

**CITY OF MAUD/
MAUD MUNICIPAL
AUTHORITY**

**COUNTY OF
POTTAWATOMIE**

**APRIL 1, 2007 THROUGH
NOVEMBER 30, 2009**

**SPECIAL
AUDIT**



Oklahoma State Auditor
& Inspector

CITY OF MAUD / MAUD MUNICIPAL AUTHORITY

COUNTY OF POTTAWATOMIE

SPECIAL AUDIT REPORT

APRIL 1, 2007 THROUGH NOVEMBER 30, 2009

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STATE AUDITOR AND INSPECTOR

STEVE BURRAGE, CPA
State Auditor

MICHELLE R. DAY, ESQ.
Chief Deputy



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September 23, 2010

Honorable Richard L. Smothermon
District Attorney, District 23
331 N. Broadway
Shawnee, OK 74801

Transmitted herewith is the Special Audit Report of the City of Maud and the Maud Municipal Authority. We performed our special audit in accordance with the requirements of **74 O.S. 2001, § 212(H)**.

A report of this type tends to be critical in nature. Failure to report commendable features in the accounting and operating procedures of the entity should not be interpreted to mean that they do not exist.

The Office of the State Auditor and Inspector is committed to serve the public interest by providing independent oversight and by issuing reports that serve as a management tool to the State. Our goal is to insure a government, which is accountable to the people of the State of Oklahoma.

We wish to take this opportunity to express our appreciation for the assistance and cooperation extended to our Office during the course of our special audit.

Sincerely,

A handwritten signature in blue ink that reads "Steve Burrage". The signature is written in a cursive, flowing style.

STEVE BURRAGE, CPA
STATE AUDITOR & INSPECTOR

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CITY OF MAUD / MAUD MUNICIPAL AUTHORITY

Robert “Bob” WatsonMayor
Kelly AzlinMember
Roger CunninghamMember
Casey Garren.....Member
Richard ThorntonMember

**CITY ATTORNEY
Ben McCullar**

**CITY CLERK
David Zeller**

**COURT CLERK
Linda Schaflander**

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2300 N. Lincoln Boulevard State Capitol, Room 100 Oklahoma City, OK 73105-4801 Phone (405) 521-3495 Fax (405) 521-3426 www.sai.ok.gov

Mayor Robert C. Watson
City of Maud
PO Box 217
Maud, Oklahoma 74854

Dear Members:

Pursuant to the District Attorney request and in accordance with the requirements of **74 O.S. 2001, § 212(H)**, we performed a special audit with respect to the City of Maud and Maud Municipal Authority, for the period April 1, 2007 through November 30, 2009.

The objectives of our special audit primarily included, but were not limited to, the areas noted in the District Attorney request. Our findings and recommendations related to these procedures are presented in the accompanying report.

Because the above procedures do not constitute an audit conducted in accordance with generally accepted auditing standards, we do not express an opinion on the account balances or financial statements of the City of Maud or the Maud Municipal Authority for the period of April 1, 2007 through November 30, 2009. Further, due to the test nature and other inherent limitations of a special audit report, together with the inherent limitations of any internal control structure, there is an unavoidable risk that some material misstatements may remain undiscovered. This report relates only to the accounts and items specified above and does not extend to any financial statements of the City of Maud or the Maud Municipal Authority taken as a whole.

This report is intended solely for the information and use of the District Attorney and should not be used for any other purpose. This report is also a public document pursuant to the **Oklahoma Open Records Act (51 O.S. 2001, § 24A.1 et seq.)**, and shall be open to any person for inspection and copying.

Sincerely,

A handwritten signature in blue ink that reads "Steve Burrage".

STEVE BURRAGE, CPA
STATE AUDITOR & INSPECTOR

September 23, 2010

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INTRODUCTION

The City of Maud (“City”) operates under the statutory aldermanic form of government as defined by **11 O.S. § 9-101**, which states:

The form of government provided by Sections 11-9-101 through 11-9-118 of this title shall be known as the statutory aldermanic form of city government. Cities governed under the statutory aldermanic form shall have all the powers, functions, rights, privileges, franchises and immunities granted, or which may be granted, to cities. Such powers shall be exercised as provided by law applicable to cities under the aldermanic form, or if the manner is not thus prescribed, then in such manner as the governing body may prescribe.

