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Missouri State Auditor

Village of La Tour

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YELLOW SHEET

Findings in the audit of the Village of La Tour

In April 2009, the residents of the Village of La Tour voted to disincorporate the village. The disincorporation process is being handled by the Johnson County Commission, who has appointed a trustee to close all affairs of the village.

Previous Audit	A previous audit of the Village of La Tour, dated June 2005 (Report No. 2005-39) made 19 management recommendations to the city. Of those recommendations, 5 have been implemented, 13 have not been implemented, and 1 is no longer applicable. Many of those prior conditions have been repeated in this report.
Accounting Controls, Records, and Procedures	There were numerous weaknesses in the village's accounting controls, records and procedures. There was no independent oversight or adequate segregation of duties related to the Village Treasurer's activities. A complete financial accounting system was not established. Restricted funds for motor vehicle-related receipts, domestic violence fees, and law enforcement training fees were not accounted for properly. Monthly bank reconciliations were not documented and there were numerous inconsistencies in the presentation of receipts and disbursements. The Village Treasurer did not maintain a receipt log and/or receipt slips for monies collected, and receipts were not deposited on a timely basis.
Budgets and Planning	The village did not prepare and adopt annual budgets as required by state law or prepare an annual maintenance plan for village streets.
Minutes, Meetings, and Public Records	There were several weaknesses with procedures for conducting and documenting board meetings. Board minutes did not always include sufficient detail of matters discussed and actions taken. In 2008, open meeting notice agendas used the same statement to indicate the potential for a closed meeting/session, although no closed meeting/session was planned or held. The village did not have a formal policy regarding public access to village records.
Disbursements	The village did not have a formal bidding policy. The Board's review and approval of disbursements was not adequately documented. Invoices were usually not signed or initialed by the trustees, and a list of all disbursements approved for payment by the Board was not prepared to accompany the minutes. The village did not have a formal written agreement for legal services or with the church providing meeting space for the village. The village was not consistent in reporting to the Internal Revenue Service (IRS) compensation paid to its employees. In addition, the village did not properly report to the IRS payments, totaling \$2,946, made to its attorney. In 2008, applicable federal and state taxes were not withheld for the police officers.

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Village of La Tour

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SUSAN MONTEE, JD, CPA
Missouri State Auditor

To the Johnson County Commission
and
Disincorporation Trustee
Village of La Tour, Missouri

The State Auditor was petitioned under Section 29.230, RSMo, to audit the Village of La Tour. In April 2009, the residents of the Village of La Tour voted to disincorporate the village. The disincorporation process is being handled by the Johnson County Commission, who has appointed a trustee to close all affairs of the village. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2008. The objectives of our audit were to:

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

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the village, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the village's management and was not subjected to the procedures applied in our audit of the village.

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



Susan Montee, JD, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA, CIA, CGFM
Audit Manager:	Toni Crabtree, CPA
In-Charge Auditor:	Ben Douglas

Village of La Tour

Management Advisory Report - State Auditor's Findings

1. Accounting Controls, Records, and Procedures

There were numerous weaknesses in the village's accounting controls, records, and procedures.

1.1 Independent oversight and segregation of duties

There was no independent oversight or adequate segregation of duties related to the Village Treasurer's activities. During our audit period, a board member served as the Village Treasurer. The Village Treasurer performed all accounting duties related to receiving and distributing monies. There was no evidence the Board of Trustees provided adequate supervision or review of the work performed by the Village Treasurer.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls could be improved by segregating duties to the extent possible. If proper segregation of duties is not possible, timely supervisory or independent review of the work performed and investigation into unusual items and variances are necessary.

1.2 Financial accounting system

A complete financial accounting system was not established. The village did not maintain a fund ledger for its various funds showing the beginning balances, monthly receipts by source and disbursements by type, and ending balances.

The village's accounting records were manually prepared and included a checkbook register for the village's bank account and deposit slips. The Village Clerk prepared a monthly "financial statement" which included a detailed and summary total list of the receipts and disbursements and the cash balance. Additionally, the Village Clerk maintained a cumulative month-to-date computerized spreadsheet of all receipts and disbursements, and calculated a balance for the General, Street, and Law Enforcement Funds at month-end, deciding at that time which fund should reflect the various receipts and disbursements for the month. However, during our review of the financial records, we found that similar receipts and/or disbursements were not always reflected in the same fund.

