did not solicit bids for contracted water and sewer services or services to install water meters. Village Ordinance 94 requires village officials to solicit bids for the purchase of goods and services costing



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over \$2,000. Water and sewer services are not included on the list of bidding exemptions passed by the Board in November 2011.

- In a written statement, former Bookkeeper DeScheda indicated the water/sewer contractor is a relative of Board Chairperson Byrd who served on the Board until March 2014. Board Chairperson Byrd did not always abstain from voting on the contract approvals and payments to this relative. The village entered into a 2-year contract with this contractor in March 2013 and the Board Chairman signed the contract.
- The village did not adequately monitor the contract with the water/sewer contractor. The contract provides for various services, including collecting special water samples. However in September 2013, the village paid an additional \$200 for costs related to collecting water samples. In another instance, the village paid \$100 for the contractor to attend a conference sponsored by the Missouri Rural Water Association, which was not included in the contract terms.

The routine use of a competitive procurement process, which is required by village code for major purchases ensures the village has made every effort to receive the best and lowest price and all interested parties are given an equal opportunity to participate in village business. Also, Board members serve in a fiduciary capacity and approving contracts and disbursements for relatives could create a conflict of interest and should be avoided. Discussions and decisions concerning situations where potential nepotism or conflicts of interest exist should be completely documented so the public has assurance no village official has benefited improperly.

In addition, closely monitoring contractor performance with contract terms is important to ensure limited village resources and assets are used wisely and that expectations of village officials and the public are met.

7.2 Supporting documentation

The village did not maintain adequate supporting documentation for many disbursements. The only documentation for several disbursements was the check remittance advice. Examples of disbursements without adequate supporting documentation follow.

- The municipal division's cell phone was included on Board Chairperson Byrd's personal cell phone account from February 2012 to November 2012. The village issued reimbursement checks ranging from \$41 to \$53 monthly to Board Chairperson Byrd for the municipal division's portion of the account. However, Board Chairperson Byrd did not submit documentation to support these payments. In November 2012, the municipal division's cell phone was disconnected due to unpaid services. The village spent \$725 from December 2012 to February 2013



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to get the cell phone account in the village's name and resolve the unpaid balance.

- In December 2012, the village issued a check payable to petty cash in the amount of \$352. The check memo indicated winterizing supplies and materials. In November 2013, when we arrived at the village, adequate supporting documentation was not attached to the remittance advice, however, when records were subpoenaed in January 2014, a calculator tape was attached, signed by Village Clerk Phillips indicating the purchase of gloves, snow shovels, and antifreeze.

Detailed supporting documentation, such as itemized receipts and vendor invoices should be retained to ensure the obligation was actually incurred and the disbursement represents an appropriate use of funds.

7.3 1099-MISC forms

The village did not accurately report information on some 1099-MISC forms.

We compared the village's disbursement listing to the amount recorded on the water/sewer contractor's 1099-MISC form and identified a difference of \$1,155 from the total amount paid the vendor (\$29,700) and amount reported (\$28,585) on the 1099-MISC form. In addition, the 1099-MISC form issued to the village's attorney showed payments totaling \$8,350 were incorrectly reported as subsidized payments in lieu of dividends or interest rather than as nonemployee compensation.

To ensure compliance with IRS requirements, the village should establish procedures to ensure 1099-MISC forms are issued with accurate information.

7.4 Late fees and finance charges

The Village Clerk did not ensure bills were paid timely causing the village to incur late fees and finance charges. According to former Village Clerk Phillips, the Bookkeeper had this responsibility. However, the Village Clerk is responsible for supervising the Bookkeeper. Village officials also failed to monitor the village's cash balances incurring \$112 in bank minimum balance and overdraft charges.

Recommendations

The Board of Trustees:

- 7.1 Ensure bids are solicited for purchases of goods or services in accordance with village ordinance and policy and closely examine village transactions to identify apparent and actual conflicts of interest. The Board should also implement procedures to monitor contract compliance.



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- 7.2 Ensure sufficient supporting documentation is maintained for all disbursements.
- 7.3 Implement procedures to ensure 1099-MISC forms are accurately filed.
- 7.4 Implement procedures to ensure bills are paid timely and bank account balances are properly monitored to avoid late fees, finance charges, and bank overdraft fees.

Auditee's Response

- 7.1 *The village will ensure that bids are solicited when necessary. The village will thoroughly and consistently screen to avoid conflict of interest. The village will monitor contract compliance(s) scrutinizing and reviewing purchases of items avoiding improper use.*
- 7.2 *As of the date of this response, the village has implemented policy/procedure where proper documentation is provided for all checks. Documentation is provided to the Board along with checks before presentation for review and signatures.*
- 7.3 *As of the date of this response, the village has implemented the use of the tax form preparation feature in QuickBooks, which presents accurate records for filing 1099-MISC forms.*
- 7.4 *As of the date of this response, proper procedures are in place to ensure bills are paid timely and bank balances are properly monitored to help avoid late fees, finance charges, and bank overdrafts.*

8. Elected Officials and Election Procedures

A Board member's actions resulted in nepotism and the village has not established adequate procedures to ensure that individuals filing as candidates for the Board of Trustees meet statutory requirements to qualify as candidates. Election information was not submitted to the County Clerk prior to the deadline established by the state election authority.

8.1 Nepotism

According to the April 25, 2012, Board meeting minutes Board Chairperson Byrd voted to employ her son. Board meeting minutes subpoenaed on January 28, 2014, contained handwritten notes that were added to the official April 25, 2012, Board minutes on January 27, 2014, by Board Chairperson Byrd. The added notes indicate the minutes were not accurate when compared to the way Board Chairperson Byrd took the minutes during the meeting. Comments were also added indicating she did not vote on the employment of her son. In addition, in March 2013, Board Chairperson Byrd voted to contract with her first cousin's husband for water and sewer services and voted to hire another first cousin's husband to clean ditches in



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May 2011. The village provided us with a list of related parties, which we used in determining any nepotism and conflicts of interest.

Handwritten minutes for a February 24, 2014, Board meeting indicate Trustee Land made a motion to increase the village maintenance position, held by Board Chairperson Byrd's son, from a seasonal position to a year-round position and authorize a salary of \$672 per pay period. Only 3 trustees attended this meeting. Minutes indicate Board Chairperson Byrd abstained, and as a result, the increase in payroll costs were approved by only 2 of the village's 5 Trustees. On April 2, 2014, Trustee Land submitted a written letter to the Board indicating the February 24, 2014, minutes recording his actions regarding Byrd's son's employee status and maximum hours were inaccurate. In addition, we reviewed a text message sent to the Bookkeeper by Board Chairperson Byrd, authorizing a payroll disbursement in February 2014 for 2 weeks' gross wages totaling \$672 to her son. It is questionable whether the increase in compensation and change in position status was properly authorized and approved by the Board.

Section 80.070, RSMo, indicates at all meetings of the Board, a majority of the trustees shall constitute a quorum to do business. Additionally, Article VII, Section 6, Missouri Constitution, provides that any public official who names or appoints to public office or employment any relative within the fourth degree shall forfeit his office. Because of the serious consequences resulting from appointing a relative, the Board should ensure its members abstain from any decision to appoint a relative and ensure that action is fully documented in the meeting minutes. Discussions and decisions concerning situations where potential nepotism or conflicts of interest exist should be completely documented so the public has assurance no village official has benefited improperly.

8.2 Candidate qualifications The village has not established adequate procedures to ensure all candidates for the position of trustee are qualified to run for office.

- Although Trustee Kristina Richards pled guilty to a felony in 2005, she ran for the Board in April 2014 and was then appointed to fill a vacant seat in April 2014 after not being elected.
- Board Chairperson Byrd was listed on the April 2013 municipal election ballot when her village real estate and personal property taxes were in arrears for tax years 2011 and 2012. The last day for candidate certification for the April 2013 election was January 22, 2013. Board Chairperson Byrd's village property taxes were not paid until March 19, 2013.
- Trustee Jared West, elected to the Board in April 2013, owed 2012 village property taxes at the time he was elected to the Board. The



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Village received a delinquent property tax list from the Crawford County Collector, which the Board reviewed on November 26, 2013. The list included Trustee West. He paid the delinquent taxes in June 2015.

Section 115.349, RSMo, states no candidate's name shall be printed on any official primary ballot unless the candidate has filed a written declaration of candidacy in the office of the appropriate election official and that if nominated and elected he or she will qualify and further states the declaration shall be subscribed and sworn to by the candidate before an official authorized to accept his or her declaration of candidacy. Section 115.350, RSMo,² states no person shall qualify as a candidate for elective public office if they have been convicted of, or have been found guilty of, or have pled guilty, to a felony under the laws of this state. Section 115.342, RSMo,³ provides that any person who files as a candidate for election to a public office, shall be disqualified from participation in the election if such person is delinquent in the payment of any state income taxes, personal property taxes, municipal taxes, or real property taxes on the place of residence, as stated on the declaration of candidacy.

