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# CITIZENS SUMMARY

## Findings in the Audit of the City of Coffey

### Background

The former City Clerk, Mary L. Browning, was solely responsible for financial accounting functions and records of the city.

In early August 2017, a bank official contacted a member of the Board of Aldermen regarding various and frequent bank fees incurred by the city, numerous transfers between city bank accounts, and a lack of cash being deposited. The Board terminated the former City Clerk on August 2, 2017. The Board then contacted the Daviess County Sheriff and Prosecuting Attorney and requested assistance regarding the suspicious bank activity. The Daviess County Prosecuting Attorney subsequently contacted the State Auditor's Office (SAO) and requested an investigation.

Based on discussions with the Daviess County Sheriff and Prosecuting Attorney regarding missing cash receipts from utility payments and unsupported checks issued to the former City Clerk, the SAO conducted an initial review of these matters under Section 29.221, RSMo. After completion of this review of documentation and communications provided, the SAO determined further investigation was warranted under Section 29.221, RSMo. On August 16, 2017, the Board passed an ordinance formally requesting and authorizing an audit and the audit began on December 4, 2017.

The SAO is currently working with the Daviess County Sheriff and Prosecuting Attorney regarding criminal prosecution.

### Missing Monies and Unsupported and Falsified Transactions

The lack of adequate controls and absence of proper oversight by the Board of Aldermen resulted in missing receipts, improper payments, and over (under) payments going undetected for almost 2 years. Between September 2015 and August 2017, the former City Clerk did not deposit \$33,984 of recorded utility receipts. Improper payroll checks totaling \$24,634 were written to the former City Clerk from the city's water and sewer bank accounts from April 29, 2016, through July 28, 2017. A comparison of the hours reported on timesheets to hours paid according to the payroll reports showed discrepancies and therefore, over (under) payments totaling \$1,556 on 19 of the 42 former City Clerk's regular payroll checks. According to city officials, the former City Clerk created false meeting minutes indicating a special Board meeting was held on February 23, 2017, authorizing a withdrawal from one of the city's savings accounts and subsequent deposit into 3 other city bank accounts; allowing the former City Clerk to conceal a portion of account shortages.

### Conflict of Interest, Board Objectivity, Oversight, and Annual Audits

Some activities involving former Alderman Browning created a conflict of interest, and the employment of relatives directly supervised by the Board can compromise the Board's objectivity. Former Alderman Browning created a conflict of interest when he voted to approve salary increases and payroll checks to his wife, the former City Clerk. Despite concerns related to the former City Clerk's handling of disbursements and utility payments and prior audit findings, the Board has not established adequate segregation of duties or supervisory reviews over the various financial accounting functions performed by the City Clerk. The city does not obtain annual audits as required.

Accounting Controls and Procedures	Significant weaknesses exist in the city's accounting controls and procedures. The city's procedures for receipting and depositing monies are poor. Controls and procedures over bank accounts and reconciliations need improvement. Despite a similar concern in our prior petition audit of the city, the city continues to maintain an excessive number of bank accounts. The former City Clerk did not perform monthly bank reconciliations from March 2017 through July 2017. The Board and the former City Clerk failed to monitor the city's cash balances. Despite a similar concern in our prior petition, city officials do not maintain accurate accounting records and financial statements. The former City Clerk made excessive and unauthorized transfers between various bank accounts, and did not always deposit utility receipts into the proper bank account, which led to commingling of restricted funds. The list of refundable utility deposits was not accurate and not reconciled to the balance of the utility deposit bank account.
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Electronic Data Security	Controls over the city's computer are not sufficient. The city has not established adequate password controls to reduce the risk of unauthorized access to the city's computer and data. The City Clerk was not required to change passwords periodically or have a minimum number of characters in the passwords. Security controls are not in place to lock the city's computer after a specified number of incorrect logon attempts or after a certain period of inactivity. The city did not have antivirus software installed on the city's computer to ensure protection of city data. The City Clerk does not store data backup files at an off-site location. The city did not obtain adequate documentation for 2 disbursements pertaining to software technical support services.
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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.