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Missouri State Auditor

New County Sheriffs

Recent Audits Involving Fraud
December 11, 2020

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Senior Director

2 Things To Do

- Have a good Bookkeeper
- Look up prior audit report on our website

Recent Audits Involving Fraud

- Plattsburg Special Road District
- City of Winona
- Black Mountain Community Improvement District
- City of Miller Police Department Disbursements and Seized Property

Plattsburg Special Road District
Report No. 2019-054
July 2019

Plattsburg Special Road District

- Located in Clinton County
- Receipts for the year ended December 31, 2017, per the bank statements totaled approximately \$320,000

Plattsburg Special Road District

- In late September 2018, we received a complaint through the Whistleblower Hotline questioning the allocation of district funds, and alleging overpayments made to the Secretary/Treasurer and improper charges made on a credit card paid for using district funds

Plattsburg Special Road District

- Under Section 29.221, RSMo, we sent a letter dated October 4, 2018, to the Board of Commissioners notifying them we were conducting an initial review of the allegations and requested records be provided to our office
- Upon receipt of our letter the Secretary/Treasurer admitted to a Board member that she had stolen monies from the district for her personal use

Plattsburg Special Road District

- On October 15, 2018, the Board terminated the Secretary/Treasurer and requested/authorized us to conduct an audit, and we agreed to conduct the audit under Chapter 29, RSMo
- Audit period from April 14, 2011, through October 15, 2018, the time period during which the Secretary/Treasurer (Ava Langner) served the district

Plattsburg Special Road District

- Ava Langner



Plattsburg Special Road District

- Between April 14, 2011, and October 15, 2018, monies totaling at least **\$286,615** were misappropriated from the district

Plattsburg Special Road District

- 2011 - \$1,714
- 2012 - \$3,500
- 2013 - \$7,121
- 2014 - \$8,300
- 2015 - \$12,021
- 2016 - \$64,496
- 2017 - \$124,910
- 2018 - \$64,553

Plattsburg Special Road District

- Improper payments to her company (Langner Enterprises) - \$156,739
- Improper payments to her personal credit card bills - \$125,642
- Improper payments for personal and company bills - \$2,600
- Credit card reward points - \$1,634

Plattsburg Special Road District

- Bank balance at December 31, 2015 - \$119,400
- Bank balance at October 15, 2018 - \$6,929

Plattsburg Special Road District

- Secretary/Treasurer solely responsible for:
 - Receipts – collecting and recording all monies received by the district, and preparing and making bank deposits
 - Disbursements – maintaining supporting documentation, preparing and distributing checks, posting payments to the accounting records, and transferring monies between bank accounts
 - Payroll – calculating, preparing, and distributing payroll checks; posting payments to the accounting records; and preparing 941 and W-2 forms

Plattsburg Special Road District

- Secretary/Treasurer solely responsible for:
 - Bank accounts – receiving and reconciling monthly bank statements to accounting records
 - Reporting – preparing Board meeting minutes and financial reports

Plattsburg Special Road District

- Improper payments to Langner Enterprises
 - The Board appointed the Secretary/Treasurer's company to provide bookkeeping services for a monthly fee, but did not enter into a contract
 - \$350 for 2011-2013
 - \$450 for 2014 and 2015
 - \$500 for 2016
 - \$600 for 2017 and 2018

Plattsburg Special Road District

- Improper payments to Langner Enterprises
 - From April 2011 through mid-October 2018, a maximum of 96 payments should have been issued to Langner Enterprises. However, 211 checks were issued
 - All checks were signed by at least one Board member, however, Board members indicated checks were often signed in advance

Plattsburg Special Road District

- Improper payments to Langner Enterprises
 - Numerous checks issued to Langner Enterprises far exceeded the legitimate monthly fees amounts of \$350 - \$600
 - 44 checks for \$1,500
 - 20 checks for \$1,800
 - 11 checks for \$1,000
 - 7 checks for \$900
 - 27 checks ranging from \$650 to \$3,800

Plattsburg Special Road District

- Improper payments to Langner Enterprises
 - The purpose of 162 of the 211 payments was recorded as accounting fees
 - 91 of these was recorded correctly
 - 5 should have been recorded as bonuses
 - Remainder recorded incorrectly
 - Other payments not recorded correctly