The Maud Municipal Authority (“Authority”) is a public trust established under the provisions set forth in **60 O.S. 2001, § 176 et seq.** The City is the beneficiary of the trust.

Private, independent auditors audit the City and the Authority annually and reports were available for our review.

The Office of the State Auditor and Inspector conducted a special audit of the records of the City of Maud/Maud Municipal Authority, primarily those records relating to concerns expressed by the District Attorney in his request.

The results of the special audit are in the following report.

BOARD OF TRUSTEES FIDUCIARY RESPONSIBILITY

The Board of Trustees for the City of Maud and Maud Municipal Authority has an obligation to act in the best interest of the City as a whole. This fiduciary responsibility requires that all funds belonging to the City be handled with scrupulous good faith and candor. Such a relationship requires that no individual shall take personal advantage of the trust placed in him or her. When the Board of Trustees accepts responsibility to act in a fiduciary relationship, the law forbids them from acting in any manner adverse or contrary to the interest of the City. Further, the City Clerk/Treasurer has a fiduciary responsibility to perform all statutory duties in maintaining accurate, complete, and reliable records for the City and the Authority.

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BACKGROUND

Natalie Meadows had been employed with the City and the Authority for 22 years in a clerical position where she served as a deputy clerk responsible for the collection and posting of utility payments, meter deposit payments, and the collection and recording of traffic fines.

In April 2007, Heather Bowers was elected to the position of City Clerk-Treasurer. In that capacity, Heather Bowers' responsibilities included:

- Attending Board meetings and recording the minutes of the meetings, ordinances, and resolutions.
- Collecting and depositing all funds collected by the City and the Authority and keeping proper books of accounts and other financial records.
- The disbursement of funds from the City and the Authority and the keeping of proper books of accounts and other financial records.

In August 2008, Heather Bowers married Justin Horton, the son of Natalie Meadows. Subsequently, in April 2009, Justin Horton became an employee of the Authority.

In early November 2009, the Mayor and City Attorney began questioning certain financial transactions occurring with City funds. The City Attorney began requesting bank records from Bowers-Horton.

On or around November 12th, 2009, the City Attorney came to City Hall and began inquiring about questionable checks issued from the City and the Authority bank accounts.

On or around November 17th, 2009, according to Natalie Meadows, Heather Bowers-Horton and Natalie Meadows had a conversation concerning shortages in a money bag used for utility and court fund collections.

The following day, November 18th, 2009, Natalie Meadows arrived at City Hall and discovered an apparent burglary had occurred. The burglary is currently being investigated by law enforcement officials.

During the reported burglary, the person or persons responsible took the utility billing computer and the related computer backups that were kept in a safe. In December 2009 when we began our investigative audit, we discovered a court docket book was also missing and presumably stolen during the same burglary.

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On November 19, 2009 Natalie Meadows provided a written statement to law enforcement authorities. In that statement Meadows references being “two checks ahead” on her pay.

On November 20th, 2009 Heather Bowers-Horton and Justin Horton both provided written statements to law enforcement authorities. In those statements both stated that over a period of months they had received “pay advances.”

During the same November time period, Maud Police Chief Jeremy Carter obtained financial records from City Hall that appeared to belong to Natalie Meadows. Also during the same time period, Natalie Meadows advised Chief Carter she had “shortages” in her money bag and had taken the cash and destroyed the receipts.

On November 20th, 2009, City Clerk Heather Bowers-Horton resigned.

On November 23, 2009, Deputy Clerk Natalie Meadows resigned.

I. OBJECTIVE

Review payroll records for improper payments.

BACKGROUND

The City and the Authority approve payroll payments for employees on a quarterly basis. When we reviewed the meeting minutes for both the City and the Authority, we found in most cases the attached purchase order list being approved was not included with the meeting minutes. We will address the meeting minutes later in this report.

Because of missing records, we cannot determine if the payments were approved by the City and the Authority Boards.

We reviewed the payroll records maintained by the City and the Authority and found those records to be inadequate. We noted that the payroll records for Heather Bowers-Horton for the period from January through March 2009 were blank.

Another problem we encountered with payroll records was a lack of sufficient information. We noted that employees were receiving multiple monthly paychecks and the payroll records did not always list the check numbers.

