

The seal of the Missouri State Auditor is circular and features a central figure holding a scale and a sword. The text around the seal reads "SEAL OF THE STATE AUDITOR" at the top, "JUSTICE WE STAND DIVIDED" in the middle, and "1820 MISSOURI 1892" at the bottom.

Nicole Galloway, CPA

Missouri State Auditor

FOLLOW-UP REPORT ON AUDIT FINDINGS

City of Miller Police Department
Disbursements and Seized Property

Report No. 2019-112

November 2019

auditor.mo.gov

City of Miller Police Department Disbursements and Seized Property Follow-Up Report on Audit Findings

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NICOLE GALLOWAY, CPA Missouri State Auditor

To the Honorable Mayor
and
Members of the Board of Aldermen
City of Miller, Missouri

We have conducted follow-up work on audit report findings contained in Report No. 2019-036, *City of Miller Police Department Disbursements and Seized Property* (rated as Poor), issued in May 2019, pursuant to the Auditor's Follow-Up Team to Effect Recommendations (AFTER) program. The objectives of the AFTER program are to:

1. Identify audit report findings for which follow up is considered necessary, and inform the city about the follow-up review on those findings.
2. Identify and provide status information for each recommendation reviewed. The status of each recommendation reviewed will be one of the following:
 - Implemented: Auditee fully implemented the recommendation, either as described in the report or in a manner that resolved the underlying issue.
 - In Progress: Auditee has specific plans to begin, or has begun, to implement and intends to fully implement the recommendation.
 - Partially Implemented: Auditee implemented the recommendation in part, but is not making efforts to fully implement it.
 - Not Implemented: Auditee has not implemented the recommendation and has no specific plans to implement the recommendation.

As part of the AFTER work conducted, we reviewed documentation provided by city officials and held discussions with city officials to verify the status of implementation for the recommendations. Documentation provided by the city included minutes of meetings, financial records, and other pertinent documents. This report is a summary of the results of this follow-up work, which was substantially completed during October 2019.

A handwritten signature in black ink that reads "Nicole R. Galloway".

Nicole R. Galloway, CPA
State Auditor

City of Miller Police Department Disbursements and Seized Property

Follow-Up Report on Audit Findings

Status of Findings

- 1. **Improper Payroll Payments**

The audit identified estimated improper payroll checks totaling \$24,623 issued to the former Lieutenant, Randall Bruce, but negotiated by the former Police Chief, Joshua Bruce. The audit also identified improper overtime payments totaling \$1,758 to the former Police Chief related to highway safety grants.
- 1.1 **Improper payments and timesheets**

The city's payroll records showed significant and unexplained increases in the amounts paid to and hours worked by the former Lieutenant. The city could not provide timesheets for some payroll checks issued to the former Lieutenant. The former Police Chief also improperly prepared timesheets for his brother, the former Lieutenant, and some of the timesheets prepared were not accurate. The related payroll checks issued to the former Lieutenant were also improperly negotiated by the former Police Chief.

Recommendation
The Board of Aldermen continue to work with law enforcement officials regarding criminal prosecution of improper payments issued to the former Lieutenant and negotiated by the former Police Chief, and take the necessary actions to obtain restitution.

Status
Implemented
The Board is working with the Missouri State Highway Patrol (MSHP) and local prosecutors regarding criminal prosecution of the former Police Chief. Multiple criminal charges of receiving stolen property were filed against the former Police Chief in Lawrence and Christian Counties, and the cases are ongoing as of October 2019. Criminal charges of receiving stolen property were filed against the former Lieutenant in Lawrence County. This case has concluded, and the city received restitution totaling \$6,272 in September 2019.

- 1.2 **Highway safety overtime grants**

Former Police Chief Bruce and the former City Clerk did not maintain and submit all required records for highway safety grants and as a result, the city owed \$1,779 in grant funding to the Missouri Department of Transportation's (MoDOT) Highway Safety and Traffic Division. In addition to inaccurately reporting time worked on grant reimbursement requests, the former Police Chief improperly requested and was paid by the city for overtime related to these grants, even though he was not entitled to receive overtime compensation.