8.3 Late municipal certification filings

Village officials failed to submit April 2012 Board candidate certifications to the Crawford County Clerk timely. The deadline for election certification to the County Clerk's office for the April 2012 election was 5:00 p.m. on January 24, 2012. That deadline was missed by the Village Clerk, requiring the village to hold its election in August 2012. The village incurred additional election costs totaling \$450 because the August 2012 election was a primary election that included candidates for federal office and fewer entities filed election certifications for that election.

Village officials again failed to submit Board candidate certifications to the county election authority timely for the April 2013 election. The village incurred \$550 in additional filing and attorney fees to provide the county election authority a required court order to have village candidates' names printed on the April 2013 election ballot.

² Section 115.350, RSMo, was repealed effective August 28, 2015. Section 115.306.1, RSMo (effective August 28, 2015), provides no person shall qualify as a candidate for elective public office if he/she has been found guilty of or pled guilty to a felony or misdemeanor under federal law or to a felony under state law.

³ Section 115.342, RSMo, was repealed effective August 28, 2015. Section 115.306.2.(1), RSMo (effective August 28, 2015), provides that any person who files as a candidate for election to a public office shall be disqualified from participation in the election for which the candidate has filed if such person is delinquent in the payment of any state income taxes, personal property taxes, municipal taxes, real property taxes on the place of residence, as stated on the declaration of candidacy.



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Section 115.125, RSMo, provides specific deadlines for candidate certification filings for each type of election with each governing election authority. In addition, as Missouri's chief election official, the Secretary of State provides an annual election calendar and valuable resources on the office's website to ensure integrity and fairness in Missouri elections.

Recommendations

The Board of Trustees:

- 8.1 Ensure Board members abstain from voting when a relative's appointment is involved and consult legal counsel regarding the village's position regarding this issue.
- 8.2 Ensure candidates for village office possess the statutory qualifications for holding office. The Board should also consider seeking legal advice from the Village Attorney regarding the current Board members without the statutory qualification to hold office.
- 8.3 Establish procedures to ensure municipal candidacy for elective official filings are submitted to the county election authority prior to the final certification deadline.

Auditee's Response

- 8.1 *The village will take every step to ensure proper abstaining from voting when required by law and will consult with legal counsel regarding the village's position on this issue.*
- 8.2 *The Village Attorney will prepare statutory summary and will work with the County Clerk and Election Authority if necessary.*
- 8.3 *As of the date of this response, the village has changed office procedures and practices to ensure proper submission to the county election authority and following all deadlines. The village will continue to closely monitor this issue.*

9. Monitoring of Excess Revenues

The village did not calculate the percent of annual general operating revenue from fines and court costs related to traffic violations for 2013 and 2014, determine whether excess revenues should be distributed to the state Department of Revenue (DOR), and provide an accounting of the percent in its annual financial report as required by state law.

The village's municipal division does not have procedures in place to identify traffic violation tickets and the associated fines and court costs collected and transmitted to the village. In addition, the village's financial records do not provide a proper accounting of general operating revenues. This information is needed by the village to calculate the percent of annual general operating revenue from fines and court costs related to traffic violations, determine whether excess revenues should be distributed to the



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state DOR, and provide an accounting of the percent in its annual financial report as required by state law. For 2013 we reviewed the court's monthly municipal division summary reporting forms submitted to the Office of State Courts Administrator to determine fines and court fees and village receipt records to determine total general operating revenue. Based on this information, the village may have collected excess court revenues.

The village's 2013 annual financial report was filed timely with the State Auditor's Office, but it did not provide an accounting of the percent. The village had not filed its 2014 annual financial report with the office as of September 10, 2015. That report was due by April 30, 2015, if unaudited and June 30, 2015, if audited. Also, with the completion of its current year (2015), the village will again be required to provide an accounting of the percent. Thus, the Board should work with the municipal division to develop records to identify applicable traffic violations and the related fines and court costs revenues to assist the city in complying with state law.

Section 302.341.2, RSMo, effective August 28, 2013, to August 28, 2015, was applicable for the scope of the audit and required cities to provide an accounting of the percent of annual general operating revenue from fines and court costs for traffic violations (excess revenue calculation) in annual financial reports submitted to the SAO (as required by Section 105.145, RSMo), and required cities to remit any such revenues in excess of 30 percent of annual general operating revenue to the DOR. Section 302.341.2, RSMo, further provided that a city that was noncompliant with the law was subject to immediate loss of jurisdiction of the city's municipal court on all traffic-related charges until all requirements of the section were satisfied. Under Senate Bill 5 (2015), effective August 28, 2015, the sections related to excess revenues were further amended and moved to Section 479.359, RSMo.

Recommendation

The Board of Trustees work with the municipal division to develop procedures to monitor, track, and report excess revenues from traffic violations, and make appropriate payments to the DOR for any excess revenues.

Auditee's Response

The village will develop policies and procedures to monitor, track, and report fine/revenues collected and comply with state law to ensure the village stays under statutory thresholds with appropriate payments to the DOR for any excess revenues.

10. Sunshine Law Compliance and Ordinances

The village did not always ensure compliance with the Sunshine Law and significant improvement is needed with village ordinances.



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10.1 Board meetings

The village's procedures for complying with the Sunshine Law and maintaining minutes of meetings need improvement. We noted the following problems with Board meetings and minutes.

Closed meetings

Closed meeting procedures need improved.

- Closed meetings were not always properly posted.
- Meeting minutes were not prepared for 32 of 46 closed Board meetings held from January 1, 2011, through December 9, 2014. In addition, closed meeting minutes are not always approved timely. For example, the meeting minutes for May 1, 2014, have not been approved by the Board. Meeting discussions on June 24, 2014, indicate the Board cannot agree on village business occurring at the meeting and as a result, the May 1, 2014, meeting minutes have not been approved as of April 2015.
- We identified numerous discussions in closed meetings that are not allowed by law. For example, the January 14, 2014, closed meeting minutes indicated discussions occurred regarding the village's contract with a security company. In another example, the Board discussed advertising employee positions in a June 24, 2014, closed meeting.

Meeting minutes

The Board procedures over meeting minutes need improved.

- Village officials were unable to locate official minutes for meetings prior to January 1, 2011. Meeting minutes are considered permanent records and should be archived and retained permanently according to the Secretary of State's established record retention guidelines for local government officials.
- Some open meeting minutes did not include the time and place of the meeting.

Conclusion

The minutes are the only official record of Board actions. Care should be taken to ensure minutes are complete and document discussions or reasons behind Board decisions. Inadequate or unclear minutes can lead to uncertainty as to the Board's intentions, possible incorrect interpretation by the general public or other outside entities of actions taken, and the inability to demonstrate compliance with legal provisions.

The Sunshine Law, Chapter 610, RSMo, limits discussions in closed meetings to only those specifically allowed by law; requires governmental bodies to prepare and maintain minutes of open and closed meetings; and requires minutes to include at a minimum the date, time, place, members present, members absent and votes taken, including roll call votes before closing a meeting. Further, to ensure all decisions are properly documented and minutes are properly maintained, meeting minutes should be prepared.



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10.2 Ordinances

Ordinances are not comprehensive or maintained in an organized manner, village practices are not always consistent with ordinances, and the village has not established ordinances in all instances where needed.

- The Board's official meeting date and time is not set by ordinance. Section 80.060, RSMo, requires the Board to fix, by ordinance, the time and place of its meetings. In addition, many fees collected by the village are not authorized by ordinance. For example, Village Bill 202, approved in May 2008 and never assigned an ordinance number, covers the topic of authorizing the collection of bad check fees and indicates bad check fees are \$30; however, the village collects \$35 in bad check fees. Additionally, we noted the current ordinance governing the water system, Ordinance 400, does not allow for the collection of late fees.
- Ordinances are poorly maintained. Village officials have custody of 4 ordinance books, and many of the ordinances are old and are not updated. An index of all ordinances passed and rescinded by the village is not maintained making it difficult for the village to determine which ordinances are still active and which have been rescinded.

Since ordinances represent legislation passed by the Board to govern the village and its residents, it is important they are maintained in a complete, well-organized, and up-to-date manner.