Plattsburg Special Road District

- Improper personal credit card payments
 - 54 improper electronic payments to personal Chase Bank credit card bills between September 2016 and September 2018
 - Only payments made to this personal credit card during this time was from district's bank accounts

Plattsburg Special Road District

- Improper personal credit card payments
 - Board members indicated the district did not maintain a credit card and they were unaware the credit card payments were being made
 - No evidence the Board approved these personal credit card payments, and the disbursements to the credit card vendor were not reported on the district's published financial statements

Plattsburg Special Road District

- Improper personal credit card payments
 - \$30,004 on business products possibly for her 2 businesses (coffee shop and accounting service)
 - \$22,031 at restaurant supply stores (Farmer Brothers Coffee, Belfonte Ice Cream)
 - \$7,793 at business and office supply companies

Plattsburg Special Road District

- Improper personal credit card payments
 - \$17,291 at construction and home improvement stores
 - \$14,023 on travel and entertainment (Carnival Cruise Line, Starlight Theatre, KC Royals, Silver Dollar City, and Space Center Houston)
 - \$29,387 on online shopping sites (over \$10,000 on Amazon)
 - \$14,845 at Sam's Club and Walmart

Plattsburg Special Road District

- Improper personal and company utility payments
 - 5 electronic payments totaling \$1,644 to pay her personal and company utility payments
 - 6 payments using the district's debit card for \$956 for hotel costs (recorded as office supplies) – Board did not approve the payment of these costs

Plattsburg Special Road District

- Credit card rewards
 - Earned \$1,634 in credit card rewards on personal credit card

Plattsburg Special Road District

- Other issues
 - Meeting minutes may have been created/modified after the Secretary/Treasurer was terminated
 - Most files were created/modified on December 3, 5, or 6, 2018, shortly after we served her and her company with subpoenas requiring her to produce district records and documents

Plattsburg Special Road District

- Other issues
 - Secretary/Treasurer falsified the district's published financial statements for at least 4 years to conceal improper payments. Statements prepared were misleading and significantly inaccurate because numerous disbursements had been altered or omitted
 - For 2017, disbursements per the published financial statements was \$329,397 but per the accounting records was \$475,438

Plattsburg Special Road District

- Other Findings
 - Oversight and Bond Coverage
 - Accounting Controls and Procedures
 - Recording and depositing
 - Payroll
 - Bonuses
 - Budgets and Financial Reporting

Plattsburg Special Road District

- Per Ava Langner Twitter (9/16/19)
 - Profile statement - I am an accountant in a small town in northwest MO. I love to help people in whatever way I can
 - Oct 24, 2018 – Ava Langner is retiring from Lathrop Accounting Associates effective October 31, 2018
 - Feb 7, 2019 – Lathrop Accounting will be opening a bit later this morning.

Plattsburg Special Road District

- A Follow Up review was performed with the following results:
 - Report #2020-003
 - Implemented - 5
 - In Progress - 3
 - Partially implemented - 2

Plattsburg Special Road District

- On July 21, 2020, we issued a new release as Ava Langner pleaded guilty to a criminal charge of theft in federal court.

City of Winona

Report No. 2018-069
September 2018

City of Winona

- Located in Shannon County
- Population 1,315 per 2010 census
- Receipts for the year ended December 31, 2016, per Appendix A is approximately \$2.6 million

City of Winona

- The State Auditor was petitioned under Section 29.230, RSMo, to audit the City of Winona
- Needed 202 signatures; 225 signatures were received and 204 signatures were valid signatures
- Audit period from January 1, 2016, to December 31, 2016

City of Winona

- We identified at least **\$42,546** recorded utility and miscellaneous receipts that were not deposited between January 1, 2015, and March 29, 2017. It is likely additional monies are missing in periods prior to January 2015

City of Winona

- Conducted a cash count on March 28, 2017, and determined monies were missing
- Comparison of recorded receipts and amounts deposited was performed from October 2016 through March 2017 identified additional monies missing
- We notified the Missouri State Highway Patrol (MSHP) of possible missing monies on August 24, 2017

City of Winona

- MSHP investigators questioned the City Clerk and Utility Clerk on September 1, 2017
- On September 5, 2017, the Board terminated the City Clerk's employment (employed since July 1994) and Utility Clerk remained employed

