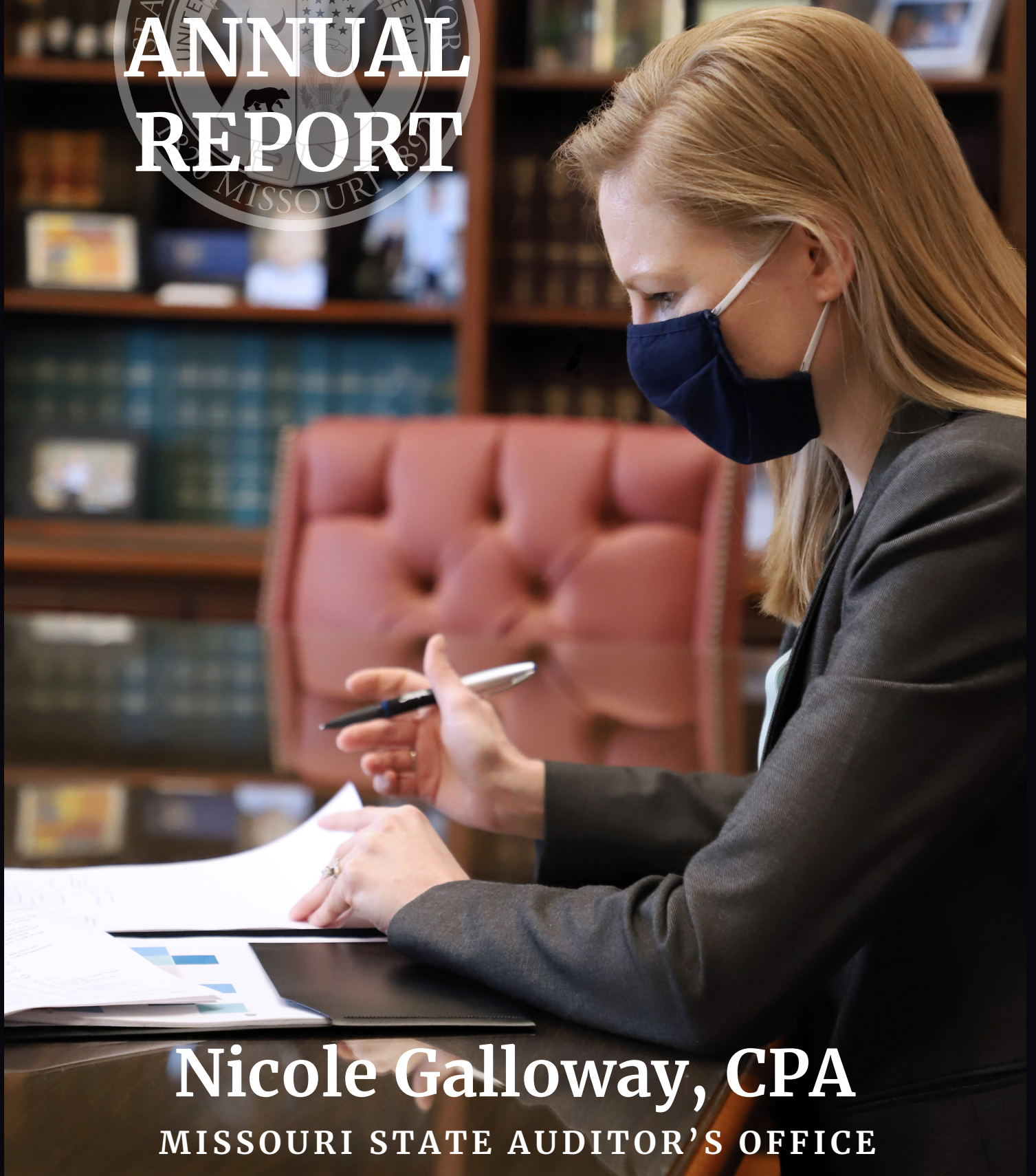


The seal of the Missouri State Auditor is circular, featuring a central figure holding a scale and a sword, surrounded by the text "SEAL OF THE STATE AUDITOR" and "UNITED WE STAND DIVIDED WE FALL". The year "1820" and "MISSOURI" are also visible.