Recommendations

The Board of Trustees:

- 10.1 Ensure all closed meetings are properly posted, prepare and properly approve minutes for all closed meetings, and limit discussions in closed meetings to only those specifically allowed by law. The Board should ensure meeting minutes are maintained in an orderly manner, include all information required by law, and prepared and approved for all meetings.
- 10.2 Maintain a complete updated set of village ordinances in an organized manner and adopt ordinances setting the rate for all village fees.

Auditee's Response

- 10.1 *As of the date of this response, the Board members have all been presented with the Sunshine Law Booklet for reading and reviewing to ensure all closed meetings are properly posted, minutes are prepared for all meetings, and discussions in closed meetings are limited to only those specifically allowed by law. The minutes are filed in an orderly manner, include all information required by law and are prepared in advance of the next Board meeting. At that next Board meeting, the previous meeting's minutes are available for review and are on the Board table for signatures when approved.*



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10.2 *As of the date of this response, the village will review village ordinances with the goal of constructing a complete updated set of ordinances in an organized manner and adopt supplemental ordinances as necessary.*

11. Property Controls and Records

The village does not have adequate capital asset records and procedures.

11.1 Asset records and inventories

Capital asset records have not been updated since 2010; property is not tagged, numbered, or otherwise identified as village property; and an annual physical inventory is not performed. As a result, overall village property records are not complete and up to date. Additionally, some village assets could not be located.

- The April 22, 2014, Board meeting minutes indicate the Board approved the purchase of asset tags and employees performing a complete inventory of village property; however, no further actions have been taken by the Board as of April 2015.
- According to police report files, equipment owned by the village cannot be located. A review of police reports indicate witnesses provided statements on April 29, 2014, that the Board Chairperson's son was responsible for the removal of a brush hog on August 15, 2013, under the direction of the Board Chairperson and Village Clerk. On May 29, 2014, we discussed the missing equipment with former Board Chairman Land who indicated the village police officer was investigating this issue; however, no further action has been taken by the Board as of April 2015.

Adequate village property records and performance of annual physical inventories are necessary to secure better internal control over village property and provide a basis for determining proper insurance coverage. Property control tags help improve accountability and ensure assets are properly identified as village property.

11.2 Asset dispositions

The village has not maintained adequate records related to the disposition of capital asset items and no documentation was maintained to ensure these assets were disposed of properly.

On June 27, 2013, the Board reviewed 5 bids for the sale of a utility trailer. Two bidders, including the Board Chairperson's son, tied for the highest bid with the sale being awarded to the board member's son. Although the Board discussed an appropriate method of awarding the sale, no further discussion was documented to demonstrate how the Board determined to award the bid to the Board Chairperson's son. Board members serve in a fiduciary capacity



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and approving the sale or disposal of assets to a relative, creates a conflict of interest and should be avoided. In addition, the village did not receive payment from the winning bidder until November 27, 2013.

Recommendations

The Board of Trustees:

- 11.1 Ensure property records are adequately maintained and include all pertinent information for each asset, such as cost, acquisition date, and identifying number; annual physical inventories are conducted; and village assets are tagged to display ownership.
- 11.2 Maintain documentation to support the disposition of all village assets and ensure asset sale proceeds are received timely. In addition, the Board should avoid situations where conflicts of interest exist.

Auditee's Response

- 11.1 The village will institute a policy whereby all property records are adequately maintained with identifying numbering with annual physical inventories and tagging.*
- 11.2 The village will develop a policy and procedures concerning disposition of valuable assets to convey accurate records and screen to avoid any conflict of interest and will ensure that monies from sales are received in a timely manner.*

Village of Leasburg

Organization and Statistical Information

The Village of Leasburg is located in Crawford County. The village was incorporated in 1919.

Village operations include law enforcement; water, sewer, and sanitation services; and recreational facilities.

Chairperson and Board of Trustees

The village government consists of a five-member board of trustees. The members are elected for 2-year terms. The Board of Trustees, at December 31, 2013, is identified below. Board trustees do not receive compensation. Board members vote for a Chairperson and Village Clerk each time they reorganize, which is usually once a year unless changes are made to the board prior to the annual election in April.

Kathy Byrd, Chairperson (1)
Nicky Phillips, Village Clerk (2)
Jared West (3)
Gary Land (4)
Debra Ransom (5)

(1) Kathy Byrd served as Trustee since 2007, served as Board Chairperson since 2008 and resigned in March 2014. Brenda Stephens was appointed in April 2014.

(2) Nicky Phillips served as Trustee since 2007, was appointed as Village Clerk upon her appointment to the Board and resigned in March 2014. Kristina Richards is the current Village Clerk and was appointed in June 2014 following her appointment to the Board in April 2014.

(3) Jared West was elected in April 2013 and serves as the current Chairman appointed in July 2014.

(4) Gary Land was elected in August 2012, served as Chairman from April 2014 until resigning from the Board in July 2014.

(5) Debra Ransom served as Village Clerk from April 2014 to June 2014.

Other Principle Officials

The village Bookkeeper, Police Chief, and Court Clerk are appointed positions. The village also employed 2 part-time employees at December 31, 2013. The village's principal officials at December 31, 2013, are identified below.

Tina DeScheda, Bookkeeper (1)
James Newcom, Police Chief (2)
Sandra Martin, Court Clerk

(1) Tina DeScheda was terminated in January 2014. Della Bishop was appointed Bookkeeper in January 2014.

(2) James Newcom was appointed as police officer in February 2011, began acting as the Police Chief in January 2014 and resigned in December 2014. Kim Devault was appointed as Police Chief in December 2014.

Village of Leasburg

Organization and Statistical Information

Financing Arrangements

The village issued \$126,000 in sewer revenue bonds in 1982, for the purpose of providing funds for extending and improving the Combined Waterworks and Sewerage System. The bonds are scheduled to be paid off in 2017. The remaining principal outstanding at December 31, 2013, was \$28,000. Interest remaining to be paid over the life of the bond totals \$3,575.

The Board issued \$135,000 in combined waterworks and sewerage system revenue bonds on April 25, 2005, for the purpose of providing funds for extending and improving the Combined Waterworks and Sewerage System. The bonds are scheduled to be paid off in January 2038 to the Registered Bondowner, the United States Department of Agriculture. The remaining principal outstanding at December 31, 2013, was \$107,997. Interest remaining to be paid over the life of the bond totals \$50,863.

The Board entered into a Small Borrower's Loan agreement with the Missouri Department of Natural Resources totaling \$17,401 in 2010, to replace water meters. The loan was obtained to provide matching funds as a condition of receiving \$94,069 in Community Development Block Grant funds for the purpose of financing the costs of drinking water improvements. The loan agreement is scheduled to be paid off in July 2030. The remaining principal outstanding at December 31, 2013, was \$15,001. Interest and administration fees remaining to be paid over the life of the bond totals \$2,038 and \$698, respectively.

Financial Activity and Questionable Transactions

A summary of the village's financial activity for the year ended December 31, 2013, is located at Appendix A. Supporting documentation for undeposited receipts and utility account adjustments is located at Appendix B and C, respectively.

Appendix A

Village of Leasburg
 Schedule of Receipts, Disbursements, and Changes in Cash Balances - Cash Basis
 Year Ended December 31, 2013

