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CITIZENS SUMMARY

Findings in the audit of the City of Parma

Background

In late 2018, the State Auditor's Office (SAO) Whistleblower Hotline received various complaints and information about the operations and finances of the City of Parma. The SAO sent a letter dated January 11, 2019, to the Mayor notifying her that our office was conducting an initial review of the allegations to determine if the complaints were credible and requested records be provided to our office. The Mayor provided a response and some of the requested records in February 2019; however, not all records requested were received and additional efforts were being made to obtain the remaining records. A new Mayor and 2 new Board members were elected on April 10, 2019, and were sworn into office on April 16, 2019. The SAO was notified on April 17, 2019, of fires that occurred on the evening of April 16, 2019, that destroyed most of city hall and the city's computers, some city records, and the Mayor's home. Ongoing investigations into the fires are being conducted by the New Madrid County Sheriff's office. On April 18, 2019, the SAO sent investigators to the City of Parma to further investigate the initial allegations and gather records. On April 18, 2019, the Board requested/authorized the SAO to conduct an audit, and the SAO agreed to conduct the audit.

The SAO issued subpoenas to AT&T, Verizon Wireless, Verizon, Green Dot Bank, and Ameren to produce records related to disbursements made from city bank accounts. Representatives of the SAO took the testimony of Mayor Tyus Byrd, City Clerk Helen Frye, and Alderman Simon Wofford (the Mayor's father) and issued subpoenas to the Mayor, City Clerk, and Alderman Wofford to compel them to produce records and documents related to their testimonies. The SAO attempted to take the testimony of Water Supervisor David Thatch (a relative of the Mayor) on various occasions. However, he failed to show up at scheduled meetings or cooperate. In addition, SAO auditors recorded interviews with current and former Board members and former employees and requested copies of any city records they had. A letter was also sent to former Alderwoman Dr. Moneen Jones requesting that she provide proof of payment for all utility services relating to her account during the period of April 2017 through April 2019, the time period she served on the Board.

Misappropriated Monies

From April 14, 2015, through April 16, 2019, monies totaling at least \$115,582 were misappropriated from the city. Payroll overpayments of \$24,960 were made to the Mayor, \$17,685 to the City Clerk, and \$975 to the Water Supervisor. An improper withdrawal and payments of \$22,321 were made by/to the Mayor, and improper payments of \$10,720 were made to the City Clerk, \$5,265 to the Water Supervisor, and \$932 to Alderman Wofford's business. Improper purchases of \$11,249 were made by the Mayor, \$9,220 by the City Clerk, and \$538 by the Water Supervisor, and the purchaser of some items totaling \$4,673 was unknown. Improperly recorded utility payments and utility adjustments of \$2,286 were applied to the account of the Mayor, \$2,414 to the account of the Water Supervisor, \$742 to the account of Alderman Wofford, \$332 to the account of Alderwoman Jones, and \$1,270 to the account of a church. Board meeting minutes, disbursement listings, and financial reports were falsified to conceal improper payments and declining cash balances.

Oversight, Annual Audits, and City Code and Ordinances	The Board did not establish adequate segregation of duties or supervisory reviews over the various financial accounting functions performed by the Mayor and City Clerk. The city does not obtain annual audits as required, and city officials do not know when the last audit of city finances occurred. The Board has not complied with city code and has not established or updated city code or ordinances as appropriate.
Disbursements and Bond Requirements	The City Clerk did not provide bank statements, a complete and accurate list of bills, complete and accurate financial information, or monthly utility reports to the Board for review at monthly meetings. The Mayor and City Clerk did not fund and maintain account balances in accordance with bond requirements. The Mayor and/or City Clerk made excessive and unauthorized transfers between various bank accounts, allowing improper disbursements to occur and not be detected. The Board does not adequately monitor city activities for conflicts of interest, and paid \$6,600 to businesses owned by the City Clerk's husband, \$2,100 to the City Clerk's husband, and over \$5,000 to Alderman Wofford's business. Numerous questionable, unreasonable, and/or unnecessary purchases were made totaling \$6,221. The Board did not ensure some bills were paid timely resulting in late fees and finance charges. The city did not maintain mileage and fuel logs, and the amount of fuel purchased at local gas stations appeared excessive.
Payroll and Related Matters	The City Clerk did not timely file and remit various payroll taxes, and as a result, the city was assessed over \$114,000 in past due taxes, interest, and penalties. The Mayor and City Clerk issued payroll advances/loans to employees totaling \$5,400 in violation of the Missouri Constitution. Timesheets/cards were not prepared by some city employees and timesheets/cards prepared by other employees were not retained or located at city hall. The city does not have personnel policies to address timesheets/cards, leave records, hours of work, and how overtime and compensatory time is to be calculated. Questionable payroll payments were made to the City Clerk for vacation leave and compensatory time/overtime, and to the Water Supervisor for overtime. The City Clerk failed to garnish wages and remit child support garnishments withheld to the Missouri Department of Social Services Family Support Payment Center as required.
Utility System Controls and Procedures	Improper adjustments were made or were likely made to the utility accounts of the Mayor, Water Supervisor, Alderman Wofford, Alderwoman Jones, and a church without obtaining independent approval or maintaining adequate documentation to support the reason for the adjustments. City personnel do not prepare proper reconciliations related to utility services. Refundable utility deposits held in the Water and Sewer Deposit Escrow bank account are not accounted for properly. The City Clerk did not file returns with the Department of Revenue or remit sales taxes collected related to water services provided.
Budgets and Financial Reporting	The city does not prepare annual budgets, file annual financial reports timely, or publish semiannual financial statements in compliance with state law. As a result of not timely submitting a financial report to the State Auditor's Office as required by law, \$47,500 in fines were imposed by the Department of Revenue.