# 2020 ANNUAL REPORT



**Nicole Galloway, CPA**  
MISSOURI STATE AUDITOR'S OFFICE





## *Letter from Nicole Galloway*

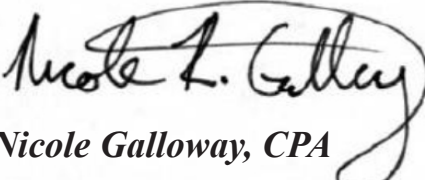
This past year, the global pandemic created struggles for families throughout the state. In my office, we made necessary changes to ensure the health and safety of our employees and members of the general public, but our work on behalf of Missourians continued. We released 131 reports in 2020 that hold government accountable to you — the citizens we serve.

As your State Auditor, I am dedicated to being a strong, independent watchdog for all Missourians. Taxpayers deserve to get the most from their government. And each day, I bring my experience as a certified public accountant and certified fraud examiner to do just that.

Our audit reports reveal evidence of theft and abuse of taxpayer dollars, highlight inefficiencies in government and bring to light mismanagement affecting services to the public. Our audits get results, including changes to operations, more effective processes, and, at times, criminal charges brought against public officials. Since 2015, our audits have identified more than \$380 million in government waste, fraud, abuse and mismanagement.

My dedicated team works to hold government at all levels accountable, and I am proud of our integrity and professionalism. My office frequently receives independent reviews of audit processes and office operations. In 2020, we received the highest rating possible during an independent review by the National State Auditors Association. This is the second time my office has received this distinction under my leadership.

It is my honor to serve as your advocate, ensuring government at all levels is efficient, effective and transparent.

  
*Nicole Galloway, CPA*



# Duties of the State Auditor

The State Auditor's Office is Missouri's independent watchdog for taxpayers. The Missouri Constitution and state law give the State Auditor authority to audit:

- All state agencies, boards and commissions
- Public employee retirement systems
- Public employee healthcare systems
- The state court system
- School districts
- Counties that do not have a county auditor
- Other political subdivisions upon petition by the voters of those subdivisions

The State Auditor's Office works to ensure the proper use of public funds and to improve the efficiency and effectiveness of Missouri government.

Audits examine financial accountability; look for waste, abuse and fraud; and evaluate whether government organizations and programs are achieving their purposes and operating economically and efficiently. All audits are performed in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States.

Since 2015, more than **\$380 million** has been uncovered in government waste, fraud, abuse and mismanagement.

Audits and investigations have resulted in **79 criminal charges** against public officials.





## HOW WE INVESTIGATE



### We receive information on allegations of improper governmental activities

Information is submitted to the State Auditor's Whistleblower Hotline. Under state law, individuals who make a report may choose to remain anonymous until they affirmatively consent to having their identity disclosed.



### We review the submitted information

Each year, we receive hundreds of tips from citizens, public employees and government officials. When information is received, it is reviewed for relevance and completeness. Whistleblowers who provide contact information may be contacted for additional information.



### We investigate the allegations

When allegations of fraud or abuse are reported, the Public Corruption and Fraud Division will complete an initial review to determine if allegations are credible. If not deemed credible or if insufficient documentation is provided, the case is closed. If deemed credible, the next step of the investigation proceeds.

**The State Auditor's Whistleblower Hotline is a resource to report potential wrongdoing.**

Whistleblowers can submit information by emailing [moauditeauditor.mo.gov](mailto:moauditeauditor.mo.gov), calling toll-free **1-800-347-8597** or using an online reporting form at [auditor.mo.gov](http://auditor.mo.gov)

# Fighting Fraud and Abuse

Auditor Galloway launched her Public Corruption and Fraud Division in 2019. The team -- a dedicated group of attorneys, auditors and investigators -- has a demonstrated history of working with local, state and federal law enforcement to pursue justice for taxpayers. Since 2015, audits and investigations have resulted in 79 criminal charges against public officials.

## City of Coffey

Former Coffey city clerk Mary Lou Browning pleaded guilty to felony charges of stealing and forgery. The charges were filed after the audit of the small northwest Missouri town found more than \$60,000 was missing. Browning was later sentenced to 15 years in prison and ordered to pay restitution.