| | General Account | Water Account* | Sewer Account* | Sanitation Account | Street Account | Court Account | Police Account | Escrow Account | Total |
|---|--------------------|-------------------|-------------------|-----------------------|-------------------|------------------|-------------------|-------------------|---------|
| RECEIPTS | | | | | | | | | |
| Property taxes | \$ 8,073 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 8,073 |
| Motor fuel and vehicle fees | 0 | 0 | 0 | 0 | 12,246 | 0 | 0 | 0 | 12,246 |
| Water, sewer, tap fees, trash and penalty | 121,605 | 700 | 938 | 0 | 0 | 0 | 0 | 0 | 123,243 |
| Court fines and costs | 0 | 0 | 0 | 0 | 0 | 14,094 | 0 | 0 | 14,094 |
| Permits, fees and other | 1,766 | 141 | 16 | 0 | 0 | 0 | 1,905 | 1,200 | 5,028 |
| Insurance reimbursement | 0 | 0 | 18,513 | 0 | 0 | 0 | 0 | 0 | 18,513 |
| Interest | 0 | 12 | 21 | 0 | 0 | 0 | 0 | 0 | 33 |
| Transfers in | 51,175 | 44,916 | 43,622 | 17,785 | 200 | 333 | 4,653 | 0 | 162,684 |
| Total Receipts | 182,619 | 45,769 | 63,110 | 17,785 | 12,446 | 14,427 | 6,558 | 1,200 | 343,914 |
| DISBURSEMENTS | | | | | | | | | |
| Salaries and fringes | 34,030 | 0 | 0 | 0 | 0 | 1,878 | 548 | 0 | 36,456 |
| Advertising | 443 | 0 | 0 | 23 | 0 | 0 | 0 | 0 | 466 |
| Insurance | 8,922 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 8,922 |
| Contract services | 0 | 16,049 | 14,091 | 13,727 | 0 | 0 | 0 | 0 | 43,867 |
| Professional services and fees | 8,700 | 0 | 0 | 0 | 0 | 2,500 | 0 | 0 | 11,200 |
| Membership dues and training fees | 0 | 1,143 | 0 | 0 | 0 | 688 | 300 | 0 | 2,131 |
| Supplies, materials and postage | 3,029 | 1,580 | 714 | 0 | 1,066 | 269 | 426 | 0 | 7,084 |
| Debt service | 0 | 3,166 | 6,000 | 0 | 0 | 0 | 0 | 0 | 9,166 |
| Interest | 0 | 4,681 | 1,817 | 0 | 0 | 0 | 0 | 0 | 6,498 |
| Equipment and equipment rental | 1,567 | 710 | 1,315 | 0 | 0 | 0 | 4,513 | 0 | 8,105 |
| Cash and petty cash | 784 | 0 | 0 | 0 | 0 | 0 | 70 | 0 | 854 |
| Fuel | 1,697 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1,697 |
| Repair and maintenance | 4,887 | 479 | 22,736 | 0 | 8 | 0 | 300 | 0 | 28,410 |
| Utilities | 5,612 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 5,612 |
| Internet and phone | 2,853 | 0 | 0 | 0 | 0 | 918 | 0 | 0 | 3,771 |
| Bank charges | 20 | 0 | 0 | 0 | 15 | 42 | 35 | 0 | 112 |
| Other | 1,483 | 0 | 451 | 0 | 0 | 591 | 0 | 200 | 2,725 |
| Transfers out | 107,608 | 21,032 | 18,361 | 783 | 10,992 | 2,173 | 1,735 | 0 | 162,684 |
| Total Disbursements | 181,635 | 48,840 | 65,485 | 14,533 | 12,081 | 9,059 | 7,927 | 200 | 339,760 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | 984 | (3,071) | (2,375) | 3,252 | 365 | 5,368 | (1,369) | 1,000 | 4,154 |
| CASH, JANUARY 1, 2013 | 2,793 | 35,949 | 27,954 | 2,991 | 2,263 | 2,340 | 1,559 | 6,014 | 81,863 |
| CASH, DECEMBER 31, 2013 | \$ 3,777 | 32,878 | 25,579 | 6,243 | 2,628 | 7,708 | 190 | 7,014 | 86,017 |

*Includes related savings accounts

Appendix B

Village of Leasburg
Supporting Documentation of Undeposited Receipts

| Date Received | Receipt Number | Purpose of Payment* | Customer Account Number | Method of Payment | Date Receipt was Deleted | Credit Memo Number | Receipt Amount |
|---------------|----------------|---------------------|-------------------------|-------------------|--------------------------|--------------------|----------------|
| 5/23/2011 | 328058 | Pet tag | n/a | Cash | n/a | n/a | \$ 10.00 |
| 5/23/2011 | 328059 | Pet tag | n/a | Cash | n/a | n/a | 10.00 |
| 7/13/2011 | 328091 | Business license | n/a | Cash | n/a | n/a | 25.00 |
| 7/29/2011 | 793054 | Copies | n/a | Cash | n/a | n/a | 6.25 |
| 8/3/2011 | 793057 | Pet tag | n/a | Cash | n/a | n/a | 10.00 |
| 8/3/2011 | 793056 | Utility deposit | Not indicated | Cash | n/a | n/a | 100.00 |
| 8/5/2011 | 793061 | Utility deposit | Not indicated | Cash | n/a | n/a | 100.00 |
| 8/22/2011 | 793079 | Utility deposit | Not indicated | Cash | n/a | n/a | 100.00 |
| 8/26/2011 | 793081 | Pet tag | n/a | Cash | n/a | n/a | 10.00 |
| 9/9/2011 | 793087 | Utility deposit | Not indicated | Cash | n/a | n/a | 100.00 |
| 9/12/2011 | 793088 | Pet tag | n/a | Cash | n/a | n/a | 10.00 |
| 10/5/2011 | 793106 | Pet tag | n/a | Cash | n/a | n/a | 10.00 |
| 10/21/2011 | 793121 | Bad check/fee | Not indicated | Cash | n/a | n/a | 109.47 |
| 1/6/2012 | 793174 | Bad check/fee | 71 | Cash | n/a | n/a | 116.11 |
| 2/27/2012 | 340017 | Utility payment | 210 | Cash | 10/9/2013 | n/a | 81.11 |
| 3/5/2012 | 340019 | Pet tag | n/a | Cash | n/a | n/a | 10.00 |
| 3/5/2012 | 340020 | Utility payment | 245 | Cash | 11/6/2013 | 5508 | 77.35 A |
| 3/7/2012 | 340021 | Utility payment | 190 | Cash | 11/6/2013 | 5551 | 107.35 A |
| 3/7/2012 | 340022 | Utility payment | 166 | Cash | 11/6/2013 | 5547 | 71.35 A |
| 3/7/2012 | 340023 | Utility payment | 28 | Cash | 11/6/2013 | n/a | 71.35 |
| 3/9/2012 | 340024 | Utility payment | 42 | Cash | 11/6/2013 | 5538 | 65.35 A |
| 3/12/2012 | 340026 | Utility deposit | Not indicated | Cash | n/a | n/a | 100.00 |
| 3/12/2012 | 340025 | Utility payment | 210 | Cash | 10/9/2013 | n/a | 88.05 |
| 3/14/2012 | 340027 | Utility payment | 305 | Cash | 11/6/2013 | 5545 | 59.35 A |
| 3/16/2012 | 340030 | Building permit | 40 | Cash | n/a | n/a | 259.40 |
| 3/16/2012 | 340028 | Utility payment | 234 | Cash | 11/6/2013 | 5562 | 65.35 A |
| 3/21/2012 | 340029 | Utility payment | 40 | Cash | 10/9/2013 | n/a | 82.02 |
| 3/22/2012 | 340031 | Copies | n/a | Check | n/a | n/a | 0.30 |
| 3/23/2012 | 340032 | Utility payment | 25 | Cash | 11/6/2013 | 5533 | 68.22 A |
| 3/23/2012 | 340033 | Utility payment | 253 | Cash | 11/6/2013 | n/a | 108.72 |
| 3/23/2012 | 340034 | Utility payment | Not indicated | Cash | 11/6/2013 | 5516 | 75.11 A |
| 3/23/2012 | 340035 | Utility payment | Not indicated | Cash | 11/6/2013 | 5688 | 71.35 A |
| 3/26/2012 | 340036 | Utility payment | 71 | Cash | 10/9/2013 | n/a | 86.38 |
| 3/26/2012 | 340038 | Utility payment | 350 | Cash | 11/6/2013 | n/a | 81.00 |
| 3/26/2012 | 340039 | Utility payment | 182 | Cash | 11/6/2013 | n/a | 81.25 |
| 3/26/2012 | 340040 | Utility payment | 19 | Cash | 11/6/2013 | n/a | 176.83 |
| 4/9/2012 | 340042 | Pet tag | n/a | Not indicated | n/a | n/a | 10.00 |
| 4/9/2012 | 340041 | Utility payment | 211 | Cash | 11/6/2013 | 5558 | 60.00 A |
| 4/11/2012 | 340043 | Utility payment | 28 | Cash | 10/9/2013 | n/a | 65.35 |
| 4/11/2012 | 340044 | Utility payment | 190 | Cash | 11/6/2013 | 5552 | 107.35 A |
| 4/13/2012 | 793198 | Utility payment | 245 | Cash | n/a | 5509 | 71.35 A |
| 4/13/2012 | 340052 | Utility payment | 30 | Cash | 11/6/2013 | n/a | 60.00 |
| 4/13/2012 | 340055 | Utility payment | 42 | Cash | 11/6/2013 | 5539 | 60.00 A |
| 4/16/2012 | 340045 | Utility payment | 10 | Cash | 11/6/2013 | 5517 | 69.12 A |
| 4/16/2012 | 340046 | Utility payment | 12 | Cash | 11/6/2013 | 5520 | 72.72 A |
| 4/16/2012 | 340047 | Utility payment | 250 | Cash | 11/6/2013 | 5563 | 81.42 A |
| 4/20/2012 | 340049 | Utility payment | 25 | Cash | 11/6/2013 | 5534 | 68.22 A |
| 4/20/2012 | 340050 | Utility payment | Not indicated | Cash | 11/6/2013 | 5528 | 65.35 A |
| 4/23/2012 | 340051 | Utility payment | 182 | Not indicated | 11/6/2013 | n/a | 76.00 |
| 4/23/2012 | 340053 | Utility payment | 210 | Cash | n/a | n/a | 52.50 |
| 4/23/2012 | 340054 | Utility payment | Not indicated | Not indicated | 11/6/2013 | n/a | 111.54 |
| 4/23/2012 | 340057 | Utility payment | 242 | Cash | 11/6/2013 | n/a | 94.55 |
| 4/23/2012 | 340058 | Utility payment | 71 | Cash | 10/9/2013 | n/a | 76.02 |
| 4/23/2012 | 340059 | Utility payment | 40 | Cash | 10/9/2013 | n/a | 76.02 |
| 5/4/2012 | 340062 | Utility payment | 245 | Cash | 11/6/2013 | 5510 | 71.35 A |
| 5/7/2012 | 340063 | Utility payment | 211 | Not indicated | 11/6/2013 | 5559 | 58.70 A |
| 5/11/2012 | 340070 | Pet tag | n/a | Cash | n/a | n/a | 10.00 |
| 5/16/2012 | 340075 | Utility payment | 166 | Cash | 11/6/2013 | 5548 | 81.11 A |

