

FORENSIC AUDIT REPORT

Honorable Mayor Simmerman
Members of the City Council
City of Cumby
Cumby, Texas 75433

Engagement Scope

We were retained to perform a forensic audit ("Audit") as a result of certain concerns that had come to the attention of the City of Cumby, Texas (the "City" or "Cumby"). The nature and scope of our examination was limited to procedures requested by the City and included the inspection of documents and records, voluntary interviews of appropriate personnel and other such evidence gathering procedures as deemed necessary under the circumstances.

Our procedures included inspection, on a test basis, of documents and records and involved judgment about the number of transactions examined and the areas tested. However, because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is risk that irregularities or illegal acts, including fraud or defalcations, may exist and not be detected by us.

The purpose of this document is to provide a written report of significant findings noted during the course and scope of our examination. This report and its contents are intended solely for the information and use by the City of Cumby and its elected officials. This report and its contents are not intended for general circulation or publication, nor should it be reproduced for any purpose other than as outlined above. We do not assume any responsibility or liability for losses occasioned to one or others as a result of the circulation, publication, reproduction or use of our report contrary to the conditions of this paragraph. The validity of our report is predicated on the extent to which full, honest and complete disclosure was made by all parties.

Background

The current Cumby administration inherited a mess created by years of incompetence, neglect and mismanagement. There were examples everywhere of residual, carryover issues from the former Cumby administration that included:

1. Unpaid bills totaling more than \$180,000;
2. City papers and records shoved into drawers;
3. Unrecorded bills and duplicate payments to vendors;
4. Checks issued but not cleared dating back to 2014; and
5. Citation receipts (e.g., checks, money orders) totaling thousands of dollars dating back to 2016, found undeposited and shoved into boxes in Cumby's court room (Exhibit "A").

On December 10, 2019 the Cumby City Council voted to approve a forensic audit for the City of Cumby, Texas. Council vote was 3-0 in favor of the audit. The City requested the scope of the forensic audit include a review of Cumby's financial transactions from October 1, 2014 through March 31, 2020 and that the forensic audit begin immediately after completion of the City's 2019 annual audit.

2019 Annual Audit

On December 10, 2019 Cumby's City Council voted to approve a new CPA firm for its FY2019 annual audit. During the weeks that followed, Cumby's 2019 annual audit experienced weeks of delays as City officials were unable to get its former auditor to cooperate with transition. On March 10, 2020 the City of Cumby filed a formal written complaint with the Texas State Board of Public Accountancy which effectively moved this matter forward (Exhibit "B").

Government Records

On July 12, 2019 Cumby's Mayor issued a letter to Cumby's former City Attorney requesting the return of the following Cumby governmental files:

1. Eminent Domain;
2. Water Loss Report;
3. Block Grant, Finances;
4. Texas Water Development Board;
5. Texas Commission Environmental Quality;
6. TCEQ written response to the most recent alleged violations; and
7. City Ordinances and Agendas and Minutes of Council Meetings.

In addition, the return of electronics issued to Cumby's former City Attorney was requested to include a Dell laptop computer, printer and docking station. While these electronics were only finally recently returned, City of Cumby files listed above were not, nor does it appear that any additional effort has been made by Cumby City officials to secure their return prior to this forensic audit. (Exhibit "C")

Important to note that the above listed files are the property of the City of Cumby, and that the theft and/or destruction of City of Cumby governmental records is contrary to state law. In any event, we recommend the City of Cumby make every effort to secure the return of these records or, in the alternative, report the matter to law enforcement.

Books & Records

During our examination, City of Cumby personnel were unable to locate IRS Forms 1099 for calendar years 2015, 2016 and 2017. In addition, IRS Forms W-2 for calendar year 2017 were not found and appear lost, stolen or simply not filed. (Exhibit "D") Further, Cumby's books and

records prior to October 1, 2014 were not found, and appear intentionally deleted from the City's general accounting system.

Seizure Fund

On September 29, 2015 the Cumby City Council voted unanimously to approve the purchase of property located at 102 Commerce Street, Cumby, Texas using asset forfeiture funds in the amount of \$32,871.78. Important to note City personnel were unable to locate an appraisal or any other written document that should have been considered by Cumby's elected officials in advance of approval. Further, during the four plus years since acquisition, it appears there have been no improvements or expenditures to develop or make-ready the property, and that the amount paid substantially exceeded market value when compared to appraisal district records. (Exhibit "E")

In addition, during examination we noted a large number of highly-questionable disbursements from the City's seizure fund that could not be resolved. (Exhibit "F") Accordingly, we recommend that this and other matters referenced herein be referred to the Dallas Federal Bureau of Investigation at the earliest possible time.

Sincerely,

CA FORENSICS, LLC

By: /s/ Columbus A. Alexander, III, CPA
Certified Fraud Examiner

July 27, 2020

Enclosures (6)

cc: City Secretary Reynolds
City Attorney Garrett