For example, Heather Bowers-Horton received two checks in June 2008. The checks, numbered 8835 and 8852, were both in the amount of \$1,356.43. The

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payroll records indicate one of these two payments was for her June, 2008 payroll payment. Without a corresponding check number on the payroll records we are unable to determine which of these two payments is proper and which is improper.

We also found the payroll records are inaccurate. A payroll entry indicated Heather Bowers-Horton was issued her January 2009 net salary of \$1,356.43 by check number 9034. When we reviewed the bank records, we found check number 9034 actually cleared the bank for \$685.71.

In addition to the missing meeting minutes, and missing and inaccurate payroll records, we also found inconsistencies in the actual checks being written for payroll. We noted check number 9090 issued to Natalie Meadows April 2009, for payroll was dated "April 30, 2009." However, the check was processed by the bank one month earlier on March 20, 2009.

PROCEDURES

Because of the poorly maintained and inaccurate payroll records, we relied on check images obtained from the City and the Authority banking institution to determine the number, amounts, and timing of payments being made to Natalie Meadows, Heather Bowers-Horton, and Justin Horton.

We created schedules listing the payments to each individual and then determined if the payment appeared on the payroll records and/or if the payment appeared to be a valid monthly payment, even if the payment was not listed on the payroll records.

FINDINGS

Heather Bowers-Horton

Heather Bowers-Horton was paid from both City and the Authority funds. Based on the records provided it appears Bowers-Horton received pay from the City in her capacity as City Clerk and from the Authority in her capacity as clerk for the Authority.

The City and the Authority were unable to find payroll records for the period from April 2007 through December 31, 2007. According to check images obtained from the City and the Authority's banking institution during this period, Heather Bowers-Horton received 24 payments from the City and the Authority totaling \$11,823.08.

Bowers-Horton received \$100.00 per month from the City for serving in her capacity as City Clerk. Her net, or take home pay, was \$92.35 monthly. During the 18-month period January 1 through December 31, 2008, Bowers-Horton received 18 payments of \$92.35 and one additional payment of \$184.70.

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During the 11 month period from January through November 2009, Bowers-Horton received 11 payments of \$92.35 from the general fund and one additional payment of \$92.35 from the Authority Water Revenue account.

In addition to the monthly salary paid from the City General Fund, we also found one check dated December 8, 2009 in the amount of \$678.21 issued to Bowers-Horton. We found no corresponding payroll entry, purchase order, or other documentation supporting this payment.

Based on the records reviewed, Bowers-Horton received 3 questionable payments totaling \$955.26 from the City's General Fund that were not supported as payroll and had no other supporting documentation.

Between January 1, 2008 and November 13, 2009, Bowers-Horton received 50 payments totaling \$46,054.52 from the Authority's Water Revenue account.

When we reviewed the payments, we identified what appears to be a pattern of extra monthly payroll payments beginning in June 2008. On June 13, 2008, Heather Bowers-Horton received a payment of \$1,356.43. She received a second payment on June 23, 2008 for \$1,356.43 which appears to be the payment for her June 2008 monthly payroll although it was paid a week early.

On October 7, 2008, and again, one week later on October 14, 2008, Bowers-Horton received payments of \$1,356.43 each. Then, on October 31, 2008, Bowers-Horton received yet another payment of \$1,356.43 which appears to be the payroll payment.

In addition to a single monthly salary, we also found instances where Bowers-Horton's payroll transitioned from a single monthly payment in November 2008 to bi-weekly payments in December 2008. During this transition Bowers-Horton received three payments from the City and the Authority. A payment was issued on December 15, 2008 and December 23, 2008 for \$678.68 and \$678.21, respectfully, from the Authority. A third payment, in the amount of \$678.21, was issued on December 8, 2008 from the City's General Fund.

This pattern of extra payroll payments continued through the remainder of her employment which ended with her resignation on November 20, 2009. Based on the records provided, it appears Bowers-Horton received 14 payments totaling \$14,062.79 from the Authority Water Revenue account that were not supported as payroll and had no other supporting documentation (see Attachment A).

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Justin Horton

Payroll records indicated Justin Horton's employment with the Authority began on April 23, 2009. As previously noted, Justin Horton is the husband of the Authority Clerk Heather Bowers-Horton and the son of the Authority Deputy Clerk Natalie Meadows.

We reviewed bank records for the City General Fund and the Authority Water Revenue account and found that during the eight month period from April through November 2009, Justin Horton received 43 payments totaling \$36,284.89.