Appendix B

Village of Leasburg
Supporting Documentation of Undeposited Receipts

| Date Received | Receipt Number | Purpose of Payment* | Customer Account Number | Method of Payment | Date Receipt was Deleted | Credit Memo Number | Receipt Amount |
|---------------|----------------|-----------------------------|-------------------------|-------------------|--------------------------|--------------------|----------------|
| 5/25/2012 | 340078 | Pet tag | n/a | Cash | n/a | n/a | 10.00 |
| 5/29/2012 | 340083 | Utility payment | 151 | Cash | n/a | 5455 | 83.35 A |
| 6/25/2012 | 340120 | Utility payment | 233 | Cash | 11/6/2013 | n/a | 120.00 |
| 6/25/2012 | 340121 | Utility payment | 40 | Cash | 11/6/2013 | n/a | 90.00 |
| 6/26/2012 | 340127 | Pet tag | n/a | Cash | n/a | n/a | 10.00 |
| 6/27/2012 | 340122 | Utilities and reconnect fee | 351 | Cash | 11/6/2013 | n/a | 114.70 |
| 6/29/2012 | 340126 | Pet tag | n/a | Not indicated | n/a | n/a | 10.00 |
| 7/2/2012 | 340128 | Pet tag | n/a | Cash | n/a | n/a | 10.00 |
| 7/2/2012 | 340129 | Pet tags | n/a | Cash | n/a | n/a | 20.00 |
| 7/9/2012 | 340136 | Pet tag | n/a | Not indicated | n/a | n/a | 10.00 |
| 7/11/2012 | 340138 | Pet tag | n/a | Cash | n/a | n/a | 10.00 |
| 7/13/2012 | 340139 | Bad check/fee | Not indicated | Cash | n/a | n/a | 106.35 |
| 7/16/2012 | 340145 | Pet tag | n/a | Cash | n/a | n/a | 10.00 |
| 7/18/2012 | 340148 | Pet tag | n/a | Cash | n/a | n/a | 10.00 |
| 7/23/2012 | 340157 | Pet tags | n/a | Cash | n/a | n/a | 20.00 |
| 7/23/2012 | 340155 | Utility payment | 20 | Cash | 11/6/2013 | n/a | 145.02 |
| 8/3/2012 | 340162 | Pet tags | n/a | Cash | n/a | n/a | 20.00 |
| 8/3/2012 | 340160 | Utility deposit | Not indicated | Cash | n/a | n/a | 100.00 |
| 8/6/2012 | 340163 | Pet tag | n/a | Cash | n/a | n/a | 10.00 |
| 8/22/2012 | 340176 | Utility payment | 303 | Cash | 10/9/2013 | n/a | 82.82 |
| 8/22/2012 | 340177 | Utility payment | 350 | Cash | 11/6/2013 | n/a | 129.32 |
| 8/24/2012 | 340178 | Not indicated | Not indicated | Cash | 11/6/2013 | n/a | 0.02 |
| 8/27/2012 | 340182 | Utility deposit | Not indicated | Cash | n/a | n/a | 100.00 |
| 8/27/2012 | 340179 | Utility payment | 25 | Cash | 11/6/2013 | 5532 | 70.00 A |
| 8/27/2012 | 340180 | Utility payment | 210 | Cash | 11/6/2013 | n/a | 68.12 |
| 9/7/2012 | 340184 | Utility payment | Not indicated | Not indicated | n/a | n/a | 75.00 |
| 9/7/2012 | 340185 | Utility payment | 104 | Check | n/a | n/a | 168.12 |
| 9/7/2012 | 340186 | Utility payment | 186 | Check | n/a | n/a | 59.35 |
| 9/19/2012 | 340198 | Utility deposit | Not indicated | Not indicated | n/a | n/a | 100.00 |
| 9/19/2012 | 340199 | Utility payment | 12 | Cash | 11/6/2013 | n/a | 71.27 |
| 9/19/2012 | 340200 | Utility payment | 179 | Not indicated | 11/6/2013 | 5550 | 68.22 A |
| 9/21/2012 | 169801 | Utility payment | 19 | Cash | 11/6/2013 | 5526 | 133.62 A |
| 9/27/2012 | 169806 | Building permit | n/a | Cash | n/a | n/a | 9.60 |
| 9/27/2012 | 169807 | Not indicated | Not indicated | Cash | n/a | n/a | 15.00 |
| 10/5/2012 | 169810 | Pet tag | n/a | Cash | n/a | n/a | 10.00 |
| 10/15/2012 | 169820 | Utility payment | 71 | Cash | 11/6/2013 | 5541 | 71.35 A |
| 10/17/2012 | 169821 | Utility payment | 10 | Cash | 11/6/2013 | 5518 | 65.35 A |
| 10/17/2012 | 169822 | Utility payment | 161 | Cash | 11/6/2013 | 5546 | 101.35 A |
| 10/17/2012 | 169823 | Utility payment | 25 | Cash | 11/6/2013 | n/a | 64.68 |
| 10/19/2012 | 169824 | Utility payment | 351 | Cash | 11/6/2013 | n/a | 65.35 |
| 11/8/2012 | 169840 | Utility payment | 207 | Cash | 11/6/2013 | n/a | 71.35 |
| 11/14/2012 | 169841 | Utility payment | 351 | Cash | 11/6/2013 | n/a | 75.12 |
| 11/14/2012 | 169842 | Utility payment | 71 | Cash | n/a | 5542 | 77.35 A |
| 11/19/2012 | 169845 | Utility deposit | Not indicated | Cash | n/a | n/a | 100.00 |
| 12/3/2012 | 169847 | Utility payment | 82 | Cash | 11/6/2013 | 5513 | 77.35 A |
| 12/3/2012 | 169848 | Utility payment | 163 | Cash | 11/6/2013 | n/a | 59.35 |
| 12/5/2012 | 169849 | Utility payment | 190 | Cash | 11/6/2013 | 5553 | 59.35 A |
| 12/10/2012 | 169850 | Utility payment | 253 | Cash | 11/6/2013 | n/a | 120.00 |
| 12/11/2012 | 169851 | Utility payment | 207 | Cash | 11/6/2013 | n/a | 80.00 |
| 12/14/2012 | 169853 | Utility payment | 71 | Cash | 11/6/2013 | 5543 | 77.35 A |
| 12/14/2012 | 169854 | Utility payment | 166 | Cash | 11/6/2013 | 5549 | 71.35 A |
| 12/14/2012 | 169855 | Utility payment | 9 | Cash | 11/6/2013 | 5515 | 83.35 A |
| 12/17/2012 | 169857 | Utility payment | 12 | Cash | 11/6/2013 | 5522 | 81.12 A |
| 12/17/2012 | 169858 | Utility payment | 191 | Cash | 11/6/2013 | 5555 | 106.32 A |
| 1/7/2013 | 169869 | Utility payment | 184 | Cash | n/a | n/a | 20.00 |
| 4/19/2013 | 169937 | Pet tag | n/a | Check | n/a | n/a | 10.00 |
| 5/8/2013 | 169956 | Pet tag | n/a | Cash | n/a | n/a | 10.00 |
| 5/31/2013 | 169968 | Pet tag | n/a | Cash | n/a | n/a | 10.00 |

