



Scott Fitzpatrick

Missouri State Auditor

City of Louisiana

Report No. 2025-054

September 2025

auditor.mo.gov



CITIZENS SUMMARY

Findings in the audit of the City of Louisiana

Water Account Adjustments	The city does not have policies or procedures requiring Board approval or documentation to support water account adjustments. Water records indicate the city received approximately \$803,000 in water revenues during the year ended May 31, 2024, and personnel posted a total of 655 adjustments, totaling approximately \$373,000, during that time. A review of the list of adjustments for the 3 fiscal years ended May 31, 2024, found many individuals with adjustments in multiple years or significant adjustments. A review performed by the city of the fiscal year 2024 adjustments identified 31 inappropriate adjustments totaling over \$2,000 for 26 individuals. Further review by the State Auditor's Office (SAO) found some additional adjustments were inappropriate because city staff processed them without accurate supporting documentation or any explanation of the adjustment reason.
City Policies and Procedures	The city does not have a written policy for overtime to address the hours, including non-working time, to be considered when calculating overtime. The city paid 17 of 44 employees approximately 170 hours of overtime for July 2022 when they did not work a total of 40 hours in a week because the city counted holiday or leave hours as part of the 40 hours worked during the week. Proceeds from some scrap metal sales totaling \$900 were not deposited and are missing. The city allows employees to take extra scrap metal to a local scrap metal company and sell the metal. The funds paid for the scrap metal are to be turned over to the city. Reports from the scrap metal company for the period December 2019 through December 2023 show city employees received approximately \$2,300 for scrap metal sales, but city deposit records indicate only approximately \$1,400 in scrap metal income was deposited.
Financial Reporting	The city failed to submit its year ended May 31, 2023, annual financial report to the State Auditor's Office (SAO) until April 18, 2025. As a result, the submission was almost 17 months late, and the Missouri Department of Revenue (DOR) assessed fines totaling \$196,500, which the DOR collected by withholding monthly sales tax distributions. The Mayor contacted the SAO in July 2025, and provided documentation of submission to the DOR and the SAO agreed to show the report received as of the August 21, 2024, DOR submission date. Even with the earlier submission date, the report was almost 9 months late and the city is subject to over \$60,000 in fines.

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

*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.

City of Louisiana

Table of Contents

State Auditor's Report	2
------------------------	---

Management Advisory	
Report - State Auditor's	
Findings	
1. Water Account Adjustments	4
2. City Policies and Procedures	5
3. Financial Reporting	7

Organization and Statistical	8
Information	



SCOTT FITZPATRICK
MISSOURI STATE AUDITOR

To the Honorable Mayor
and
Members of the City Council
City of Louisiana, Missouri

We have audited certain operations of the City of Louisiana as they relate to the city's finances in fulfillment of our duties under Chapter 29, RSMo. The State Auditor initiated the audit in response to a formal request from the City Council. The city engaged Hood and Associates, Certified Public Accountants (CPAs), PC, to audit the city's financial statements for the fiscal year ended May 31, 2023. To minimize duplication of effort, we reviewed the CPA firm's fiscal year 2023 audit report, since the fiscal year 2024 audit had not been completed. The scope of our audit included, but was not necessarily limited to, the year ended May 30, 2024. The objectives of our audit were to:

1. Evaluate the city's internal controls over significant management and financial functions.
2. Evaluate the city's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and procedures, 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 city, as well as certain external parties; and performing sample testing using haphazard and judgmental selection, as appropriate. The results of our sample testing cannot be projected to the entire populations from which the test items were selected. We obtained an understanding of internal control that is significant to the audit objectives and planned and performed procedures to assess internal control to the extent necessary to address our audit objectives. 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 applicable contract, grant agreement, 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 this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the 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 a reasonable basis for our findings and conclusions based on our audit objectives.

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

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

A handwritten signature in black ink, reading "S. Fitzpatrick". The signature is stylized, with a large "S" and a cursive "Fitzpatrick".