City of Winona

- Undeposited cash receipts - \$34,689
 - Between January 1, 2015, and March 21, 2017
 - Total cash deposited was less than the cash recorded in the receipt records while checks and money orders deposited was more than recorded in the receipt records
 - Unrecorded checks totaling \$31,601 were substituted into these deposits for recorded cash receipts not deposited

City of Winona

- Undeposited cash receipts - \$34,689
 - Most of the unrecorded checks were city checks issued by the City Clerk for the transfers of monies from one bank to another
 - Manual receipt slips totaling \$3,088 were issued for some monies received that were not included in the deposit reports and were not deposited

City of Winona

- Undeposited check payments - \$7,245
- Utility receipts were recorded as check payments from January 1, 2015, through March 21, 2017, but these checks could not be traced to a deposit.
- We contacted some of these utility account holders and they could not provide canceled checks or other documentation as proof the checks were issued or negotiated.

City of Winona

- Cash count - \$612
- Cash count - \$2,478 cash, \$3,962 checks, \$6,040 total
- Receipt records - \$2,871 cash, \$2,459 checks, \$5,330 total
- In following up on the discrepancies, we determined there were unrecorded checks included in the cash count, a portion of the change fund had been used to reimburse the bank for a bad check, and some counted monies were not properly deposited in subsequent deposits

City of Winona

- Cash count - \$612
- Questionable cash deposits and utility account postings occurring 10 days after the cash count were identified
 - 2 separate cash deposits totaling \$7,703 were made on April 7, 2017
 - These cash payments were posted to 17 old inactive utility accounts with balances due
 - Not on hand when we did cash count and unlikely these customers all paid on the same day - many of these accounts showed no payment activity for many months/years

City of Winona

- Other Findings
 - Oversight, Segregation of Duties, and Annual Audits
 - Cash Handling Procedures and Bank accounts
 - Receipting, recording, and depositing
 - Personal checks cashed totaled over \$26,000
 - Payroll and disbursement checks cashed totaled almost \$136,000
 - Bank accounts (numerous)
 - Non-sufficient fund checks, change fund, and Shop With a Cop program

City of Winona

- Other Findings
 - Restricted Funds, Allocations, and Excess Sales Tax
 - Utility System Controls and Procedures
 - Payroll and Related Matters
 - Disbursements
 - Budgets and Financial Reporting
 - Park Board
 - Sunshine Law and Ordinances
 - Electronic Data Security
 - Capital Assets

City of Winona

- On December 11, 2018, the Attorney General's Office filed a felony complaint against the former City Clerk. The complaint alleges that Terri Denton misappropriated at least \$500
- Following a June 4, 2019, guilty plea, Terri Denton, was sentenced to 7 years in jail and placed on 5 years supervised probation. She was ordered to serve 30 days shock incarceration immediately, complete 100 hours of community service, and pay \$4,000 in restitution. Finally, ordered to write a letter of apology to the City of Winona for her theft

City of Winona

- A Follow Up review was performed with the following results:
 - Report #2019-032
 - Implemented - 10
 - In Progress - 5
 - Partially implemented - 10
 - Not implemented - 1

Black Mountain Community Improvement District

Report No. 2019-119
December 2019

Black Mountain CID

- City of Van Buren
- Carter County
- Receipts for the year ended December 31, 2018, per the bank account totaled approximately \$184,000.
 - A loan accounted for \$137,000 of this amount
 - Receipts for 2017 total approximately \$51,000

Black Mountain CID

- In December 2018, 2 Directors from the Black Mountain CID met with our office and requested an audit
- Based on information provided by the current Board, we did an initial review of the concerns under Section 29.221, RSMo

Black Mountain CID

- This review determined further investigation was needed
- On December 30, 2018, the Board passed an ordinance formally requesting and authorizing an audit and the audit began on January 7, 2019

Black Mountain CID

- The CID had an existing convenience store with a fast food operation within the same building and a discount store
- The CID was formed for the purpose of funding the cost of public infrastructure, storm water controls, and other eligible site costs

Black Mountain CID

- Board Members (terms ending in 2018)
 - Donald L Black II - August
 - Chris D. Black - August
 - Jacob W. Black - August
 - Nicolas S. Black - August
 - Curtis L. Black - December