## City of Center

Tracey Ray, the former clerk of the City of Center, faces federal criminal charges of wire fraud and theft. The audit found she had misappropriated more than \$300,000 in taxpayer funds and used them to pay her personal credit card bills.

## Madison County

Kelcey Gresham, the former deputy collector for Madison County, pleaded guilty to a felony stealing charge. An audit from Auditor Galloway's Public Corruption and Fraud Division discovered more than \$13,000 went missing from the Madison County Collector's office between January 2017 and October 2018. The audit showed that property tax bills were paid, but then deleted from the system and the payments were not deposited into county accounts. Under the terms of the guilty plea, Gresham must pay restitution and was placed on probation for five years.

## Plattsburg Special Road District

Ava Langner, former secretary/treasurer of the Plattsburg Special Road District, pleaded guilty to a criminal charge of theft in federal court. A 2019 audit found district taxpayers had been defrauded of more than \$286,000 over a seven-year period.

## St. Louis College Prep

Michael Malone, the former executive director of the now-closed St. Louis College Prep, pleaded guilty to federal charges of wire fraud. A 2019 audit found falsified attendance records at the charter school led to \$1.4 million in overpayments to the school. Auditor Galloway worked with the U.S. Attorney's Office and FBI on the criminal investigation that resulted in the plea, which was filed in the U.S. District Court for the Eastern District of Missouri. Malone was later sentenced to prison and ordered to repay millions of dollars in public funds.

## Putnam County Memorial Hospital

In 2020, the head of a hospital management company and nine other people were charged in a federal indictment with conspiring to operate a multi-state \$1.4 billion billing scheme that used rural hospitals to submit fraudulent claims. In 2017, an audit of Putnam County Memorial Hospital found \$90 million in illegal billings were passed through the 15-bed hospital in northern Missouri. The Public Corruption and Fraud Division worked with federal law enforcement agencies in Missouri, Florida and Washington, D.C. to share information and support a national investigation involving rural hospitals throughout the country. In 2019, the former CEO of Putnam County Memorial Hospital pleaded guilty to federal health care fraud charges.

“Each time we uncover fraud and abuse,  
it puts others on notice that  
**public corruption will not be tolerated.**”

-Nicole Galloway, CPA

## City of Parma

Criminal charges were filed against three former Parma city officials after an audit found at least \$115,582 was misappropriated from the city. This included payroll overpayments, improper payments to the mayor, the city clerk, and to city officials and others who were related to the mayor or the city clerk. The case is ongoing.

## City of Glasgow

Kevin Atwood, the former city administrator and police chief in Glasgow, pleaded guilty to receiving stolen property. The 2018 audit of Glasgow found thousands of dollars went missing while Atwood was managing the city's accounting functions.



# Ensuring Accountability

## Holding state government accountable for billions in federal stimulus dollars

Auditor Galloway announced efforts to ensure oversight and transparency of the state's distribution and spending of federal funding for COVID-19 relief. These efforts include:

An online tool to give Missourians a detailed look at expenditures. The COVID-19 Response page tracks not only how much is received and expended in relief funds, but also lists which state and local government departments, vendors and expense categories are receiving the most funding. The information is available at [auditor.mo.gov/covidtracking](https://auditor.mo.gov/covidtracking)

The office also issues monthly reports detailing state government's use of federal stimulus dollars intended for the COVID-19 response. In 2020, Auditor Galloway issued seven of these reports, which have continued in 2021.

Auditor Galloway's efforts are similar to work performed by the previous State Auditor's administration, which reviewed the state's use of funds received through the American Recovery and Reinvestment Act of 2009. Under the Missouri Constitution, the State Auditor has a duty to ensure the accuracy of the state's accounting of its spending.