Scott Fitzpatrick
State Auditor

City of Louisiana

Management Advisory Report

State Auditor's Findings

1. Water Account Adjustments

The city does not have policies or procedures requiring Board approval or documentation to support water account adjustments. Water records indicate the city received approximately \$803,000 in water revenues during the year ended May 31, 2024, and personnel posted a total of 655 adjustments, totaling approximately \$373,000, during that time.

Water account adjustments are transactions for which no money is received; however, the account balance (amount due) in the utility system is changed showing a credit or debit to the customer's account. The Water Clerk posts adjustments; however, the city does not require supervisor or Board approval of the adjustments or documentation explaining the adjustments.

We scanned a list of adjustments for the 3 fiscal years ended May 31, 2024, and noted many individuals with adjustments in multiple years or significant adjustments. At our request, city officials reviewed the fiscal year 2024 adjustments and identified 31 inappropriate adjustments totaling over \$2,000 for 26 individuals. We further reviewed adjustments, totaling \$300, for 5 of these individuals, to determine why officials considered them inappropriate and found city staff processed these adjustments without accurate supporting documentation or any explanation of the adjustment reason. Additionally, staff did not reconcile proposed adjustments to actual changes in the computer system.

Because the water clerk position is responsible for collecting water payments and has the ability to alter or delete individual water account information without review, there is an increased risk that unsupported or unauthorized adjustments could be made in the water system without detection. Both employees responsible for the adjustment entries left city employment when the audit started, and we did not have the opportunity to discuss the process with them prior to their departure. City officials indicated they were not aware that establishing review and reconciliation procedures was necessary.

Approval and supporting documentation are necessary to ensure all adjustments are necessary and properly handled. In addition, an independent review of adjustments, including comparing adjustments to actual changes posted to the computer system, would help ensure all such transaction are necessary and properly handled. Written policies and procedures are necessary to outline employee's responsibilities, provide guidance when questions or disputes arise, and help ensure policies are fairly and consistently applied to all city water accounts.

Recommendation

The City Council develop written policies and procedures for the handling of water account adjustments, and ensure adjustments are properly approved, and reasons for adjustments are documented.



City of Louisiana
Management Advisory Report - State Auditor's Findings

Auditee's Response

The city acknowledges the concerns raised regarding water account adjustments. This issue was voluntarily disclosed to the audit team. Prior to the conclusion of the audit fieldwork, the city developed and implemented a comprehensive written policy that includes requirements for documentation, supervisory approval, and reconciliation of all water account adjustments. The irregular adjustments identified were linked to two former employees who had separated from the city before the audit began. Prompt corrective actions have been taken to strengthen controls and prevent recurrence.

2. City Policies and Procedures

The city's overtime and scrap metal policies and procedures need improvement.

2.1 Overtime Policy

The city does not have a written policy for overtime to address the hours, including non-working time, to be considered when calculating overtime.

The city pays employees on a weekly basis and requires employees to record their time on timesheets for the number of daily work hours, overtime hours, holiday hours, and leave hours. We reviewed the timesheets and payroll payments for all 44 employees for November 2023 and all 39 employees for July 2022, and noted 17 employees who were paid at time and a half if they worked more than 8 hours a day, even though the employees were not working more than 40 hours a week. The city paid approximately 170 hours of overtime for July 2022 for employees who did not work a total of 40 hours in a week because the city counted holiday or leave hours as part of the 40 hours worked during the week.

The Fair Labor Standards Act (FLSA) only requires any time worked over 40 hours in a week (for non-emergency personnel) to be paid at time and a half. Written personnel policies and strict compliance with those policies are necessary to ensure equitable treatment of employees, prevent misunderstandings, and ensure employees are properly compensated. The overtime payments noted above that were processed in July 2022 were handled by the prior City Administrator. Our review noted no issues with the November 2023 payments and city staff indicated beginning with the change in administration in 2023, overtime is no longer paid unless the employee works 40 hours, with no holiday or leave used during the week. However, there remains no written policy detailing the hours to be considered when paying overtime.

