



**Nicole R. Galloway, CPA**  
Missouri State Auditor

# CITIZENS SUMMARY

## Findings in the audit of the Village of Leasburg

Missing Monies	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.
Accounting Practices, Reporting, and Monitoring	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.
Controls and 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. 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.
Accounting Records and Procedures	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.
Utility System Controls	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

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.

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.
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In the areas audited, the overall performance of this entity was <b>Poor</b> .*
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\*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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