

The seal of the Missouri State Auditor is circular and features a central figure holding a scale and a sword. The text around the seal reads "SEAL OF THE STATE AUDITOR" at the top, "JUSTICE WE STAND DIVIDED" in the middle, and "1820 MISSOURI 1892" at the bottom.

Nicole Galloway, CPA

Missouri State Auditor

FOLLOW-UP REPORT ON AUDIT FINDINGS

Plattsburg Special Road District

Report No. 2020-003

January 2020

auditor.mo.gov

Plattsburg Special Road District

Follow-Up Report on Audit Findings

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*Includes selected findings



NICOLE GALLOWAY, CPA
Missouri State Auditor

To the Board of Commissioners
Plattsburg Special Road District

We have conducted follow-up work on certain audit report findings contained in Report No. 2019-054, *Plattsburg Special Road District* (rated as Poor), issued in July 2019, pursuant to the Auditor's Follow-Up Team to Effect Recommendations (AFTER) program. The objectives of the AFTER program are to:

1. Identify audit report findings for which follow up is considered necessary, and inform the district about the follow-up review on those findings.
2. Identify and provide status information for each recommendation reviewed. The status of each recommendation reviewed will be one of the following:
 - Implemented: Auditee fully implemented the recommendation, either as described in the report or in a manner that resolved the underlying issue.
 - In Progress: Auditee has specific plans to begin, or has begun, to implement and intends to fully implement the recommendation.
 - Partially Implemented: Auditee implemented the recommendation in part, but is not making efforts to fully implement it.
 - Not Implemented: Auditee has not implemented the recommendation and has no specific plans to implement the recommendation.

As part of the AFTER work conducted, we reviewed documentation provided by district officials and held discussion with district officials to verify the status of implementation for the recommendations. Documentation provided by the district included minutes of meetings, financial records, and other pertinent documents. This report is a summary of the results of this follow-up work, which was completed during December 2019.

A handwritten signature in black ink that reads "Nicole R. Galloway".

Nicole R. Galloway, CPA
State Auditor

Plattsburg Special Road District

Follow-Up Report on Audit Findings

Status of Findings

1. **Misappropriated Monies** The former Secretary/Treasurer, Ava Langner, misappropriated monies totaling at least \$286,615 from the district. The former Secretary/Treasurer made improper payments to her company totaling \$156,739, used district monies to pay personal credit card bills totaling \$125,642, obtained \$1,634 in credit card rewards points related to transactions paid for using district funds, and made other improper payments for personal and company bills totaling at least \$2,600.

In addition, the former Secretary/Treasurer may have created/modified meeting minutes after she was terminated, and she falsified the district's published financial statements for several years to conceal improper disbursements.

Recommendation

The Board of Commissioners continue to work with law enforcement officials regarding criminal prosecution of the improper payments, falsified records, and improper disbursements, and take the necessary actions to obtain restitution. In addition, the Board of Commissioners should ensure financial statements are reviewed for accuracy prior to publication.

Status

Implemented

The Board is continuing to work with law enforcement officials regarding criminal prosecution, and will take the necessary action to obtain restitution. On November 12, 2019, the former Secretary/Treasurer was indicted by a federal grand jury for stealing from the district. The case is ongoing as of December 2019. The Board Treasurer indicated the Board reviewed the financial statement for the year ended December 31, 2018, for accuracy prior to its publication in March 2019.

2. **Oversight and Bond Coverage**

The Board did not establish adequate oversight of the former Secretary/Treasurer or obtain bond coverage for applicable officials and employees as required by state law.

2.1 **Oversight and segregation of duties**

The Board did not establish adequate segregation of duties or supervisory reviews over the various financial accounting functions performed by the former Secretary/Treasurer, and blank checks were frequently signed in advance by check signers with no subsequent review of the checks.

Recommendation

The Board of Commissioners segregate accounting duties to the extent possible and implement appropriate reviews and monitoring procedures. In addition, the Board should not allow any check signers to sign checks in advance.

Status

Partially Implemented



Plattsburg Special Road District
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Status of Findings

The district has not adequately segregated accounting duties or implemented appropriate reviews and monitoring over various accounting functions. Accounting duties previously performed by the former Secretary/Treasurer related to making deposits, preparing disbursements, and reconciling bank accounts are now primarily performed by the Board Treasurer. A part-time Secretary processes incoming mail, including receiving receipts and invoices, and an accounting firm processes district payroll and prepares year-end financial statements.

Monthly financial information is presented to the Board by the Board Treasurer and the Board's review is documented in the meeting minutes. However, our review of the November 2019 Board meeting packet showed an adequate independent supervisory review of district accounting records is still not being performed as discussed in section 3.1. The Board Treasurer indicated checks are no longer signed in advance and our review showed most disbursements are now made using online banking.

2.2 Bonding

The district did not have bond coverage for district employees or officials. While the district had some fidelity and crime insurance coverage it was limited to \$5,000 with a \$500 deductible for each specific type of crime listed.

Recommendation

The Board of Commissioners maintain bond coverage for all employees or officials with access to district monies or other assets.

Status

Implemented

The Board increased its fidelity and crime insurance coverage to \$50,000 per type of crime (fidelity, forgery or alteration, on premises, in transit, and computer fraud). The Board Treasurer indicated the Board chose to increase this coverage, rather than bonding each board member or individual employee.