2.2 Scrap Metal Sales

Proceeds from some scrap metal sales totaling \$900 were not deposited and are missing. The city allows employees to take extra scrap metal to a local scrap metal company and sell the metal. The funds paid for the scrap metal are to be turned over to the city. The city provided us with reports from the scrap metal company for the period December 2019 through December 2023.



City of Louisiana Management Advisory Report - State Auditor's Findings

We noted city employees received approximately \$2,300 for scrap metal sales, but city deposit records indicate only approximately \$1,400 in scrap metal income was deposited, a difference of \$900. The city has not taken any action to investigate the difference.

The city does not have official policies or procedures related to the selling of the scrap metal and handling of sales proceeds, including to which employee(s) the proceeds should be submitted. Instead, city officials indicated there were informal procedures that were verbally communicated to staff. This likely contributed to the undeposited receipts.

Written policies and procedures are necessary to ensure all scrap metal sales are appropriate and in compliance with city revenue policies, and to reduce the risk of loss, theft, or misuse of sales proceeds occurring.

Recommendations

The City Council:

- 2.1 Develop detailed personnel policies and procedures for overtime that are in compliance with the FLSA.
- 2.2 Develop policies and procedures to ensure all scrap metal sales proceeds are turned over to the city and deposited.

Auditee's Response

- 2.1 *This concern was brought to the auditors' attention by the current Mayor. The overtime practices in question originated under the previous administration. Since early 2023, the city has adopted a revised overtime policy that fully complies with the FLSA, ensuring overtime is paid only after employees work more than 40 actual hours in a week, excluding holiday and leave time. While this policy is currently followed, the city recognizes the need to formalize these procedures in writing and is committed to developing detailed personnel policies to provide clear guidance and ensure consistent application.*
- 2.2 *The city acknowledges the discrepancies identified in scrap metal sales proceeds and recognizes the absence of formal policies contributed to this issue. This matter was disclosed by the Mayor based on prior practices. In response, the city has implemented a new policy requiring all scrap metal sale proceeds to be properly documented and submitted directly to the City Treasurer for immediate deposit. This policy was established prior to the auditors on-site work to enhance accountability and reduce the risk of loss or misuse of funds. The city remains committed to maintaining strong internal controls over all revenue sources.*



City of Louisiana
Management Advisory Report - State Auditor's Findings

3. Financial Reporting

The city failed to submit its year ended May 31, 2023, annual financial report to the State Auditor's Office (SAO) until April 18, 2025. As a result, the submission was almost 17 months late, and the Missouri Department of Revenue (DOR) assessed fines totaling \$196,500, which the DOR collected by withholding monthly sales tax distributions. The Mayor was not aware of the DOR withholdings until we informed him. After we informed him, city officials determined the report was erroneously sent to the DOR in August 2024, rather than to the SAO. The Mayor contacted the SAO in July 2025, and provided documentation of submission to the DOR and the SAO agreed to show the report received as of the August 21, 2024, DOR submission date. Even with the earlier submission date, the report was almost 9 months late and the city is subject to over \$60,000 in fines.

Section 105.145, RSMo, requires each political subdivision to file annual reports of financial transactions with the SAO. Rule 15 CSR 40-3.030, requires each political subdivision to file annual reports within 6 months of the end of the subdivision's fiscal year. Section 105.145.5, RSMo, prohibits elected officials from continuing to receive compensation or processing disbursements after the deadline to submit the financial statement and until the financial statement is submitted to the SAO. Section 105.145.9, RSMo, requires political subdivisions to be fined \$500 per day for missing filing deadlines.

Recommendation

The City Council timely submit annual financial reports to the SAO as required by state law.