Recommendation
The Board of Aldermen develop procedures to ensure requirements are met for any future grants obtained and work with MoDOT to resolve the grant repayment request. In addition, the Board should continue to work with law enforcement officials regarding criminal prosecution of the improper overtime payments issued to the former Police Chief, and take the necessary actions to obtain restitution.



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Status

Implemented

The city issued a \$1,779 check to the MoDOT in April 2019 to return the grant funding. The Mayor indicated no grant funds have been received by the city during the period May 2019 through September 2019. As discussed in section 1.1, the Board is working with law enforcement officials regarding criminal prosecution of the former Police Chief.

2. **Mileage Reimbursements, Fuel Purchases, and City Vehicle Use**

Unsupported and excessive mileage reimbursements were paid to the former Police Chief. In addition, the former Police Chief made questionable fuel purchases with assigned city credit cards. These purchases occurred at gas stations in Clever, Miller, and locations within 50 miles of the City of Miller. In addition, some of these purchases occurred on weekends and were for diesel fuel, with almost all of these purchases occurring in neighboring areas. Any city credit card was expected to only be used by the former Police Chief for fuel purchases when traveling out of the area. Also, the city did not report the value of personal (commuting) mileage to the Internal Revenue Service (IRS), as required.

Recommendation

The Board of Aldermen continue to work with law enforcement officials regarding criminal prosecution of unsupported and excessive mileage reimbursements issued to the former Police Chief, questionable fuel purchases, and take the necessary actions to obtain restitution. In addition, the Board should comply with IRS guidelines for reporting fringe benefits and ensure mileage logs clearly distinguish between official or city business and commuting use.

Status

In Progress

As discussed in section 1.1, the Board is working with law enforcement officials regarding criminal prosecution of the former Police Chief. The city's employee handbook, amended in April 2019, states, "Under no circumstances is a city owned vehicle to be taken out of city limits, unless it is for City business or mutual aid, and will not be taken to a personal residence overnight. In certain situations, with pre-approval from the board this may be permissible." The employee handbook also states, "Casey's Credit Card – Each department has one for fuel purchase. When purchasing fuel, the employee MUST fill out the Fuel Log form in its entirety, and must turn in the receipt to the City Clerk. If an employee does not turn in a receipt, the employee will be liable for the amount of the charges, to be deducted from the employees next pay check, after the Credit Card Statement has been reviewed." The Mayor indicated the Board will amend the former Police Chief's past W-2 forms, if appropriate, at the conclusion of the criminal case.

3. **Credit Card Purchases and Missing Assets**

The former Police Chief used a city credit card to purchase personal items/services and numerous meals that were likely not related to city



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business. In addition, supporting documentation was not retained for numerous other city credit card purchases made by the former Police Chief, and other meals purchased looked excessive and lacked adequate supporting documentation. The MSHP located numerous city assets at the former Police Chief's residence after his termination, and several other city assets were missing.

3.1 Personal and unsupported purchases and questionable meals

The Board and former City Clerk did not perform adequate reviews of credit card statements, invoices, and other supporting documentation. Several disbursements were determined to be personal purchases and adequate supporting documentation was not submitted or retained for numerous other credit card purchases made by the former Police Chief.

The former Police Chief frequently used a city credit card to purchase meals that did not appear proper and/or to benefit the city. Many of the meals were purchased in areas between his home and the city or in other neighboring areas. The city did not have a formal written policy regarding meal reimbursements, but city officials indicated the city's practice was for employees to use city credit cards only for meals when overnight travel was required.

Recommendation

The Board of Aldermen continue to work with law enforcement officials regarding criminal prosecution of personal, unsupported, and excessive purchases and take the necessary actions to obtain restitution. In addition, the Board should establish and maintain appropriate policies and procedures regarding meal expenses.

Status

In Progress

As discussed in section 1.1, the Board is working with law enforcement officials regarding criminal prosecution of the former Police Chief. The June 14, 2018, meeting minutes show the Board discussed establishing meal expense per diem rates, but took no action to formally adopt a policy or an ordinance. The Mayor indicated she will draft an ordinance addressing meal expenses for the Board's consideration at its November 2019 meeting. In addition, the city's employee handbook, amended in April 2019, addresses the use of the city's credit card. The handbook states, "For an employee to use this card, they must first fill out the Credit Card Log form when picking up the card from the City Clerk. Once the purchase has been made, the employee must return the card, with the receipt to the City Clerk. If the employee does not turn in a receipt, the employee will be liable for those charges, to be deducted from the employees next pay check, after the Credit Card Statement has been reviewed. **All Credit Card receipts must be signed by the person making the purchase, if their signature does not already appear on receipt.**" (emphasis in original)



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3.2 Missing assets

The city lacked adequate controls and procedures over police department property items, and did not properly track receipt and use of state and federal surplus property items. Some police department assets and state and/or federal surplus property items were located at the former Police Chief's residence by the MSHP after the former Police Chief's termination, and the city could not account for some assets.