As with Heather Bowers-Horton we identified a pattern of additional payroll payments being issued to Justin Horton beginning one month after his employment. We also found the payroll records maintained by Justin's wife, Heather, to be inaccurate.

The payroll records indicate that two bi-weekly payments were issued in May 2009 for \$776.89 and \$667.63. In between these two entries we found an entry indicating a net payment of \$675.71 with the notation "void." When we reviewed the Authority bank records, we found the \$776.89, \$667.63, and the payment of \$675.71 which was indicated as "void" on the payroll records had all been processed by the bank.

From May through November 2009, we identified 21 payments to Justin Horton totaling \$23,594.18 that were not supported as payroll and had no other supporting documentation (see Attachment B).

Natalie Meadows

We reviewed bank records to determine the number and amounts of payroll payments issued to Deputy Clerk Natalie Meadows. As with Heather and Justin Horton, we noted a pattern of additional payroll payments being made to Natalie Meadows beginning in October 2007.

From July 2007 through October 2007, Meadows received bi-weekly payments of \$585.81. During the month of October 2007, Meadows received two \$585.81 payroll payments for payroll through October 31, 2007. However, on October 31, 2007, Meadows' payroll payments transitioned from bi-weekly to monthly and, although Meadows had already been paid bi-weekly payments through October 31, 2007, she received an additional monthly payment of \$1,171.64 on October 31, 2007.

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The October 31, 2007 check stated the purpose was for the November pay period. On November 30, 2007, Meadows received another monthly payment of \$1,171.64 for her December 2007 pay period.

In December 2007, Meadows received two payments, the first on December 20th and the second on December 31st, both in the amount of \$1,171.64. These payments were apparently for her January and February 2008 pay period.

The pattern of advance payments continued through July 2008. On July 22, 2008, Meadows was issued a check in the amount of \$1,356.43 for her pay period ending August 31, 2008. However, on August 1, 2008, she was issued another payment in the amount of \$1,356.43 that was not listed on her payroll records.

On August 18, 2008, Meadows received another payment of \$1,356.43 which was apparently for her pay period ending September 30, 2008. However, on September 12, 2008, Meadows received an additional payment of \$1,356.43 which was not listed on her payroll records.

In total, between August 1, 2008 and September 28, 2009, Meadows received seven questionable payroll related payments from the Authority Water Revenue account totaling \$5,250.11 that were not listed on her payroll records (see Attachment C).

From our review of the bank and payroll records it appears the last payment made to Meadows, in the amount of \$1,635.11 on September 28, 2009, was for her payroll through the month of October, 2009, the last full month Meadows was employed with the Authority.

Statements to law enforcement authorities – payroll “advances.”

Natalie Meadows, Heather Bowers-Horton and Justin Horton all provided written statements to law enforcement authorities indicating they had taken “payroll advances” during their employment with the City and the Authority.

Natalie Meadows’s written statement included, in part:

I told OSBI agent about being two checks ahead. Heather said it was okay to draw ahead on your checks.

Heather Bowers-Horton’s written statement included, in parts:

Beginning in approximately June or July of 2008 I advanced myself payroll to help pay to rent a house...

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I had to keep advancing myself to pay bills...

There were times I would advance him [Justin] on comp pay in order to help get by...

Justin Horton's written statement included, in part:

I received pay advances from my wife, Heather Horton. In August 2009 I wrote myself two pay advances totaling somewhere around \$3,000.00.

In October I wrote myself 1 pay advance totaling around \$3,000.00.

We reviewed the City Code as well as the Authority Trust Indenture and found no provisions providing for a "payroll advance." Furthermore, the payment of a "advance" appear to be prohibited by **Article 10 § 15** of the **Constitution of Oklahoma**, which provides, in pertinent part:

Except as provided by this section, the credit of the State shall not be given, pledged or loaned to any individual, company, corporation, or association, municipality or political subdivision of the State...

We interviewed Natalie Meadows, Heather Bowers-Horton and Justin Horton. During those interviews Heather Horton stated that the "pay advances" started out to be pay advances but eventually turned into something else.

According to Heather Bowers-Horton, because of personal issues, she began issuing herself extra checks. During the interview, Bowers-Horton stated she believes she had written herself extra checks totaling \$11,433.17.

Bowers-Horton stated she was able to write checks to herself because she had a signature stamp for the mayor and because she was the only one reviewing bank statements.