Auditee's Response

We acknowledge the delay in submitting the city's annual financial report for the year ended May 31, 2023, to the State Auditor's Office. We understand the importance of timely filing as required by Section 105.145, RSMo, and Rule 15 CSR 40-3.030, and we regret any inconvenience caused by this delay.

The city is committed to complying with all state reporting requirements moving forward. We have implemented additional internal controls and monitoring procedures to ensure that future financial reports are prepared and submitted within the required deadlines. We appreciate the guidance provided and will work diligently to prevent recurrence of such delays.

City of Louisiana

Organization and Statistical Information

The City of Louisiana is located in Pike County. The city was incorporated in 1848 and is currently a third-class city. The city employed 36 full-time employees and 19 part-time employees on May 31, 2024. The city's population was 3,199 in 2020, according to the U.S. Census Bureau.

City operations include utility services (water, sewer, and trash), police, fire, library, animal control, and maintenance of streets.

Mayor and City Council

The city government consists of a mayor and 8-member council. The members are elected for 2-year terms. The mayor is elected for a 2-year term, presides over the council, and votes only in the case of a tie. The Mayor and Councilmembers, at May 31, 2024, are identified below. The Mayor is paid \$506.25 each month and Councilmembers are paid \$150 each month. The compensation of these officials is established by ordinance.

Tim Carter, Mayor
Bill Suddarth, Councilman
Billy Price, Councilman
Cassie Cordes, Councilwoman
Don Giltner, Councilman
Rudy Bell, Councilman
Steven Twitchell, Councilman
Jim Gott, Councilman
John Phillips, Councilman

Other Principal Officials

The City Administrator, City Treasurer, and City Clerk are appointed positions. These officials at May 31, 2024, are identified below.

Bryan Spencer, City Administrator
Alissa Horton, City Treasurer
April Gilbert, City Clerk

Financial Activity

A summary of the city's unaudited financial activity, which was published in the local newspaper, for the year ended May 31, 2024, follows. The city did not include beginning cash balances in the published information. We added these cash balances along with other unpublished receipts and disbursements to the financial activity.

City of Louisiana
Schedule of Receipts, Disbursements, and Changes in Cash Balance
Year Ended May 31, 2024

	General Fund	Enterprise Fund
Receipts		
General	\$ 1,825,192	\$ 0
Animal control	4,694	0
Police	36,399	0
Trash	0	246,641
Utility and sales taxes	0	60,545
Water sales	0	803,034
Insurance proceeds	0	60,254
Wastewater	0	375,899
Code enforcement	20,569	0
Streets	236,261	0
Grounds	9,651	0
Economic development	0	0
Fire	3,300	0
Emergency Management	0	0
Library	44,559	0
License office	43,364	0
Health	0	0
Other	0	66,148
Debt service and other restricted revenues	342,013	1,196,416
Total Receipts	<u>2,566,002</u>	<u>2,808,937</u>
Disbursements		
General	460,705	0
Animal	44,302	0
Police	526,197	0
Water administration	0	656,478
Water distribution	0	559,166
Treatment plant	0	663,800
Wastewater	0	360,041
Code enforcement	99,505	0
Streets	604,318	0
Grounds	324,864	0
Economic Development	798	0
Fire	89,534	0
Emergency Management	940	0
Library	66,738	0
License office	54,166	0
Health	5,833	0
Debt Service - City	158,105	1,047,776
Total Disbursements	<u>2,436,005</u>	<u>3,287,261</u>
Receipts Over (Under) Disbursements	<u>129,997</u>	<u>(478,324)</u>
Cash Balance, June 1, 2023	1,460,346	2,342,800
Unpublished disbursements *	140,279	0
Unpublished revenues *	0	134,345
Cash Balance, May 31, 2024	<u>\$ 1,450,064</u>	<u>\$ 1,998,821</u>

* The beginning cash balance plus revenues less disbursements did not equal the ending cash balance that was published by the city. This amount was added by the State Auditor's Office to show what was omitted from the published financial information.