Fund ledgers and summary reports showing receipt sources and disbursement types should be prepared for each fund on a monthly basis and used for comparison to budgeted amounts and overall review of village operations. Complete, organized, and timely accounting records are necessary to provide accurate and timely financial information to village officials upon which effective management decisions may be made.

1.3 Restricted funds

The village had little assurance that restricted funds were properly used in compliance with state law.



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Management Advisory Report - State Auditor's Findings

State motor vehicle-related receipts

The village did not separately account for state motor vehicle-related receipts and disbursements and did not monitor use of these funds to ensure compliance with the Missouri Constitution. During the year ended December 31, 2008, the village deposited over \$2,500 in state motor vehicle-related receipts in its general bank account. Article IV, Section 30, Missouri Constitution, requires motor vehicle-related receipts apportioned by the state of Missouri be expended for street-related purposes.

Domestic violence fees

The village did not establish a separate fund and/or accounting for domestic violence fees. During the year ended December 31, 2008, the village deposited domestic violence fees totaling \$91 in its general bank account. Section 488.607, RSMo, provides that domestic violence fees be disbursed to provide ". . . operating expenses for shelters for battered persons." According to village records, the village did not provide any funding to such a shelter in 2008.

Law enforcement training fees

The village did not establish a separate fund and/or accounting to ensure law enforcement training receipts were expended only for the purpose of local law enforcement training. During the year ended December 31, 2008, the village received local law enforcement training fees of \$96 from the Johnson County Associate Circuit Division and Peace Officer Standards and Training Commission (POSTC) monies of \$500 from the state. These fees were deposited in the general bank account. Section 488.5336, RSMo, provides these fees are to be used solely for the purpose of local law enforcement training. According to village records, the village did not provide any funding for training of its police personnel in 2008.

To ensure compliance with applicable state laws, separate funds and/or accounting of receipts and related disbursements associated with specific activities or restricted usage should be maintained.

1.4 Bank reconciliations

Monthly bank reconciliations were not documented. According to the Board Chairman, the Village Treasurer prepared monthly bank reconciliations, but did not document the reconciliations. We reconciled the bank account to the checkbook and found numerous inconsistencies in the presentation of receipts and disbursements.

The bank account should be reconciled to the accounting records on a monthly basis. A proper reconciliation helps ensure receipts and disbursements are properly handled and recorded, and bank and book errors are detected and corrected in a timely manner. Additionally, the reconciliation should be retained.

1.5 Receipt log

The Village Treasurer did not maintain a receipt log and/or receipt slips for monies collected. To help ensure receipts are properly accounted for and errors are detected and corrected on a timely basis, a receipt log and/or receipt slips should be prepared for all monies received. The receipt



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logs/receipt slips can be used to record receipts in the fund ledger and details of the receipt records should be reconciled to the composition of deposits.

1.6 Deposits

Receipts were not deposited on a timely basis. Monies were generally deposited once or twice a month. To adequately safeguard receipts and reduce the risk or loss, theft, or misuse of funds, receipts should be deposited on a timely basis.

Similar conditions
previously reported

Similar conditions to points 1.1, 1.4, 1.5, and 1.6 were noted in our prior audit report issued for the year ended March 31, 2004, and the Board agreed with the issues; however, little action was taken to implement the prior recommendations.

Recommendations

Because the village is in the process of disincorporation, these points are provided for information only.

**2. Budgets and
Planning**

Budgets were not prepared as required by state law. Also, the village did not prepare an annual maintenance plan for village streets.

2.1 Annual budgets

The village did not prepare and adopt annual budgets as required by state law. Sections 67.010 to 67.080, RSMo, set specific guidelines for the format, approval, and amendment of the annual operating budget. Also, Section 67.080, RSMo, provides that no expenditures of public monies shall be made unless it is authorized in the budget.

2.2 Annual maintenance plan

The village did not prepare an annual maintenance plan for village streets. In 2008, the village paid over \$1,500 for street maintenance work.

A formal maintenance plan should be prepared in conjunction with the annual fiscal budget. A formal maintenance plan serves as a useful management tool and provide greater input into the overall budgeting process. Such a plan provides a means to continually and more effectively monitor and evaluate progress made in the repair and maintenance of streets throughout the year.

Similar conditions
previously reported

Similar conditions were noted in our prior audit report issued for the year ended March 31, 2004, and the Board agreed with the issues; however, little action was taken to implement the prior recommendations.

Recommendations

Because the village is in the process of disincorporation, these points are provided for information only.