During our interview with Justin Horton, he stated he had also written checks to himself. Justin Horton stated he would wait until his mother, Natalie Meadows, left for lunch and then he would call his wife, Heather Horton-Bowers, and ask her to get him something to drink from a local store across the street from city hall.

Justin Horton said he would then come into city hall through a back door and would retrieve checks from under a desk. He would then write checks to himself, use the signature stamp for the mayor, and sign his wife's name to the checks.

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Check	Date	Payee	Amount
1 9248	8/13/2009	Justin Horton	\$1,291.87
2 9261	8/21/2009	Justin Horton	\$1,297.67
3 9299	9/15/2009	Justin Horton	\$1,200.65
4 9320	9/21/2009	Justin Horton	\$1,626.78
5 9323	9/25/2009	Justin Horton	\$1,625.76
6 9326	9/25/2009	Justin Horton	\$1,626.87
7 9339	10/2/2009	Justin Horton	\$1,626.76
8 9344	10/9/2009	Justin Horton	\$1,626.87
9 9364	10/16/2009	Justin Horton	\$1,626.87
10 9358	10/23/2009	Justin Horton	\$1,626.87
Total			\$15,176.97

We provided Justin Horton a list of checks made payable to Justin Horton and asked that he indicate which checks he had written to himself. Justin Horton marked ten checks, totaling \$15,176.97, shown in the table at left.

In addition to the checks Justin Horton stated he had written to himself, he also stated he had received “extra” checks from his wife, Clerk Heather Bowers-Horton.

During our interview with Heather Bowers-Horton, she also stated she had written some “extra” checks to her husband.

21 O.S. § 341 states, in part:

Every public officer of the state or any county, city, town, or member or officer of the Legislature, and every deputy or clerk of any such officer and every other person receiving any money or other thing of value on behalf of or for account of this state or any department of the government of this state or any bureau or fund created by law and in which this state or the people thereof, are directly or indirectly interested, who either:

First: Receives, directly or indirectly, any interest, profit or perquisites, arising from the use or loan of public funds in the officer’s or person’s hands or money to be raised through an agency for state, city, town, district, or county purposes; or

Third: Fraudulently alters, falsifies, cancels, destroys or obliterates any such account, shall, upon conviction, thereof, be deemed guilty of a felony and shall be punished by a fine of not to exceed Five Hundred Dollars (\$500.00), and by imprisonment in the State Penitentiary for a term of not less than one (1) year nor more than twenty (20) years and, in addition thereto, the person shall be disqualified to hold office in this state, and the court shall issue an order of such forfeiture, and should appeal be taken from the judgment of the court, the defendant may, in the discretion of the court, stand suspended from such office until such cause is finally determined.

Although we did identify numerous instances where payroll payments were issued in advance of the pay period, these payments, although improper, are not included in our determination of questionable payments received by Natalie Meadows, Heather Bowers-Horton, and Justin Horton. The payments we used in

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making our determination of questionable payments were payments that were not recorded on payroll records, could not be attributed to payroll periods, and appear on no other City or the Authority records other than the instruments (checks) used to obtain the funds.

Furthermore, Justin Horton, who in his statement said, “I wrote myself two pay advances,” had no authority to issue payments drawn on the Authority.

We address the City and the Authority’s lack of internal controls later in this report.

RECOMMENDATION We recommend the proper authorities review this finding to determine what action, if any, may be required.

II. OBJECTIVE

Determine if utility billing funds have been misappropriated.

BACKGROUND

Residents of the City of Maud who utilize the city services such as water, sewer and trash, are billed each month by the Authority. The bills sent out to the customers are two-part bills designed so that one part can be returned with the customer’s payment. The Authority retains one portion of the bill as a payment receipt.

Ordinarily, customer utility bills are posted to a utility billing computer, and at the end of the day a posting report is generated and used to reconcile the money collected to the payment stubs kept as receipts. The funds are then deposited into the appropriate account.

Based on the records provided, it appears posting reports were being generated and the collected funds were being turned over from the utility clerk, Natalie Meadows, to the City Clerk, Heather Bowers-Horton.

A “clerk’s collection report” is prepared detailing the amount and sources of funds collected daily including funds from utility billing, municipal court, meter deposits, licenses, permits, or any other source of revenue. Once the “clerk’s collection report” is created, the funds are then deposited into the appropriate bank accounts.