Appendix B

Village of Leasburg
Supporting Documentation of Undeposited Receipts

| Date Received | Receipt Number | Purpose of Payment* | Customer Account Number | Method of Payment | Date Receipt was Deleted | Credit Memo Number | Receipt Amount |
|---------------|----------------|---------------------|-------------------------|-------------------|--------------------------|--------------------|--------------------|
| 6/3/2013 | 169972 | Copies | n/a | Cash | n/a | n/a | 0.60 |
| 6/3/2013 | 169970 | Mobile home permit | n/a | Cash | n/a | n/a | 25.00 |
| 6/3/2013 | 169969 | Pet tag | n/a | Cash | n/a | n/a | 10.00 |
| 6/10/2013 | 169976 | Pet tags | n/a | Cash | n/a | n/a | 20.00 |
| 6/15/2013 | 169987 | Utility payment | 103 | Cash | 11/6/2013 | 5494 | 53.35 A |
| 6/17/2013 | 169983 | Bad check/fee | 233 | Cash | n/a | n/a | 79.35 |
| 6/19/2013 | 169985 | Utility payment | 140 | Cash | 11/6/2013 | 5544 | 173.05 A |
| 6/20/2013 | 169988 | Utility payment | 30 | Cash | 11/6/2013 | 5501 | 60.00 A |
| 7/1/2013 | 169990 | Pet tag | n/a | Cash | n/a | n/a | 10.00 |
| 7/15/2013 | 339012 | Utility payment | 103 | Cash | 11/6/2013 | 5468 | 54.11 A |
| 7/15/2013 | 339013 | Utility payment | 151 | Cash | 11/6/2013 | 5497 | 78.59 A |
| 8/5/2013 | 339016 | Pet tag | n/a | Cash | n/a | n/a | 10.00 |
| 8/12/2013 | 339018 | Utility payment | 19 | Cash | 11/6/2013 | 5527 | 121.55 A |
| 8/12/2013 | 339019 | Utility payment | 190 | Cash | 11/6/2013 | 5554 | 60.23 A |
| 8/12/2013 | 339021 | Utility payment | 173 | Cash | 11/6/2013 | 5537 | 56.18 A |
| 8/23/2013 | 339032 | Utility deposit | Not indicated | Cash | n/a | n/a | 100.00 |
| 8/23/2013 | 339034 | Utility payment | 250 | Cash | 11/6/2013 | 5564 | 75.53 A |
| 8/30/2013 | 339037 | Pet tag | n/a | Check | n/a | n/a | 20.00 |
| 9/9/2013 | 339044 | Pet tag | n/a | Cash | n/a | n/a | 20.00 |
| 9/11/2013 | 339047 | Utility deposit | Not indicated | Cash | n/a | n/a | 100.00 |
| 9/23/2013 | 339058 | Utility payment | 210 | Cash | 11/6/2013 | 5514 | 90.34 A |
| 9/30/2013 | 339060 | Copies | n/a | Cash | n/a | n/a | 1.80 |
| 10/11/2013 | 339068 | Utility deposit | Not indicated | Cash | n/a | n/a | 100.00 |
| 10/11/2013 | 339069 | Utility deposit | Not indicated | Cash | n/a | n/a | 100.00 |
| 10/23/2013 | 339076 | Utility payment | 12 | Cash | 11/6/2013 | 5523 | 70.14 A |
| 10/25/2013 | 339077 | Utility payment | 193 | Cash | 11/6/2013 | 5556 | 93.09 A |
| 10/25/2013 | 339078 | Utility payment | 30 | Cash | 11/6/2013 | 5498 | 65.00 A |
| 10/28/2013 | 339080 | Utility payment | 10 | Cash | 11/6/2013 | 5519 | 157.38 A |
| 10/28/2013 | 339084 | Utility payment | 352 | Cash | 11/6/2013 | n/a | 10.00 |
| 11/1/2013 | 339085 | Utility payment | 195 | Cash | 11/6/2013 | n/a | 70.14 |
| 11/4/2013 | 339086 | Utility payment | 82 | Cash | n/a | n/a | 79.39 |
| 11/8/2013 | 339087 | Utility payment | 245 | Cash | 11/6/2013 | n/a | 73.27 |
| 11/8/2013 | 339088 | Utility payment | 6 | Cash | n/a | n/a | 61.03 |
| 11/8/2013 | 339089 | Utility payment | 166 | Cash | n/a | n/a | 67.15 |
| 11/25/2013 | 339099 | Utility payment | 351 | Cash | n/a | n/a | 75.00 |
| | | | | | | | <u>\$ 9,971.28</u> |

* - Utility payments include monthly charges for water, sewer, and trash.

A - Total of receipts entered into accounting system, not deposited, and corresponding credit memo issued is \$3,962.79.

Note: There is a difference of \$78.86 between the total receipts not deposited and the corresponding credit memo amounts (see Appendix C). Several corresponding credit memos were issued for amounts different than the original receipt.

Appendix C

Village of Leasburg
 Supporting Documentation of Credit Memos Used to Conceal Theft and Reduce Account Balances

Credit Memos Used to Conceal Theft

| Credit Memo Number | Date of Credit Memo | Utility Account | | Credit Amount | |
|--|------------------------|--------------------|--------|---------------|---|
| | | Transaction Number | Number | | |
| 5455 | 5/1/2012 | 13288 | 151 | \$ 83.35 | B |
| 5468* | 7/1/2013 | 13301 | 151 | 78.59 | B |
| 5494 | 6/1/2013 | 13361 | 103 | 53.35 | A |
| 5497* | 7/1/2013 | 13364 | 103 | 54.11 | A |
| 5498* | 10/1/2013 | 13506 | 30 | 62.19 | |
| 5501* | 6/1/2013 | 13509 | 30 | 53.35 | |
| 5508 | 3/2/2012 | 13516 | 245 | 77.35 | |
| 5509 | 4/1/2012 | 13517 | 245 | 71.35 | |
| 5510 | 5/1/2012 | 13518 | 245 | 71.35 | |
| 5513 | 12/1/2012 | 13521 | 82 | 77.35 | |
| 5514 | 9/1/2013 | 13522 | 210 | 90.34 | |
| 5515 | 12/1/2012 | 13537 | 9 | 83.35 | |
| 5516 | 3/2/2012 | 13538 | 10 | 75.11 | |
| 5517 | 4/2/2012 | 13539 | 10 | 69.12 | |
| 5518 | 10/1/2012 | 13540 | 10 | 65.35 | |
| 5519* | 10/1/2013 | 13541 | 10 | 82.38 | |
| 5520 | 4/1/2012 | 13542 | 12 | 72.72 | |
| 5522 | 12/1/2012 | 13548 | 12 | 81.12 | |
| 5523 | 10/1/2013 | 13549 | 12 | 70.14 | |
| 5526 | 9/1/2012 | 13552 | 19 | 133.62 | |
| 5527 | 8/1/2013 | 13553 | 19 | 121.55 | |
| 5528 | 3/2/2012 | 13554 | 20 | 65.35 | |
| 5532* | 8/1/2012 | 13558 | 25 | 69.02 | |
| 5533 | 9/1/2012 | 13559 | 25 | 68.22 | |
| 5534 | 10/1/2012 | 13560 | 25 | 68.22 | |
| 5537* | 8/1/2013 | 13563 | 351 | 54.11 | |
| 5538 | 3/2/2012 | 13564 | 42 | 65.35 | |
| 5539* | 4/1/2012 | 13565 | 42 | 59.35 | |
| 5541 | 10/1/2012 | 13567 | 71 | 71.35 | |
| 5542 | 11/1/2012 | 13568 | 71 | 77.35 | |
| 5543 | 12/1/2012 | 13569 | 71 | 77.35 | |
| 5544* | 6/1/2013 | 13570 | 140 | 182.35 | |
| 5545 | 3/2/2012 | 13571 | 305 | 59.35 | |
| 5546 | 10/1/2012 | 13572 | 161 | 101.35 | |
| 5547 | 3/2/2012 | 13573 | 166 | 71.35 | |
| 5548 | 5/1/2012 | 13574 | 166 | 81.11 | |
| 5549 | 12/1/2012 | 13575 | 166 | 71.35 | |
| 5550 | 9/1/2012 | 13576 | 179 | 68.22 | |
| 5551 | 3/2/2012 | 13577 | 190 | 107.35 | |
| 5552 | 4/1/2012 | 13578 | 190 | 107.35 | |
| 5553 | 12/1/2012 | 13579 | 190 | 59.35 | |
| 5554 | 8/1/2013 | 13580 | 190 | 60.23 | |
| 5555 | 12/1/2012 | 13581 | 191 | 106.32 | |
| 5556 | 10/1/2013 | 13582 | 193 | 93.09 | |
| 5558* | 4/1/2012 | 13584 | 211 | 59.35 | |
| 5559* | 5/1/2012 | 13585 | 211 | 59.35 | |
| 5562 | 3/2/2012 | 13588 | 234 | 65.35 | |
| 5563 | 4/1/2012 | 13589 | 250 | 81.42 | |
| 5564 | 8/1/2013 | 13590 | 250 | 75.53 | |
| 5688 | 3/12/2012 | 13733 | 307 | 71.35 | |
| Total credit memos used to conceal theft | | | | \$ 3,883.93 | |