Surplus property and 1033/LESO Program

The city obtained state and federal surplus property items from the Missouri State Agency for Surplus Property (SASP) and federal Defense Logistics Agency 1033 Program (renamed the Law Enforcement Support Office or LESO Program in 2016) through the state Department of Public Safety, but had no procedures in place to monitor SASP purchases or items transferred through the 1033/LESO Program. The former Police Chief used some of these items for personal rather than city business, and some items could not be located.

City assets

The Police Department did not maintain records or perform periodic inventories of weapons used by the department. Also, city officials failed to ensure city assets in the possession of the former Police Chief were returned at the time of his termination. In addition, the former Police Chief circumvented the city's normal disbursement process and purchased rifles from an area tactical vendor with cash.

Recommendation

The Board of Aldermen continue to work with law enforcement officials regarding criminal prosecution of missing city assets. The Board should also establish controls and procedures to monitor and account for city assets, and ensure compliance with applicable surplus property regulations.

Status

Implemented

As discussed in section 1.1, the Board is working with law enforcement officials regarding criminal prosecution of the former Police Chief. The city currently employs no police officers, but the Board has established officer equipment agreements and equipment list forms to document the checkout of city assets, which are to be signed by the Mayor and police officer, if needed in the future. The Board has also established an inventory of all city-owned property still maintained at the police department. The Mayor indicated the city no longer has any surplus property in its possession with regulatory restrictions; however, the Board will ensure compliance with any surplus property regulations in the future.

4. Donations and Seized Property

Cash donations received by the former Police Chief and seized property were missing. Controls and procedures over donations and seized property needed improvement.

4.1 Donations

Cash donations collected by the former Police Chief totaling \$1,445 were missing. In addition, receipt slips were not issued and other records of



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donations received were not maintained by the former Police Chief or the city.

Recommendation

The Board of Aldermen continue to work with law enforcement officials regarding criminal prosecution of the missing donations and take necessary actions to obtain restitution. In addition, the Board should ensure receipt slips or other records of donations received are maintained.

Status

Implemented

As discussed in section 1.1, the Board is working with law enforcement officials regarding criminal prosecution of the former Police Chief. The city's employee handbook, amended in April 2019, states "Under no circumstances, shall an employee accept monetary or any other type of donation(s) for any reason. The employee is to instruct the donor to go to City Hall and to give the donation to the City Clerk. This way the donation will be appropriated to the correct department, and will be used in the manner in which the donor intends." The Mayor indicated the city received no donations during the period May 2019 through September 2019.

4.2 Seized property

Various seized property items, including firearms and cash, were missing. The MSHP located some of these items at the former Police Chief's residence after his termination. The city lacked controls and procedures over seized property. The former Police Chief did not maintain a comprehensive listing of all seized property, did not conduct periodic inventories of seized property, and access to seized property was not adequately restricted.

Recommendation

The Board of Aldermen continue to work with law enforcement officials regarding criminal prosecution of the missing seized property and take necessary actions to obtain restitution. In addition, the Board should also ensure seized property records are accurate and complete, a periodic inventory is taken and reconciled to the property records, and access to all seized property is adequately restricted.

Status

In Progress

As discussed in section 1.1, the Board is working with law enforcement officials regarding criminal prosecution of the former Police Chief. The city currently employs no police officers, but the Board has established a chain of custody form to track seized property by case if needed in the future. The Mayor indicated no property has been seized since February 2019, and an inventory has not been taken of seized property items remaining in the city's possession. The Mayor also indicated the city is holding this property until the criminal case has been concluded, and at that time the city will work with law enforcement agencies and the court to dispose of it. In addition, the Mayor indicated she is currently the only one with access to the property.