Testing of records available at City Hall.

The Authority was able to provide utility billing stubs, posting reports, and clerk’s collection reports for the period July 2008 through December 2009. We tested a two month period wherein we compared the utility billing stubs to the

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posting reports and then compared the posting reports to the clerk's collection reports and subsequently to the bank deposits. We found no reportable discrepancies in the records that were maintained at city hall.

Extended testing of water billing records.

Ordinarily in an audit of this nature, we would select a sample of accounts to test in order to determine if improper or questionable adjustments were being made to the account. We would also reprint posting reports for a test period to ensure all funds reflected on the posting reports have been properly deposited.

In this case, since city hall had been burglarized and the utility billing computer and backups are now missing, we were unable to perform either of these types of tests.

Because the utility billing stubs which serve as receipts are not pre-numbered, we performed a test to determine if gaps in customer billing records had occurred over the six-month period from July through December 2008 based on the records that were available. We entered 2,272 utility billing payments and then analyzed the data to determine if questionable gaps were appearing in the customer billing accounts which would indicate if a possible misappropriation of utility payments was occurring. We found that gaps did exist in the payment records, and the following are examples of such gaps:

Account 5461:

Payment records for account 5461 indicated the customer paid \$53.61 in July, \$53.61 in September, and \$56.36 in November, which is an average of \$54.53 for the three months. However, no payments were recorded for this customer in August, October or December 2008.

Account 6692:

Payment records for account 6692 indicated the customer paid \$58.97, \$50.85, and \$55.94 in July, August, and October 2008, respectfully, which is an average payment of \$55.25 per month. However, no payment was recorded for September, November, or December.

Account 7048:

Payment records for account 7048 indicated the customer paid \$62.00, \$65.33, and \$50.00 in July, August, and September 2008, respectfully. However, no payments were shown for October, November, or December 2008.

We contacted the customer for account #7048 who provided us with utility billing stubs indicating they had paid \$80.66 on October 28, 2008, \$60.00 on

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November 21, 2008, and \$73.99 on January 2, 2009. These payments are not reflected on the posting reports for the same time periods.

Gaps in utility billing indicate funds may have been misappropriated.

From the records that were available we identified what appear to be questionable gaps in the utility billing records remaining at city hall. These gaps are indicative that a misappropriation of utility billing payments may have occurred.

We calculated the average monthly payment for the accounts with questionable gaps, and using that average, estimated the Authority may have lost between \$600.00 and \$1,500.00 per month from misappropriations.

Misappropriating utility billing payments.

Two methods used to misappropriate a customer's utility billing payments involve creating a second daily posting report and/or issuing improper credits to a customer account.

- A misappropriation scheme utilizing a secondary posting report can be accomplished by creating two daily posting reports. The person responsible for the misappropriation accepts the utility billing payments throughout the day and then, at the end of the day, selects certain payments to selectively post to the computer.

Once those payments are posted to the billing computer, a posting report is created and then the posting report and the associated utility billing stubs are discarded and the corresponding payments misappropriated.

- A misappropriation scheme utilizing improper credits can be accomplished by accepting a customer's payment and then issuing a credit adjustment to the customer's account for the same amount. Once the credit adjustment has been made to the account the payment can be misappropriated while the customer's account balance remains correct.

Because the utility billing computer was apparently stolen during a burglary of city hall, we are unable to determine if secondary posting reports were created and/or if credit adjustments were being made to customer accounts.

Interview: Natalie Meadows concerning utility billing shortages.

We interviewed Natalie Meadows, along with her attorney, and asked about the utility billing shortages. According to Meadows, she began noticing shortages in

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her utility billing money bag around July 2008. She stated that at first she was covering the shortages from her personal funds until such time as the shortages became so large she could no longer make up the shortages from her personal funds.

At that point, according to Meadows, she began receipting payments for traffic tickets from a receipt book that was not numbered. She would then throw the carbon copy of the receipt away and use the traffic ticket money to cover the shortages in utility billing payments.

Oklahoma State Statutes 51 O.S. § 24A.4, states:

In addition to other records which are kept or maintained, every public body and public official has a specific duty to keep and maintain complete records of the receipt and expenditure of any public funds reflecting all financial and business transactions relating thereto, except that such records may be disposed of as provided by law.

