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Missouri State Auditor

Interstate 44 and Highway 47 Triangle Transportation Development District



April 2014

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CITIZENS SUMMARY

Findings in the audit of the Interstate 44 and Highway 47 Triangle Transportation Development District

Financial Monitoring and Reporting

The Interstate 44 and Highway 47 Triangle Transportation Development District (TDD) Board is not properly monitoring the financial obligations of the district and is not reviewing supporting documentation for disbursements made by the City of St. Clair on behalf of the district. Due to the lack of monitoring of its financial obligations, the TDD Board did not identify inaccuracies in the outstanding obligations reported in the district's 2011 and 2012 financial statements. The TDD Board should be monitoring its financial transactions and outstanding obligations more closely to ensure financial statements are accurate and the TDD sales tax is timely repealed once all obligations of the TDD are satisfied.

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

*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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THOMAS A. SCHWEICH

Missouri State Auditor

Josh Kasper, Chairman
and
Board of Directors
Interstate 44 and Highway 47 Triangle Transportation Development District
St. Clair, Missouri

We have audited certain operations of the Interstate 44 and Highway 47 Triangle Transportation Development District in fulfillment of our duties under Section 238.272, RSMo. The scope of our audit included, but was not necessarily limited to, the 2 years ended December 31, 2012. The objectives of our audit were to:

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

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the district, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

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

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

For the areas audited, we identified (1) deficiencies in internal controls, (2) no significant noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our finding arising from our audit of the Interstate 44 and Highway 47 Triangle Transportation Development District.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is fluid and cursive, with the first name "Thomas" and last name "Schweich" clearly legible.

Thomas A. Schweich
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Harry J. Otto, CPA
Director of Audits:	Regina Pruitt, CPA
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Interstate 44 and Highway 47 Triangle Transportation Development District Management Advisory Report - State Auditor's Findings

1. Financial Monitoring and Reporting

The Interstate 44 and Highway 47 Triangle Transportation Development District (TDD) Board is not properly monitoring the financial obligations of the district and is not reviewing supporting documentation for disbursements made by the City of St. Clair on behalf of the district. In addition, the TDD Board did not identify inaccuracies in the 2011 and 2012 financial statements filed with the State Auditor's office.

The Missouri Department of Transportation (MoDOT) and the City of St. Clair are the local transportation authorities for the TDD project. The city's portion of the project was financed through a direct loan of approximately \$1.65 million from the Missouri Transportation Finance Corporation (MTFC) and approximately \$200,000 the city paid for the project. The intergovernmental agreement between the city and the TDD requires the city to handle the financial and administrative functions of the TDD and maintain the related accounting records. It also pledges the district's sales tax revenues to repay the city for the project costs. Ultimately the TDD will be required to repay the city for the MTFC loan, the city-paid portion of project costs, and ongoing administrative costs, such as court filing fees and legal fees or other professional services fees, paid by the city on behalf of the district.

The TDD Board is not reviewing a summary of financial transactions or cash balances of district funds, and is not monitoring the outstanding obligations due to the city. In addition, the TDD Board has not requested the city provide supporting documentation, such as invoices, to support the accrued administrative costs paid by the city, or exercised its ability to inspect such information as allowed under the terms of the intergovernmental agreement. According to city records, these costs totaled approximately \$51,000 as of December 31, 2012. Due to the lack of monitoring of its financial obligations, the TDD Board did not identify inaccuracies in the outstanding obligations reported in the district's 2011 and 2012 financial statements. The total obligation reported on the 2012 financial statement was approximately \$1.5 million, but the actual obligation as of December 31, 2012, exceeded \$1.7 million. The TDD Board has a duty to ensure it provides sufficient oversight to ensure TDD sales taxes are spent appropriately and for allowable purposes.

The TDD Board should be monitoring its financial transactions and outstanding obligations more closely to ensure financial statements are accurate and the TDD sales tax is timely repealed once all obligations of the TDD are satisfied. In addition, reviewing and approving supporting documentation for ongoing administrative costs paid by the city will allow the TDD Board to determine if the amount reported is accurate and that the costs are appropriate and reasonable.



Interstate 44 and Highway 47 Triangle
Transportation Development District
Management Advisory Report - State Auditor's Findings

Recommendation

The TDD Board work with the city to determine all of the financial obligations of the district, monitor the amounts outstanding, and ensure financial obligations are accurately reported. In addition, the Board should ensure it periodically reviews supporting documentation and records pertaining to administrative costs.

Auditee's Response

The TDD Board provided the following written response:

The Board of Directors of the Interstate 44 and Highway 47 Triangle Transportation Development District has reviewed the draft report, fully accepts and agrees with the finding as presented. We have already begun implementation of much of the process improvement which has been presented.

Interstate 44 and Highway 47 Triangle Transportation Development District Organization and Statistical Information

The Interstate 44 and Highway 47 Triangle Transportation Development District (TDD) is located in the City of St. Clair. The TDD was organized in February 2009 by petition of the city. The members of the Board of Directors of the district are elected by the registered voters of the district and are all residents and registered voters of the district.

In November 2009, the Board of Directors passed a resolution approving the imposition of a sales tax of 1-cent (1 percent), subject to voter approval, effective July 1, 2010, for 30 years, unless terminated sooner, on all taxable transactions within the boundaries of the district. In February 2010, the qualified voters of the TDD, in this case the registered voters, approved the imposition of the sales tax. The retail establishments within the district collect and remit the sales tax to the Missouri Department of Revenue (DOR). In turn, the DOR distributes the sales tax monies to the district.

The TDD was formed for the purpose of relocating the Interstate 44 north outer road with the east leg aligned to intersect Highway 47 and the west leg aligned to intersect Miller Drive. The Missouri Department of Transportation (MoDOT) and the City of St. Clair are the public entities with jurisdiction over this project. The project was completed in July 2013.

The TDD has a fiscal year end of December 31, and did not have independent audits performed during the 2 years ended December 31, 2012.

District Board

An elected board acts as the policy-making body for the district's operations. The board's four members serve 3-year terms without compensation. Members of the board at December 31, 2012, were:

Josh Kasper, Chairman
Art Viehland, Vice Chairman
Twyla Kasper, Treasurer
Janet Viehland, Secretary

Financial Activity

The MoDOT and the City of St. Clair paid project costs of approximately \$5.4 million. The city secured a loan through the Missouri Transportation Finance Corporation for approximately \$1.65 million and provided another \$200,000 in city funds to pay its share of the project costs. The district was formed to reimburse the project costs incurred by the city. Our audit determined the outstanding obligation to the city exceeded \$1.7 million at December 31, 2012.

A summary of the district's financial activity for the 2 years ended December 31, 2012, follows:



Interstate 44 and Highway 47 Triangle
Transportation Development District
Organization and Statistical Information

	Year Ended December 31,	
	2012	2011
RECEIPTS		
Sales taxes	\$ 87,703	85,008
Interest	98	153
Total Receipts	87,801	85,161
DISBURSEMENTS		
Principal and interest	75,000	90,000
Total Disbursements	75,000	90,000
RECEIPTS OVER (UNDER) DISBURSEMENTS	12,801	(4,839)
BEGINNING CASH	26,296	31,135
ENDING CASH	\$ 39,097	26,296