Black Mountain CID

- Obligations
 - Local bank loan for \$238,309 in March 2013 to consolidate previous private business loans and to fund the remodeling of the convenience store owned by 3 of the Board members
 - 2nd loan from a private individual for \$214,672 in February 2015 to refinance the bank loan

Black Mountain CID

- 3rd loan for \$137,200 from a bank in October 2018 to refinance the 2nd loan (\$127,066) and remaining funds were put into the bank account
- As of December 31, 2018, the district had an outstanding principal balance on these bank debts of \$133,167

Black Mountain CID

- Board agreed to pay \$135,000 to the individual that provided the 2nd loan to finance a portion of the costs associated with constructing a restaurant
- As of December 31, 2018, the district had a remaining balance of \$107,000 on this obligation

Black Mountain CID

- Revenues
 - In November 2010, approved a sales tax of 1 percent on all taxable transactions within the CID for 30 years

Black Mountain CID

- This sales tax for making public infrastructure improvements within the district's boundaries was used by its creators and former Board members to pay off private business debts and to improve private commercial property for resale
- CID funds were also approved for the construction of a private commercial property owned by a local developer with past business connections with the Chairman as well as the CID

Black Mountain CID

- Board spent **\$296,937** in CID monies for purposes not allowed by state law
 - \$100,603 to pay off private business debts of Board members
 - \$125,972 was used to make improvements to the Black Mountain Convenience Store
 - \$31,725 Subway Restaurant
 - \$28,000 Sign Lease
 - \$10,637 General Expenses

Black Mountain CID

- An additional **\$77,669** in expenses were not supported by invoices or adequate documentation to determine the propriety of the expenditures. However, the majority of the unsupported expenses were paid to entities associated with members of the Board.

Black Mountain CID

- These loans were for 3 of the 5 Board members
- \$100,603
 - \$54,284 real estate loan
 - \$12,550 auto loan
 - \$16,875 personal loan
 - \$10,144 real estate loan
 - \$6,750 personal loan

Black Mountain CID

- Black Mountain Convenience Store via Black Mountain Lodge, LLC
- \$125,972
 - \$52,324 for new fuel pumps and a new point-of-sale system for the fuel pumps
 - \$25,866 for a new canopy for the fuel pumps
 - \$9,960 for a new walk-in beer cave
 - Other expenses included remodeling of restrooms, new wallpaper and paint, electrical work, and labor expenses

Black Mountain CID

- Improvements completed by June 2014 and store was sold 6 months later. Public was not reimbursed for public funds used to renovate the convenience store

Black Mountain CID

- \$31,725 Subway
 - Approved reimbursement of \$135,000 in construction costs to the developer, payable at a rate of \$800 per month
 - Developer submitted invoices totaling \$146,382 but CID only approved \$135,000 and paid \$3,725 in construction expenses directly from the CID checking account
 - CID has paid \$28,000 on the \$135,000 loan

Black Mountain CID

- \$28,000
 - Was used to lease land from Black Mountain Lodge, LLC for 3 years at total costs of \$28,000. Lease was used for signage for the convenience store. Sign leased was constructed in 2000, however the lease for the sign began in 2015 after the convenience store was sold by Black Mountain Lodge LLC. The new CID Board stopped making these payments

Black Mountain CID

- \$10,638
 - \$10,000 paid to a consultant for drafting a TIF plan proposed by Black Mountain Lodge, LLC and is a business expense of Black Mountain Lodge, LLC
 - \$638 paid for title search and mortgage premium related to the convenience store and is a business expense of Black Mountain Lodge, LLC

Black Mountain CID

- \$77,669 unsupported disbursements
 - \$51,259 to entities owned by Board members
 - \$25,000 Black Brothers Convenience
 - \$14,259 Black Mountain Convenience
 - \$12,000 Black Mountain Lodge
 - \$15,296 to the CID consultant for unknown purposes
 - \$6,153 to unknown vendors for unknown purposes
 - \$4,955 for backhoe services for an unknown purpose

Black Mountain CID

- Other Findings
 - Sunshine law
 - Written contracts
 - Reporting
 - Budgets

- City of Miller Police Department Disbursements and Seized Property
 - Report No. 2019-036
 - May 2019

City of Miller PD

- While doing a petition audit of the City of Miller we were made aware of improprieties with some disbursements and seized property.
- Issued 2 reports including
 - City of Miller
 - Report No. 2019-035
 - May 2019