3. Minutes, Meetings, and Public Records

There were several weaknesses with the board's procedures for conducting and documenting board meetings. Additionally, the village did not have a policy for public access to village records.

3.1 Detail in minutes

Board minutes did not always include sufficient detail of matters discussed and actions taken. For example, the minutes generally did not reflect records of votes, but rather "motion carried."

Section 610.020, RSMo, requires minutes of meetings be taken and retained by all governmental bodies and include the date, time, place, members present, members absent, and a record of votes. In addition, Section 610.015, RSMo, requires all votes be recorded and if a roll call is taken, as to attribute each "yea" and "nay" vote, or abstinence if not voting, to the name of the individual member of the board.

3.2 Closed meeting notice

In 2008, open meeting notice agendas used the same statement to indicate the potential for a closed meeting/session, although no closed meeting/session was planned or held. The statement indicated the board may have an executive session to discuss personnel ". . . pursuant to RSMo, 610.021(3) . . ." According to the Village Clerk, no closed sessions were held in 2008.

Section 610.022, RSMo, requires the specific reasons for closing a meeting be announced publicly at an open meeting and entered into the minutes. A statement which includes a potential issue that may be discussed in a closed session appears to circumvent the intent of the law.

3.3 Public records

The village did not have a formal policy regarding public access to village records. A formal policy would establish guidelines for the village to make records available to the public. The policy should identify a person to contact, provide an address to mail such requests, and establish a cost for providing copies of public records.

Section 610.023, RSMo, lists requirements for making village records available to the public. Section 610.026, RSMo, allows the village to charge fees for copying public records, including document research and duplication.

Similar conditions
previously reported

Similar conditions were noted in our prior audit report issued for the year ended March 31, 2004, and the Board agreed with the issues; however, little action was taken to implement the prior recommendations.

Recommendations

Because the village is in the process of disincorporation, these points are provided for information only.



4. Disbursements

The village did not have a formal bidding policy, the Board's review and approval of disbursements was not adequate, and the village did not have written agreements for some services. In addition, the reporting of compensation was not consistent.

4.1 Bidding policy

The village did not have a formal bidding policy. As a result, the decision whether to solicit bids for a particular purchase was made on an item-by-item basis. For example, the village had not solicited bids and/or proposals for its insurance or legal services for many years. Although no significant purchases were made during the year ended December 31, 2008, overall, it appeared the village bid very few items.

Formal bidding procedures for major purchases provide a framework for economical management of village resources and help ensure the village receives fair value by contracting with the lowest and best bidders.

4.2 Disbursement review and approval

The Board's review and approval of disbursements was not adequately documented. Although board minutes occasionally documented discussion of pending payments, board approval of disbursements was generally not documented. In addition, invoices were usually not signed or initialed by the trustees, and a list of all disbursements approved for payment by the board was not prepared to accompany the minutes.

To adequately document the board's review and approval of all disbursements, a detailed list of disbursements should be prepared, signed or initialed by the trustees to denote their approval, and retained with the official minutes. In addition, supporting documentation should be reviewed by the board or someone independent of the disbursement process before payment is made. Failure to properly review all invoices and supporting documentation, and to document authorizations, increases the possibility of inappropriate disbursements occurring.

4.3 Written agreements

The village did not have a formal written agreement for legal services or with the church providing meeting space for the village.

The village paid its attorney a monthly retainer of \$170 plus \$105 per hour to act as the prosecuting attorney in municipal court and for other legal services. The village held board meetings in a local church and paid a monthly fee for the use of this facility. During the year ended December 31, 2008, the village paid its attorney and the church \$2,946 and \$210, respectively.

A formal written agreement, signed by both parties, should specify services to be provided and the manner and amount of compensation to be paid. Written agreements are necessary to ensure all parties are aware of their duties, rights, and responsibilities and to prevent misunderstandings. In



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addition, Section 432.070, RSMo, requires contracts for political subdivisions to be in writing.

4.4 Reporting of compensation

The village was not consistent in reporting to the Internal Revenue Service (IRS) compensation paid to its employees. In addition, the village did not properly report to the IRS payments, totaling \$2,946, made to its attorney.

In 2008, the village issued Forms 1099 for compensation paid to the Village Clerk and police officers. However, in 2007, the village issued a W-2 form for one police officer and Form 1099 to another police officer and the Village Clerk. In 2008, applicable federal and state taxes were not withheld for the police officers.