Electronic Data Security

The Mayor, City Clerk, and former City Collector shared the user identification and password for the city's utility software application. The city had not developed a formal, written contingency plan for resuming normal business operations and recovering computer systems and data in the event of a disaster or other extraordinary situations.

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 City of Parma

Misappropriated Monies	The Board of Aldermen continue to work with law enforcement officials regarding criminal prosecution of the payroll overpayments, improper withdrawal and payments, improper purchases, improperly recorded utility payments and improper adjustments, and falsified records; and take the necessary actions to obtain restitution.
Oversight, Annual Audits, and City Code and Ordinances	<p>The Board of Aldermen:</p> <ol style="list-style-type: none">2.1 Segregate accounting duties to the extent possible and implement appropriate reviews and monitoring procedures.2.2 Obtain annual audits of the waterworks and sewerage system as required by state law.2.3 Update city code as procedures change, establish the compensation of city officials and employees by ordinance, and ensure compliance with city code.
Disbursements and Bond Requirements	<p>The Board of Aldermen:</p> <ol style="list-style-type: none">3.1 Review bank statements monthly and properly monitor bank account balances to avoid bank fees. The Board should also ensure an accurate and complete monthly list of bills is prepared and compared to invoices and checks written. In addition, the Board should ensure invoices are adequately reviewed and checks are issued in numerical sequence, and require documentation of receipt of goods and/or services prior to payment of invoices.3.2 Ensure compliance with funding requirements of bond agreements.3.3 Monitor and reduce the number of transfers made between bank accounts, and ensure transfers are not prohibited by state law.3.4 Refrain from entering into business transactions with related parties unless such services or transactions are properly bid in accordance with state law.3.5 Continue to work with law enforcement officials regarding criminal prosecution of personal, unsupported, and excessive purchases and take the necessary actions to obtain restitution. The Board should also ensure all disbursements are necessary and prudent uses of public funds.3.6 Ensure all invoices are paid timely.3.7 Ensure a documented periodic reconciliation of fuel purchased to fuel used is performed with any significant differences investigated.

Payroll and Related Matters	The Board of Aldermen:
	<p data-bbox="568 178 1497 357">4.1 Establish procedures to ensure all compensation is properly reported and payroll taxes are properly withheld and remitted to the appropriate taxing entities timely. In addition, the Mayor's, City Clerk's, and Water Supervisor's W-2 forms should be amended as appropriate.</p> <p data-bbox="568 378 1497 525">4.2 Discontinue the practice of providing payroll advances to employees. The Board should continue to work with law enforcement officials regarding criminal prosecution of the unpaid payroll advances and take the necessary actions to obtain restitution.</p> <p data-bbox="568 546 1497 630">4.3 Ensure timesheets/cards are prepared, retained, and properly signed and approved, and leave records are maintained.</p> <p data-bbox="568 651 1497 735">4.4 Adopt detailed personnel policies, ensure compliance with the FLSA, and maintain personnel files for all city employees.</p> <p data-bbox="568 756 1497 903">4.5 Ensure reviews of payroll records are performed to ensure the propriety of payroll payments, and review the questionable payroll payments and consider working with law enforcement officials regarding criminal prosecution of the questionable payments.</p> <p data-bbox="568 924 1497 1039">4.6 Ensure compliance with court orders by withholding garnishments from wages when required and paying monies withheld to the applicable party.</p>
Utility System Controls and Procedures	The Board of Aldermen:
	<p data-bbox="568 1134 1497 1218">5.1 Ensure all adjustments are independently approved and supporting documentation is retained.</p> <p data-bbox="568 1239 1497 1354">5.2 Ensure monthly reconciliations are performed of amounts billed to amounts collected and delinquent accounts, and of gallons of water billed to gallons pumped, and investigate significant differences.</p> <p data-bbox="568 1375 1497 1491">5.3 Ensure a list of utility deposits is prepared and reconciled to the balance of deposits held monthly and promptly investigate any differences.</p> <p data-bbox="568 1512 1497 1564">5.4 Ensure sales taxes collected are reported and remitted timely.</p>
Budgets and Financial Reporting	The Board of Aldermen:
	<p data-bbox="568 1648 1497 1732">6.1 Prepare budgets that contain all information required by city code and state law.</p> <p data-bbox="568 1753 1497 1837">6.2 Submit annual financial reports to the State Auditor's Office as required by state law.</p> <p data-bbox="568 1858 1497 1934">6.3 Ensure publication of the city's semiannual financial statements as required by city code and state law.</p>

Electronic Data Security

The Board of Aldermen:

- 7.1 Require unique user identifications for each software application and require passwords remain confidential and be changed periodically.
- 7.2 Develop a formal, written contingency plan that is periodically tested, evaluated, and updated as needed. The Board should also store backup data in a secure off-site location.