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CITIZENS SUMMARY

Findings in the audit of the City of Kennett

Misappropriated Money	<p>From January 1, 2020, through March 8, 2022, money totaling at least \$79,281 was misappropriated from the city. During this time, the Deputy Clerk used a city credit card to make approximately \$11,800 in personal purchases, paid herself and her husband over \$61,700 they were not entitled to receive, paid herself for unearned or already-used vacation leave valued at over \$3,000, and did not pay for approximately \$2,700 in employee benefits she received. Additional payments to the Deputy Clerk and her husband totaling approximately \$17,300 may also be improper.</p>
Oversight, Related Parties, and Ordinances	<p>The City Council and the City Clerk did not adequately oversee or segregate the duties of the various financial accounting functions performed by the Deputy Clerk, including payroll, purchasing, and disbursements. The Deputy Clerk was responsible for the entire payroll process for city employees, including herself and her husband, with little or no oversight. This included entering hours worked, leave used, pay rates, and withholdings and deductions. The Deputy Clerk was able to process numerous disbursements to herself and her husband, as well as record all of the transactions on her city-issued Walmart credit card in the accounting system without any approval. As a result, city money was not handled and accounted for properly. The City Council did not review lists of bills, bank and credit card statements, payroll, or other financial information, at City Council meetings. The City Council did not adequately monitor city activities for related parties and conflicts of interest and did not have a city policy or ordinance to adequately address such instances. The Deputy Clerk processed payroll and other payments for herself, her husband, and her ex-sister-in-law with little to no oversight. City ordinance and personnel policies are not complete and do not reflect some current city practices. The city does not have an ordinance or personnel policy establishing guidelines for city employees holding multiple positions within the city simultaneously.</p>
Payroll and Related Matters	<p>Inaccurate and missing payroll records allowed improper payroll overpayments to go undetected. The Deputy Clerk's timesheets were not accurate and were not always prepared and retained as required by law. During sworn testimony, the Deputy Clerk indicated she worked approximately 20 hours of overtime per week for the fire department. However, her timesheets showed up to 49 hours of overtime work in a week, and are likely inaccurate. City officials did not reconcile leave records, which allowed excess leave to go undetected. For example, the Deputy Clerk's manual leave record for 2020 did not agree with leave recorded in the accounting system, and the city could not provide the Deputy Clerk's paper leave records for 2021 and 2022. The Deputy Clerk's personnel file did not contain adequate documentation of changes in her rate of pay during her employment. In addition, City Council meeting minutes did not document approval for, and her personnel file did not include documentation of, the Deputy Clerk's work for the fire department.</p>
Disbursements	<p>City officials allowed numerous questionable and/or unnecessary purchases to occur, and the city does not have any guidance or policy regarding the use of city funds to purchase food, gifts, and other items. City officials did not ensure staff submitted supporting documentation for some purchases,</p>

including purchase orders and receipt slips or invoices, prior to processing disbursements for payment as required by city code. City officials did not review credit card statements or related supporting documentation prior to payment and instead set the credit card accounts, including the city Walmart credit card, to be paid automatically, which allowed improper charges to occur and go undetected.

Sunshine Law	The City Council did not always comply with the Sunshine Law or sufficiently document discussions to demonstrate Sunshine Law compliance. The City Council discussed and voted on some items in closed meetings that were not allowable under the Sunshine Law. Some meeting minutes included little or no description of the topics discussed and the information in closed meeting minutes was insufficient to ensure topics discussed were allowable.
Electronic Data Security	The City Clerk did not establish adequate password controls to reduce the risk of unauthorized access to city computers and data. The City Clerk's office did not have security controls in place to lock computers after a specified number of incorrect logon attempts. As a result, city records were not adequately protected and were susceptible to unauthorized access or loss of data.
Electronic Communications	City personnel do not follow city code or Missouri Secretary of State guidance regarding retention of electronic communication sent via text messages. City officials indicated they did not forward text messages related to city business to their office computer or the city custodian of records as required.

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

*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.



Recommendations in the audit of the City of Kennett

Misappropriated Money	1.1-1.3 The City Council continue to work with law enforcement officials regarding criminal prosecution of the misappropriated money and questionable purchases and take the necessary actions to obtain restitution.
Oversight, Related Parties, and Ordinances	<p>The City Council:</p> <p>2.1 Segregate accounting duties and implement appropriate reviews and monitoring procedures. Additionally, the City Council should require dual live signatures on all checks by someone independent from the disbursement process.</p> <p>2.2 Periodically review detailed accounting records including a monthly list of bills, bank and credit card statements, and payroll reports.</p> <p>2.3 Establish policies and procedures concerning related parties and conflicts of interest.</p> <p>2.4 Establish ordinances or policies regarding employees holding multiple positions within the city and how overtime is calculated when using leave time.</p>
Payroll and Related Matters	<p>The City Council:</p> <p>3.1 Ensure timesheets and leave records are properly completed and retained as required. The City Council should also ensure the various leave records are reconciled.</p> <p>3.2 Ensure all overtime, additional duties, and pay rates are approved and documented for all city employees.</p>
Disbursements	<p>The City Council:</p> <p>4.1 Ensure all disbursements are a reasonable and prudent use of public funds. In addition, the City Council should establish a policy regarding food and gift purchases.</p> <p>4.2 Ensure adequate supporting documentation is submitted prior to payment as required.</p> <p>4.3 Establish procedures to review credit card charges and supporting documentation prior to payment and discontinue automatic payments for credit card bills.</p>
Sunshine Law	The City Council ensure only topics allowed by state law are discussed in closed meetings and ensure meeting minutes are complete, accurate, and sufficiently detailed.

Electronic Data Security

The City Council:

- 6.1 Require each employee to have a confidential password with a minimum number of characters that is periodically changed.
- 6.2 Require computers to lock after a specified number of incorrect logon attempts.

Electronic Communications

The City Council ensure city personnel and officials follow city code regarding electronic communications management and retention to comply with Missouri Secretary of State Records Services Division electronic communications guidelines.