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

Additionally, Sections 6041 to 6051 of the Internal Revenue Code require non-wage payments of a least \$600 in one year to an individual be reported to the federal government on Form 1099.

Similar conditions previously reported

Similar conditions to points 4.1, 4.2, and 4.3 were noted in our prior audit report issued for the year ended March 31, 2004, and the Board agreed with the issues; however, little action was taken to implement the prior recommendations.

Recommendations

Because the village is in the process of disincorporation, points 4.1 through 4.3 are provided for information only.

4.4 The County Commission and Disincorporation Trustee should contact the IRS and/or the Department of Revenue (DOR) for guidance regarding the reporting of compensation paid to employees and payments totaling greater than \$600 in one year to non-employees.

Auditee's Response

4.4 *The County Commission and Disincorporation Trustee stated the IRS and DOR would be contacted during the disincorporation process.*

Village of La Tour

Organization and Statistical Information

The Village of La Tour is located in Johnson County. The village was incorporated in 1912. The population of the village in 2000 was 65.

In April 2009, the residents of the Village of La Tour voted to disincorporate the village. The disincorporation process is being handled by the Johnson County Commission, who has appointed a trustee to close all affairs of the village.

Board of Trustees

The village government consisted of a five-member board of trustees. The members were elected for 2-year terms. The chairman and village treasurer were trustees appointed by the board. The Board of Trustees and other officials during the year ended December 31, 2008, are identified below. The members of the Board of Trustees served without compensation.

Name and Title	Dates of Service During the Year Ended December 31, 2008
Larry Kagarice, Chairman	January to December
Vickey Emrick, Treasurer	January to December
Dawn Kagarice, Trustee	January to December
Matt Nash, Trustee	April to December
Alan Dykema, Trustee	January to April
Jackie Headley, Trustee (1)	January to April

(1) Ms. Headley resigned in April 2008, and the position remained vacant.

Other Officials

Name and Title	Dates of Service During the Year Ended December 31, 2008	Compensation Paid for the Year Ended December 31, 2008
Randall Jones, Village Clerk	January to December	\$ 600
Richard Meeks, Chief of Police (1)	January	920
Brian Ames, Police Officer (part-time)	April to October	395
Douglas B. Harris, City/Prosecuting Attorney (2)	January to December	2,946

(1) Chief Meeks resigned in January 2008. The Board did not appoint another Chief of Police.

(2) Mr. Harris was paid a monthly retainer of \$170 as city attorney and \$105 per hour for prosecuting and other services.

A summary of the city's financial activity for the year ended December 31, 2008, is presented on the next page.



Village of La Tour
Organization and Statistical Information

	General Fund	Street Fund	Law Enforcement Fund	Total
RECEIPTS				
Property taxes	\$ 1,117	0	0	1,117
Motor fuel and motor vehicle taxes	0	2,510	0	2,510
County law enforcement sales taxes	0	0	2,847	2,847
Franchise fees	0	2,238	0	2,238
Municipal court fines	0	0	4,109	4,109
Law enforcement training fees	0	0	96	96
Domestic violence fees	0	0	91	91
Peace officer standards and training commission fees	0	0	500	500
Interest	7	7	7	21
Dog tags	0	0	300	300
Miscellaneous	57	0	0	57
Total Receipts	1,181	4,755	7,950	13,886
DISBURSEMENTS				
Salaries	200	200	1,493	1,893
Payroll taxes	0	0	315	315
Dispatch fees	0	0	1,885	1,885
Prisoner jail expense	0	0	265	265
Vehicle payments	0	0	1,286	1,286
Rent	70	70	70	210
Telephone	0	0	320	320
Electricity (street lights)	0	1,465	0	1,465
Electricity	261	0	0	261
Street repair	0	1,582	0	1,582
Legal expense	680	680	1,586	2,946
Insurance	0	0	204	204
Election expense	25	25	25	75
Gasoline	0	0	370	370
Fuel tank rental	0	0	48	48
Auto repairs	0	0	32	32
Dog tags	0	0	45	45
Petty cash	0	0	100	100
Miscellaneous	20	20	40	80
Total Disbursements	1,256	4,042	8,084	13,382
RECEIPTS OVER (UNDER) DISBURSEMENTS	(75)	713	(134)	504
CASH BALANCE, JANUARY 1	1,873	519	1,079	3,471
CASH BALANCE, DECEMBER 31	\$ 1,798	1,232	945	3,975