Appendix C

Village of Leasburg
 Supporting Documentation of Credit Memos Used to Conceal Theft and Reduce Account Balances

Credit Memos Issued to Reduce Account Balances

| Credit Memo Number | Date of Credit Memo | Utility Account | | Credit Amount | |
|--|------------------------|--------------------|--------|---------------------------|---|
| | | Transaction Number | Number | | |
| 5451 | 1/1/2012 | 13284 | 103 | \$ 71.35 | A |
| 5452 | 1/1/2012 | 13285 | 151 | 71.35 | B |
| 5453 | 3/2/2012 | 13286 | 151 | 95.35 | B |
| 5454 | 4/1/2012 | 13287 | 151 | 83.35 | B |
| 5456 | 6/1/2012 | 13289 | 151 | 95.35 | B |
| 5457 | 7/1/2012 | 13290 | 151 | 107.35 | B |
| 5458 | 8/1/2012 | 13291 | 151 | 90.15 | B |
| 5459 | 9/1/2012 | 13292 | 151 | 89.35 | B |
| 5460 | 10/1/2012 | 13293 | 151 | 77.35 | B |
| 5461 | 12/1/2012 | 13294 | 151 | 95.35 | B |
| 5462 | 1/2/2013 | 13295 | 151 | 83.35 | B |
| 5463 | 2/1/2013 | 13296 | 151 | 89.35 | B |
| 5464 | 3/1/2013 | 13297 | 151 | 77.35 | B |
| 5465 | 4/1/2013 | 13298 | 151 | 71.35 | B |
| 5466 | 5/1/2013 | 13299 | 151 | 77.35 | B |
| 5467 | 6/1/2013 | 13300 | 151 | 77.35 | B |
| 5469 | 8/1/2013 | 13302 | 151 | 72.47 | B |
| 5470 | 9/1/2013 | 13303 | 151 | 84.71 | B |
| 5471 | 10/1/2013 | 13304 | 151 | 78.59 | B |
| 5472 | 2/1/2012 | 13339 | 103 | 71.35 | A |
| 5473 | 3/2/2012 | 13340 | 103 | 77.35 | A |
| 5474 | 4/1/2012 | 13341 | 103 | 71.35 | A |
| 5475 | 5/1/2012 | 13342 | 103 | 71.35 | A |
| 5476 | 6/1/2012 | 13343 | 103 | 77.35 | A |
| 5477 | 7/1/2012 | 13344 | 103 | 71.35 | A |
| 5487 | 8/1/2012 | 13354 | 103 | 72.15 | A |
| 5488 | 9/1/2013 | 13355 | 103 | 77.35 | A |
| 5489 | 10/1/2013 | 13356 | 103 | 59.35 | A |
| 5490 | 11/1/2012 | 13357 | 103 | 53.35 | A |
| 5491 | 12/1/2012 | 13358 | 103 | 53.35 | A |
| 5492 | 1/2/2013 | 13359 | 103 | 53.35 | A |
| 5493 | 3/1/2013 | 13360 | 103 | 59.35 | A |
| none | 8/1/2012 | 13510 | 30 | 68.12 | |
| 5504 | 4/1/2012 | 13512 | 30 | 53.35 | |
| 5505 | 3/2/2012 | 13513 | 182 | 81.12 | |
| 5506 | 4/1/2012 | 13514 | 182 | 76.02 | |
| 5511 | 4/1/2012 | 13519 | 242 | 91.62 | |
| 5521 | 9/1/2012 | 13547 | 12 | 75.12 | |
| 5524 | 2/1/2012 | 13550 | 19 | 94.01 | |
| 5525 | 3/12/2012 | 13551 | 19 | 101.82 | |
| 5529 | 7/1/2012 | 13555 | 20 | 70.02 | |
| 5530 | 8/1/2012 | 13556 | 20 | 69.02 | |
| 5535 | 10/1/2013 | 13561 | 25 | 74.43 | |
| 5557 | 3/2/2012 | 13583 | 211 | 74.22 | |
| 5560 | 6/1/2012 | 13586 | 233 | 44.35 | |
| 5565 | 12/1/2012 | 13591 | 253 | 101.35 | |
| 5689 | 12/1/2013 | 13887 | 307 | 10.00 | |
| 5690 | 11/1/2013 | 13910 | 30 | 15.73 | |
| Total credit memos issued to reduce account balances | | | | <u>\$ 3,556.82</u> | |
| Total of all credit memos | | | | <u><u>\$ 7,440.75</u></u> | |

* Credit memo issued for a different amount than receipt.

A - Former Chairperson Byrd's account. Sixteen credit memos totaling \$1,047.16 were issued for this account.

B - Former Bookkeeper DeSheda's husband's account. Twenty credit memos totaling \$1,678.76 were issued for this account.

Village of Leasburg

Comments from Former Village Officials

The State Auditor's Office also discussed audit results with the former Board Chairperson and former Village Clerk because they, along with the former Bookkeeper, were primarily responsible for financial and accounting functions of the village for the period of our audit. Meetings with these individuals were held subsequent to fieldwork completion and their comments follow.

Comments from former Board Chairperson Byrd:

- 1 With regard to former bookkeeper Tina DeScheda's written statement to the State Auditor's Office, the Village of Leasburg never paid for any of my personal items. In fact, I spent my own funds numerous times for gas for Village vehicles and general office supplies. As far as credit memos to my account, there were numerous credit memos distributed throughout the village resident accounts that were done in QuickBooks. I have no knowledge of this software program and never had a desire to learn. I paid in cash, as did the others, but because I trusted our Bookkeeper I never requested a receipt. It was the sole responsibility of the Bookkeeper to receive utility payments, enter them into the accounting software, prepare and make bank deposits, as well as the bank reconciliations. On January 7, 2014, I received a phone call from former Clerk Phillips asking me to come to Village Hall. When I arrived I was informed of a bank deposit that was missing along with a resident's cash utility payment. Because of the missing monies I had no other recourse but to place the former Bookkeeper on administrative leave until I could convene with the other trustees for a closed session meeting concerning the matter. After much discussion, the trustees voted unanimously to terminate former Bookkeeper Tina DeScheda.

- 2.1 In April 2007, when I was first elected to the Board, the prior Board had depleted all reserve and restricted accounts. Therefore, the current Board had to allocate funds where they could to meet bond requirements. It happened that more funds were put in the Debt Service Account which exceeded the maximum amount allowed by the ordinance. The Board was informed by DNR that the excess monies needed to be taken out of that account at which time an account for Maintenance and Replacement expenditures was set up for the Water/Wastewater System.

In January 2014, the police officer requested that the Board allocate \$800 for continuing education for himself as well as the reserve officers which was approved by the Board. Then Board Clerk Phillips and I resigned in March 2014. Sometime after, the police officer and reserve officers resigned.

- 3.1 Payables were approved at the monthly Board meeting and checks needed to be signed so the Bookkeeper could get them in the mail the next day. This required staying after the Board meeting was adjourned and Clerk Phillips and I were the only ones willing to stay after the meeting. Trustee Gary Land had been appointed to sign checks as well and he would if he absolutely had no choice in the matter.

- 5.1 There are 6 (six) residents that do not have Village utilities. These properties are all located on Riegler Drive, which is on the other side of the railroad tracks. According to the history surrounding the water/wastewater system inception, those particular properties were not in the Village limits. It is not financially feasible to extend Village utilities to those 6 residents.

In March 2014, Board officials were not aware of the meter replacement agreement related to the CDBG because they were a new Board and were not present when the grant/loan took place. The small borrowers loan monies were for meters and necessary parts only. The Village was responsible for all labor, equipment rental, rock, etc. All meters and parts were ordered, the invoice submitted to CDBG program, and funds



Village of Leasburg
Comments from Former Village Officials

deposited at which time a check for the invoiced amount was produced. Therefore, it is inaccurate to say that grant monies were used for anything but meters and necessary parts.