City of Miller PD

- Located in Lawrence County
- Population 699 per 2010 census
- Receipts for the year ended June 30, 2017, per Appendix B (City of Miller report) is approximately \$282,000 and Appendix D (City of Miller report) for water and sewer is approximately \$332,000

City of Miller PD

- \$26,381 improper payments
- \$18,614 questionable disbursements
- \$1,445 missing donations
- Numerous missing assets and seized property items

City of Miller PD

- Former Police Chief, Joshua Bruce, began employment on July 5, 2011. Placed on administrative leave on March 29, 2017, and terminated on May 4, 2017, for preparing and approving false timesheets showing time worked by his brother when he was not on duty, failing to prepare fuel records, submitting unsupported mileage reimbursements, making unauthorized purchases on credit cards, and using city funds to purchase surplus property for personal use

City of Miller PD

- We began audit on March 1, 2018, and were informed of the MSHP investigation and criminal charges at that time
- Former Police Chief was charged with multiple criminal counts of receiving stolen property (felony and misdemeanor) in July and August 2017.

City of Miller PD

- Hired the former Police Chief's brother on August 31, 2011, as a Lieutenant. Terminated on May 4, 2017, due to false timesheets
- Brother was charged with a felony criminal count of receiving stolen property in August 2017
- Brother was the City of Clever Police Chief during the period employed by City of Miller and was expected to work a minimum of 40 hours for Clever weekly

City of Miller PD

- \$26,381 improper payments
 - \$24,623 improper payroll checks
 - Issued to former Lieutenant but negotiated by the former Police Chief
 - \$1,758 improper overtime payments related to grants

City of Miller PD

- Former Lieutenant hours
 - 2011 (8/31-12/31) - 329
 - 2012 - 131
 - 2013 - 123
 - 2014 - 380
 - 2015 - 1059
 - 2016 - 1400
 - 2017 (1/1 - 3/31) - 381

City of Miller PD

- Former Police Chief prepared 55 semi-monthly timesheets for his brother and submitted them for payment from January 1, 2014, through March 29, 2017
 - 53 of these timesheets were not signed and 2 timesheets were initialed "RB" (former Police Chief)
- Former Lieutenant indicated he did not notify anyone of the apparent problems and filed the W-2 forms, without questioning, with his personal income tax returns because he did not want to raise any red flags with the IRS

City of Miller PD

- Former Police Chief improperly negotiated at least 64 of the total 67 payroll checks made payable to the former Lieutenant during the period January 1, 2014, through March 31, 2017
- Images of the other 3 checks could not be obtained from the bank

City of Miller PD

- \$1,758 Former Police Chief improperly requested and was paid by the city for overtime related to grants
- City owes MoDOT \$1,779 in grant funding due to improper records, etc

City of Miller PD

- \$18,614 Questionable disbursements
 - \$12,795 Unsupported and excessive mileage reimbursements
 - \$3,598 Fuel purchases made using city's credit cards
 - \$1,859 Personal items/services
 - \$362 Meals

City of Miller PD

- \$1,445 Missing donations

Citizen donated \$2,000 for the purchase of body cameras and \$2,400 for the purchase of tasers and the donations were given to former Police Chief

Only \$1,800 of the \$2,000 was transmitted to the city. None of the \$2,400 was transmitted to the city but former Police Chief did personally write a check for \$1,155 to pay for 3 tasers

City of Miller PD

- Missing assets
 - Some police department assets and state and/or federal surplus property items were located at the former Police Chief's residence by the MSHP and the city cannot account for some assets
 - Computer, steam dryer, reflex sights, tent, night vision case, 15 large field packs, 11 rifleman sets, 18 regular field packs
 - Glock 19 pistol, pressure washer Semi-automatic rifle, and an AR-15 rifle

City of Miller PD

- Seized property missing
 - 11 Firearms
 - \$8,000 cash

City of Miller PD

- 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 November 2020.
- Criminal charges of receiving stolen property were filed against the former Lieutenant in Lawrence County. This case has concluded, and the city received restitution of \$6,272 in September 2019.

City of Miller PD

- A Follow Up review was performed with the following results
 - Report No. 2019-112
 - Implemented - 4
 - In progress - 3

Contact Information

Hearing from you is important!
Please let us know your questions, comments, or suggestions.

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QUESTIONS?


