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CITIZENS SUMMARY

Findings in the audit of City of Center

Background	<p>In June 2019, the State Auditor's Office (SAO) Whistleblower Hotline received a complaint regarding the city's lack of compliance with state law for publishing financial statements and concerns about transparency of city officials and city operation. Subsequently, in early July, the Mayor contacted the SAO about how to initiate a state audit. and the Board of Aldermen passed an ordinance requesting an audit on July 3, 2019. On July 10, 2019, the SAO notified the Board that we accepted the city's request.</p> <p>The SAO issued subpoena's to various companies related to Tracey Ray's potential personal transactions paid using city funds.</p>
Misappropriate Monies	<p>Between January 1, 2015, and July 3, 2019, at least \$316,887 was misappropriated from the city. Improper disbursements totaling \$206,343 were made with city funds to pay the personal credit card bills of the former City Clerk. Personal credit card statements showed she spent over \$140,000 at various retail vendors. She also spent approximately \$23,000 at construction and home improvement stores and \$21,000 on entertainment, travel, and lodging. The former City Clerk also earned an additional \$1,997 of credit card rewards related to transactions paid for from city funds. She also made improper disbursements totaling \$62,013 from city funds for health insurance coverage after the Board voted to discontinue health insurance coverage in 2014.</p> <p>The former City Clerk made an additional \$35,547 in improper disbursements to several different entities, including property tax payments, life insurance companies, mortgage companies, retail stores, restaurants, and various other entities. She also improperly issued herself 5 additional payroll checks totaling \$3,080 and an unauthorized \$500 bonus check. In addition, at least \$7,407 of General and Sewer Fund receipts were not deposited. Audit staff identified an additional \$87,692 in questionable disbursements for which it is unclear if they were personal or related to city business.</p> <p>The former City Clerk falsified Board financial reports and lists of bills prepared for Board meetings to help conceal the improper disbursements.</p>
Oversight and Annual Audits	<p>The Board did not establish adequate oversight of the former City Clerk or obtain annual audits as required by state law.</p>
Accounting Controls and Procedures	<p>The city's procedures for receipting, recording, and depositing payments received are not adequate. The former City Clerk did not perform monthly bank reconciliations for any city bank accounts. Many city financial records could not be located.</p>
Payroll	<p>The city did not have records documenting the established compensation of city officials and employees. No one could provide documentation the former City Clerk prepared a timesheet during the audit period and no one documented review or approval of the former Police Chief's timesheets. In addition to the improper payroll disbursements identified, the former City Clerk and former Police Chief received other questionable payroll disbursements, totaling \$6,378.</p>

Financial Reporting, Published Financial Statements, and Budgets	The city did not comply with state laws regarding submitting annual financial reports, publishing financial statements, and preparing complete annual budgets.
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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.



Recommendations in the audit of City of Center

Misappropriated Money	The Board of Aldermen continue to work with law enforcement officials regarding criminal prosecution of the improper disbursements and missing money. The Board should also review the questionable, unsupported disbursements and work with law enforcement officials regarding criminal prosecution of any personal purchases. The Board should take necessary action to obtain restitution for all improper disbursements and missing money. The Board should also ensure all disbursements are necessary and prudent uses of public funds.
Oversight and Annual Audits	<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 over the city's financial activity.2.2 Obtain annual audits of the sewerage system as required by state law.
Accounting Controls and Procedures	<p>The Board of Aldermen:</p> <ol style="list-style-type: none">3.1 Ensure all money collected is properly receipted. Ensure the numerical sequence of receipt slips are properly accounted for and reconcile the composition of receipts to the composition of deposits. Ensure checks and money orders are restrictively endorsed upon receipt. Ensure deposit slips or other records identify the individual receipts composing deposits.3.2 Perform monthly bank reconciliations of all bank accounts timely and ensure supervisory reviews of bank reconciliations are documented.3.3 Retain all records in accordance with state law.
Payroll	<p>The Board of Aldermen:</p> <ol style="list-style-type: none">4.1 Ensure pay rates are documented, approved, and established by ordinance as required for all city employees and officials and are maintained.4.2 Ensure timesheets are prepared, approved, and maintained for all city employees.4.3 Ensure reviews of payroll records are performed to ensure the propriety of payroll payments, and review the questionable payroll disbursements and consider working with law enforcement officials regarding criminal prosecution of the questionable disbursements.

Financial Reporting, Published Financial Statements, and Budgets	The Board of Aldermen: 5.1 Submit annual financial reports to the State Auditor's Office as required by state law. 5.2 Publish semiannual financial statements as required by state law. 5.3 Prepare annual budgets that contain all information required by state law and approve the budget prior to the beginning of the fiscal year.
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