CDBG program officials were fully aware that the Village would be replacing meters every 2-3 months as funds allowed. Not knowing how long that would take I was asked to sign off on the program so they could proceed on their end.

- 5.2 There are 8 (eight) residents who do not pay trash fees in the Village. The sanitation vendor refuses to pick up one resident because they were threatened with a gun, a second because they have a very large family and require a large dumpster, and a third resident who was forced by the Board prior to 2007 to have a water meter placed for a bed and bath that was added onto their residence. The remaining residents live on Riegler Drive and there is nowhere for the trash truck to turn around.
- 5.3 The Village had to apply for an emergency grant for a new well with the USDA and DNR in 2008. During a conference call with multiple entities, we were told that our rates were extremely substandard and would have to be increased 2 percent now and every year thereafter until ample monies were available for repairs and maintenance of the system. The reasoning for this was if they were going to invest a maximum of \$500,000 the Village had to have the funds to maintain the system.
- 5.5 Late fees are assessed on utility statements after the 15th of each month, therefore, Ordinance 400 should be amended. Any utilities not paid in full by the 4th Monday of the month would have their water meter turned off and locked until the entire invoice along with a reconnect fee of \$75 was paid. It was discussed and approved by the Board to give every resident 1 (one) "Free Pass" with regard to the \$75 reconnect fee. We were instructed by legal counsel that there was nothing illegal in doing this as long as every resident was treated equally.
- 5.6 Historically there had never been an escrow account for utility deposits for new service and in 2007 the new Board had no idea that there should be one. In 2010, when the Village hired a retired auditor, she was the one to bring it to our attention. The then Village Clerk and Board Chairperson had to manually pull each resident file to discern how much should be in escrow for refundable deposits. If memory serves me correctly we just had to list each resident paid a \$50 deposit based on what it was at that time. There were people still living in the Village that were here before the water and sewer systems were put in but back then they had to pay \$125 for their hook up and there had to be a certain amount of residents who wanted the service before the Village would run the lines. Therefore, it was impossible to actually know how much the deposit was in the past.
- 7.1 In 2007, an individual was hired to maintain the water/sewer system at the request of residents. This lasted two weeks and the individual quit because of the work involved. At that time a routine competitive procurement process was followed. The current water/sewer contractor was the only one to respond. January 2008 is when our well went down and the contractor worked around the clock to ensure the Village had water and he saw the new well and standpipe projects through to completion gaining him the knowledge of our entire system, which proved to be invaluable to the Village. Since 2007 when the first contract was signed between the Village and the water/sewer contractor there has been no rate increase at all. The only thing that was added to the contract in 2013 was for court appearances because those would cause him to miss work for upwards of a full day. Other than that the contract has not changed.



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With regard to me being related to the water/sewer contractor, he didn't even start dating my cousin until a few years after coming to work for the Village. Technically after they were married he did become my 4th cousin according to the Missouri Ethics Commission. Unfortunately I never thought of him as a relative but as our water/sewer contractor.

- 10.1 Prior to my resignation, there were meeting minutes dating back to at least 2005, but prior to that were a little sketchy due to a fire. However, it is a fact that a Board member had been taking documents from the Village Hall so I can only assume that's where they went.
- 11.1 With regards to a brush hog or any duties of the maintenance personnel, I did not get involved. Oversight of those duties were managed by then Clerk Nicky Phillips and Trustee Gary Land.

Comments from former Village Clerk Phillips:

1. In regards to the statements of the auditor concerning me re-performing reconciliations on the Village accounts, I did not do this without contacting the State Auditor's Office to discuss correcting any errors found in the preparation for the audit. The State Auditor's Office recommended corrections be made to records when errors were found. However in doing so I didn't realize the prior reconciliation records had been removed from the Village in some manner. All reconciliation records were kept in each account's folder and labeled as so. It was the duty of the previous Village Bookkeeper to perform the monthly reconciliations and print each record and to ensure all reconciliations and re-reconciliation records were filed once completed.

In January 2014 the State Auditor's Office received a statement from the Village's former Bookkeeper stating how I used Village funds to pay personal expenses for former Chairperson Byrd as well as altered records to alter payments from other existing customers to report former Chairperson Byrd's and former Bookkeeper DeScheda's accounts as paid. However, if I had been able to obtain the prior reconciliation records as stated above it would have given the balances prior to the changes to show when those changes were made as well as where the credit memos were applied. The action of manipulating records by credit memos or otherwise was not the actions of myself nor in anyway was I aware of the actions prior to preparing for the audit at which time I found the credit memos and reported them directly to the State Auditor's Office as well as the rest of the Board. I in no way agree with former Bookkeeper DeScheda's statements and this is only one of many actions within the Village books that hid missing monies and the manipulation of records as well as concealing these actions. These actions were not completed by me, who resided on the Board from September 2007 through March 2014.

- 2.3 The Village Board never received a notice from USDA in May 2013 indicating the 2011 and 2012 village financials had not been received. Therefore they could not comply with the request resulting in the further action letter produced by the USDA. According to my and the rest of the Board's knowledge at that time the 2011 financials as well as the 2012 financials had been completed and given to the former Bookkeeper to send in with the appropriate printouts requested with those forms. However an audit was not completed. I, as well as the other Board members at that time, thought we were in compliance by completing the year-end financials produced by the USDA as well as the paperwork requested by the State Auditor's Office in lieu of an audit.



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&4.2 At the time I left the Board in March 2014 it was to my knowledge that any and all receipts and checks made to cash that were issued to show cash register withdrawals, which included the petty cash fund, were in the Village folder labeled accordingly. Then forwarded to the State Auditor's Office via subpoena. All withdrawals were to be recorded into the Village's financial records each month by the former Village Bookkeeper.

5.1 According to Village records there are 6 residents not connected to the Village utility system. Estimating based on 2013/2014 water/sewer rates and using an average monthly usage of 5,000 gallons an estimate of \$4,560 in utility revenues are not being received. However, 5 of these households reside on the far southeast area of the village and could require the Village to install pumping stations and access under the railroad which would create additional expenses as well as loans for the Village greater than the annual income these households would generate. Therefore the municipal ordinance needs to be updated to exclude these residences so to comply with the Village's bonds.

5.2 According to Village records eight (8) residents do not participate in the trash services provided by the Village, five (5) of those residents are because they cannot participate in the water/sewer services due to location, however three (3) of those residents do not participate for other reasons that are unforeseen circumstances that each Village, Town and/or municipality may have. The 3 residents that do not participate are, first (1) a resident created an environment the sanitation company was not comfortable with and will not provide that resident with any further services. The second (2) resident requested a full size dumpster for their residence and the Village's contractor could not provide this service within the Village's contract. The third (3) resident is an addition onto an already existing home that pays for the resident's trash services. However, the sanitation contract and Village ordinance #400 should be updated to exclude the 8 residences so they shall be in compliance with state and local laws.

6.2 I was not responsible for filing federal tax reports as well as the 941 form. This was the duty of the former Bookkeeper each quarter. The Board was not informed of these taxes not being paid in a timely manner. The former Bookkeeper did not forward delinquent tax notices to the Board.

6.3 At the time the maintenance worker was employed by the Village, he compiled and then signed his timesheets prior to turning them in to me. I would re-enter the information onto the Village time sheets attaching the original and initialing them. All timesheets were turned in to former Bookkeeper DeScheda for payroll processing.

When I left the Board in March 2014 all hours were compensated by the police officer and all documentation was present to adequately show the recoument of compensation hours paid.

8.1 A statement received by me states that the handwritten minutes from the February 24, 2014, meeting were accurate and true and passed by 2 of the 3 Board members present, me, former Board member Gary Land and former Chairperson Kathy Byrd, and those minutes were approved at the following meeting. Former Board member Gary Land did in fact make the motion to increase the maintenance position to full time with a \$672 salary. Current Board member Debra Ransom refused to attend the meeting and current Chairperson Jared West was unavailable at the time. Directly after the motion was cast by Land and seconded by me, it was considered passed by majority present at the meeting, Board members Ransom and West were present for an executive session after that motion passed and none of the Board members brought the vote of the



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maintenance position back to the table for discussion prior to adjourning the meeting. Mr. Land chose to submit a letter to the Board on April 2, 2014, after me and former Chairperson Kathy Byrd had left the Board, indicating the Board minutes recording his vote were inaccurate. However he signed the maintenance worker's payroll check, check #3012 dated February 27, 2014, for the \$672 salaried amount and voted to pass the February 24, 2014, minutes which contained his vote.

- 10.1 Former Chairperson Kathy Byrd and I stated that at the time we left the village in March 2014 all meeting minutes were accounted for and dated back to 2007 and kept within village hall.