3.1 Accounting Controls and Procedures - Board review and approval process

The former Secretary/Treasurer did not provide bank statements, a list of bills, or financial statements to the Board for review at monthly meetings. The Board and the former Secretary/Treasurer failed to monitor the district's cash balances, and as a result, the district's checking account incurred overdraft fees. In addition, Board members did not review invoices, and no one generally marked invoices paid or otherwise canceled once payment occurred or acknowledged receipt of goods or services on them. Board members also indicated the former Secretary/Treasurer did not prepare meeting minutes for their review and approval.

Recommendation

The Board of Commissioners review bank statements and reconciliations monthly, properly monitor bank account balances to avoid bank fees, and ensure any differences are promptly investigated and resolved. The Board should also ensure a monthly list of bills is prepared and compared to invoices



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Status of Findings

and checks written. In addition, the Board should ensure invoices are adequately reviewed and marked paid and require documentation of receipt of goods and/or services prior to payment of invoices.

Status

Partially Implemented

Our review of the November 2019 accounting and bank records showed the Board Treasurer actively monitored bank account balances by reconciling the bank account to accounting records after each district online banking transaction and the district incurred no bank fees.

Board packets presented to the Board for the November 2019 meeting included the previous month's meeting minutes and monthly financial information. However, the bank balances reported did not agree to the related accounting records provided to the Board. In addition, the check listing did not include all details, such as date issued, and invoices were not provided for comparison to the disbursements. The Board Treasurer indicated he and the Secretary review invoices prior to payment. However, he also stated that invoices, while available for review, are not typically reviewed by the Board members when the Board approves disbursements at meetings. Our review of November 2019 invoices showed that invoices were stamped as received by the Secretary. The Board Treasurer indicated payment stubs are filed with each invoice. This filing process serves as marking the invoices as paid. The receipt of goods and/or services was not always documented for invoices reviewed during November 2019.

3.2 Accounting Controls
and Procedures -
District checks and
accounting records

The former Secretary/Treasurer did not issue checks in numerical sequence, properly account for the numerical sequence of checks, or retain voided checks. In addition, accounting records maintained by the former Secretary/Treasurer were not accurate.

Recommendation

The Board of Commissioners perform adequate reviews of accounting records and checks written before approving disbursements.

Status

In Progress

Our review of November 2019 financial records showed district checks were issued in numerical sequence, no checks were voided, and all receipts and disbursements appear to be recorded in the accounting records. The meeting minutes also documented the Board's review and approval of the accounting records presented. However, as discussed in section 3.1, the financial records presented to the Board showed discrepancies.



Plattsburg Special Road District
Follow-up Report on Audit Findings
Status of Findings

3.3 Accounting Controls and Procedures - Recording and depositing	The former Secretary/Treasurer did not always record or deposit receipts timely.
Recommendation	The Board of Commissioners ensure receipts are recorded and deposited timely and intact.
Status	In Progress The district receives monies by check (all received by mail) or direct deposit. The Secretary makes a copy of checks received and date stamps the copy. Receipts received in November 2019 were deposited timely and intact; however, the Board Treasurer does not record the date payments are received in the accounting records. As a result, we could not determine if receipts were recorded timely. The Board Treasurer indicated he intends to add the date of each transaction to the accounting records.
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4. Payroll	The Board approved year-end bonuses to the former Secretary/Treasurer and employees contrary to state law and the former Secretary/Treasurer did not timely file and remit payroll taxes.
4.1 Bonuses	The Board approved year-end bonus payments to the former Secretary/Treasurer and district employees contrary to state law.
Recommendation	The Board of Commissioners discontinue the practice of paying bonuses.
Status	Implemented The Board indicated employees will not receive year-end bonuses in 2019.
4.2 Payroll taxes	The former Secretary/Treasurer did not timely remit federal payroll taxes resulting in interest and penalties for the district.
Recommendation	The Board of Commissioners establish procedures to ensure payroll taxes are remitted timely.
Status	Implemented The Board remitted the outstanding payroll taxes and associated interest and penalties to the Internal Revenue Service in December 2018. Payroll taxes are currently processed by an accounting firm and reviewed by the Board each month. Accounting records for the period January 2019 through November 2019 showed that federal taxes are being filed and remitted monthly.



Plattsburg Special Road District
Follow-up Report on Audit Findings
Status of Findings

5. Budgets and Financial Reporting	The district did not comply with state law relating to budget preparation and submitting financial statements.
5.1 Budgets	Neither the Board nor the former Secretary/Treasurer prepared budgets for the 8 years ended December 31, 2018, as required by state law.
Recommendation	The Board of Commissioners prepare budgets that contain all information required by state law.
Status	In Progress The Board prepared a 2019 budget document that showed detailed budgeted revenues and disbursements. However, the budget document did not contain a budget message, actual and estimated cash balances, and actual receipts and disbursements for the 2 preceding years. The Board Treasurer indicated district officials will work with the accounting firm in January to prepare a complete budget for 2020.
5.2 Financial reporting	Neither the Board nor the former Secretary/Treasurer submitted a financial report to the State Auditor's Office as required by state law for the years ended December 31, 2012, 2013, 2014, 2015, and 2016, and the report submitted for the year ended December 31, 2017, was not filed until November 7, 2018, more than 4 months late.
Recommendation	The Board of Commissioners submit annual financial reports to the State Auditor's Office as required by state law.
Status	Implemented The district timely submitted a financial report to the State Auditor's Office for the year ended December 31, 2018, on June 13, 2019.