## Inadequate oversight enabled former St. Louis County Executive and his appointees to abuse their positions

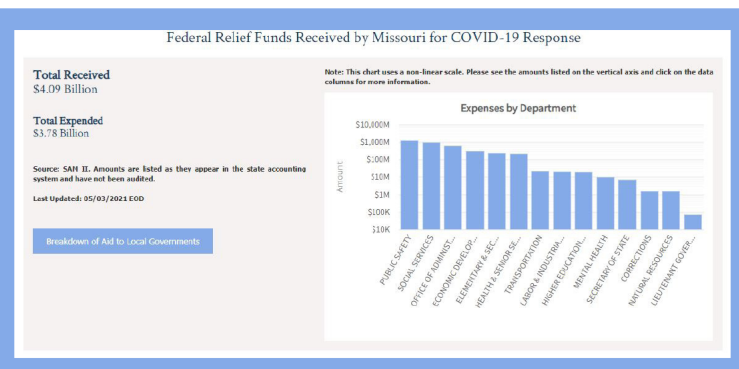
In May 2019, the St. Louis County Council unanimously passed a resolution requesting Auditor Galloway perform a review of county operations during the term of former County Executive Steve Stenger, who pleaded guilty to federal charges related to a pay-to-play scheme. The report found Stenger and former St. Louis Economic Development Partnership (SLEDP) CEO Sheila Sweeney abused their positions as part of the scheme involving procurements and the awarding of contracts. The audit also brought to light inadequate oversight by the County Council and the SLEDP Board that enabled them to do so.

The audit found that lack of adequate oversight by the County Council allowed Stenger to take actions that were not in the best interest of taxpayers. Because of the lack of due diligence, the county committed to a 20-year lease that is expected to cost \$67 million over the lease term, the county exchanged property appraised for \$1.3 million for property appraised for \$560,000, and the County's Executive Office was able to shift almost \$4 million in personnel costs to other departments. The audit also found that the County Auditor position has been ineffective in providing oversight of county operations.



### Federal Relief Funds Received by Missouri for COVID-19 Response

Track federal relief funds received by Missouri for COVID-19 response at [auditor.mo.gov/covidtracking](https://auditor.mo.gov/covidtracking)





# Setting an Example

## *Professionalism and integrity*

In December, our office received the highest rating possible during a routine review by the National State Auditors Association (NSAA). This is the second time the office has received this distinction under Auditor Galloway's leadership. The NSAA reviews are done every three years; the previous peer review was completed in 2017.

An external peer review enables the State Auditor's office to obtain an independent assessment of whether or not its system of quality control is adequate to ensure compliance with Government Auditing Standards. This review covered quality control processes in place between Sept. 1, 2019 and Aug. 31, 2020. The review was conducted under the NSAA's External Peer Review Program, which is administered by National Association of State Auditors, Comptrollers and Treasurers.

The State Auditor's Office frequently receives independent reviews of audit processes and office operations. In April 2018, the Missouri General Assembly issued two separate audits of the Missouri State Auditor's Office, which found overall operations are managed professionally and cybersecurity measures are effective.

"We have incredible professionals in my office dedicated to the work that we do.

**This is a fantastic recognition of how we conduct audits."**

-Nicole Galloway, CPA

## *Commitment to transparency*

In 2020, Auditor Galloway announced that Sunshine Law requests submitted to her office, and responses to those requests, would be publicly available online and free of charge. More than 200,000 pages of responsive documents and materials can be viewed online at [auditor.mo.gov](http://auditor.mo.gov)

Sunshine Law requests made to the State Auditor's Office and corresponding responses can be reviewed by year from August 2015 to the present. New requests and responses are posted on a rolling basis. This practice is the first of its kind by a Missouri statewide elected official.



## *Work life balance*

Throughout her time as a statewide official, Auditor Galloway has advocated for family-friendly policies. In 2017, she made changes to her own office leave policies to allow for bonding time after the birth or adoption of a child. Additionally, her office was a leader in ensuring domestic violence is a covered leave category under existing workplace protections. In 2020, Auditor Galloway expanded these policies to allow her employees to take up to 12 weeks of paid parental leave after the birth or adoption of a child. Auditor Galloway then issued a letter to the Governor calling on him to enact these updated family-friendly policies, which mirror those signed into law in 2020 for federal employees.

## *Good stewardship of taxpayer dollars*

At the end of Fiscal Year 2020, Auditor Galloway announced she returned \$150,000 from her office's budget. At the end of the last five fiscal years, she returned a total of more than \$2.3 million from her budget to the General Revenue Fund. This is possible because of the efforts by Auditor Galloway to ensure high standards of good stewardship to the office's operations.

**"Mothers and fathers should not have to choose between their jobs and having meaningful time with their new or expanding families."**

-Nicole Galloway, CPA



Auditor Galloway met with members of the Hispanic Leaders Group of Greater St. Louis in her Capitol office in February.



# Thorough, Comprehensive Reviews

## Jackson County

Auditor Galloway accepted a request by the Jackson County Legislature to conduct an audit of Jackson County. Audit work began after meeting with legislators and county officials to hear concerns and receiving feedback from citizens. During 2020, Auditor Galloway released five reports on Jackson County government, making recommendations to ensure transparency and more effective use of taxpayer dollars. These reports reviewed the county's processes for:

**The Jackson County Community Backed Anti-Crime Tax (COMBAT) Fund:** The audit found COMBAT revenue allocations had not been updated in 25 years and there is insufficient monitoring of spending to ensure appropriate uses of COMBAT funds.

**Contracting:** the report found lack of transparency in how the county spent millions of taxpayer dollars on legal, lobbying and other professional services. The audit identified \$2.7 million in contracts that were not competitively bid and another \$1.3 million in contracts that went years without being reevaluated.

**Budgeting:** the report made recommendations to ensure transparency in county spending.

**Payroll and Personnel:** the report found concerns with the allocation from different funds to pay salaries and with the handling of vehicle allowances.

**Assessments and Other Areas of County Government:** The report found Jackson County needs to improve controls and procedures in its assessment department to ensure effective and efficient future reassessments.

## City of St. Louis

The City of St. Louis Board of Aldermen requested a comprehensive audit of the City of St. Louis. In 2020, Auditor Galloway issued eight reports on offices and city departments. These reports covered the Office of Public Administrator, Treasurer's Office, Department of Public Safety, Collector of Revenue, Department of Health, St. Louis Agency on Training and Employment, and Comptroller.

Additionally, Auditor Galloway released a report on the city's use of Tax Increment Financing (TIF) for redevelopment projects. The audit recommended improvements to provide additional clarity and transparency for the city's use of TIF and ensure the city is looking out for taxpayers when awarding these incentives.

Audit work is ongoing and reports will be issued on all city departments and elected offices.

## Clay County

An audit of Clay County was initiated after a citizen petition was submitted to the State Auditor's Office and then verified to have more than the minimum 5,590 signatures of county residents who are registered voters. The Clay County Commission filed a lawsuit to prevent the Auditor from conducting the citizen-mandated audit, but a court ruling dismissed the lawsuit and confirmed the Auditor's legal authority. In a second case, the Clay County Circuit Court in October 2020 affirmed the Auditor's authority to access routine records and information associated with the audit. The County Commission appealed both rulings, but newly elected commissioners later dropped all legal objections to ongoing audit work.

In 2020, the State Auditor's Office released reports on the Clay County clerk, public administrator and recorder of deeds. Additional audit work on other Clay County offices is ongoing.



**Top:** A group from the Gateway Region YMCA visited the Capitol in February to learn more about government and the work of the State Auditor's Office.

**Bottom:** At a press conference, Auditor Galloway provided an update on audit work in the City of St. Louis.





# 2020 by THE NUMBERS

**131**

reports issued

**207**

bonds registered

## Covid-19 response funding

The office has released monthly reports detailing state government's use of federal stimulus dollars intended for the COVID-19 response. Through Dec. 31, 2020, the state of Missouri had received \$3.3 billion and spent \$2.3 billion of the assistance.

## Management & spending of federal funds

This year's annual Statewide Single Audit :

- \$12 billion in federal funds
- 12 major federal programs
- Reported eight findings at three state agencies

## Financial reporting

The Missouri State Auditor's Office received:

- 954 financial reports from municipalities
- 2,242 financial reports from other political subdivisions

## Review of property tax rates

The State Auditor's Office reviews rates to determine whether the rates are compliant with state law and to monitor rate adjustments to ensure revenue neutrality, as required by law. In 2020, staff reviewed 4,840 property tax rates of 2,802 taxing authorities.