Meadows stated she had manipulated the receipts in this manner 15 to 20 times over the 18 month period in order to cover shortages.

Meadows' explanation of using court fund money to cover utility billing shortages only accounts for shortages of recorded utility payments. Our extended testing, identifying gaps in customer payments, represents shortages in unrecorded payments.

We asked Meadows about these unrecorded payments, and she offered the following explanations:

1. Because the utility billing computer had no effective security logon anyone could have taken the money from the bag and then created a second posting report that was discarded.
2. Sometimes Meadows was not there and Heather Bowers-Horton would accept utility payments.

Meadows stated she never saw Heather Bowers-Horton post a payment to the utility computer. Meadows also denied having created a second posting report or improperly entering a credit adjustment to a customer account.

According to Meadows, the shortages in her money bag didn't occur every day, but there was a period of time when the shortages might have occurred as much as three (3) times a week.

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During our interview with Meadows, she stated the non-numbered receipt book she used to receipt court fund payments to supplement shortages in utility billing was a receipt book intended for receipting water deposit payments.

Meadows said she did not report the shortages in her utility billing collection to anyone. Records for all three of these areas - meter deposit, court fund, and utility billing - are now missing.

Gambling records found in City Hall.

We previously noted the Maud Police Chief had found what appeared to be gambling records maintained by Natalie Meadows. We showed the records to Meadows and asked if they were her records and if they were a record of her gambling expenditures. She stated they were.

The records appear to indicate Meadows had spent \$770.00, \$1,300.00, \$2,700.00, and \$4,800.00 at casinos during January, February, March, and April 2007 during a time when Meadows' net pay from the City was \$801.92 per month.

Meadows also provided bank records for December 2008 through November 2009. From those records we identified payments totaling \$14,317.00 to the Sac & Fox and Fire Lake casinos (see Attachment D).

During the interview, Meadows explained to us the casino expenditures were not really casino expenditures. Instead, she said that what appear to be casino expenditures are actually part of a tax scheme she had undertaken upon the advice of her tax consultant.

Meadows stated her tax accountant had told her to cash checks at the casino even if she wasn't gambling all the money. The thought was that because no one would know she wasn't actually gambling the full check amount, the check records could be used to offset future gambling winnings.

Meadows' statement to us implies she was instructed by her tax accountant to write checks appearing to be gambling debts, although they weren't, to be used in a tax evasion scheme later should she win a big jackpot.

We interviewed Meadows' tax accountant who denied having made any such statement or suggestion. According to the accountant, she did have a conversation with Meadows concerning writing checks for her gambling expenditures and instructed Meadows the checks should be actual representations of gambling expenses.

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Cash deposits being made to the Meadows bank account.

We also identified, during the same time period, cash deposits to the Meadows checking account totaling \$18,400.13. These cash deposits are in addition to monthly deposits by check for Meadows, her husband, and son (see Attachment E).

Meadows explained the cash deposits were also a result of her operating a community checking account. According to Meadows, one of her sons would deposit his paychecks into her account, and her other son and daughter-in-law, Justin and Heather Horton, would also give her cash so she could write checks to pay their bills.

Meadows had marked the cash deposits indicating the sources of the cash which we then tabulated as follows:

- \$8,612.00 from Justin and Heather Horton.
- \$6,380.13 from “casino.”
- \$3,408.00 had no indication of source.

While reviewing the bank records, we noted Meadows would often deposit checks from the City of Maud but would withhold substantial amounts of cash. For example, on March 18, 2009, Meadows deposited her payroll check which was in the amount of \$1,361.42. The actual deposit amount record reflects a “less cash” amount of \$1,041.43 and an actual deposit amount of \$320.00.

During our interview with Meadows, she also stated she and her husband used cash for their normal daily expenditures such as purchasing fuel and eating out.

Change in cash deposits after the resignations of city officials.

We reviewed the bank statements for the last three full months Meadows and Horton were employed with the City and the Authority in order to determine if there was any significant change in the amount of cash being deposited into the utility billing bank account.

In August, September, and October 2009, a total of \$10,975.44 in cash was deposited into the Water and Sewer revenue account, an average of \$3,600.00 per month.

Natalie Meadows and Heather Horton resigned in late November 2009. The following month the cash deposits to the Water Revenue increased to \$5,500.00. During the first three weeks of January 2010, cash deposits totaled \$5,700.00.

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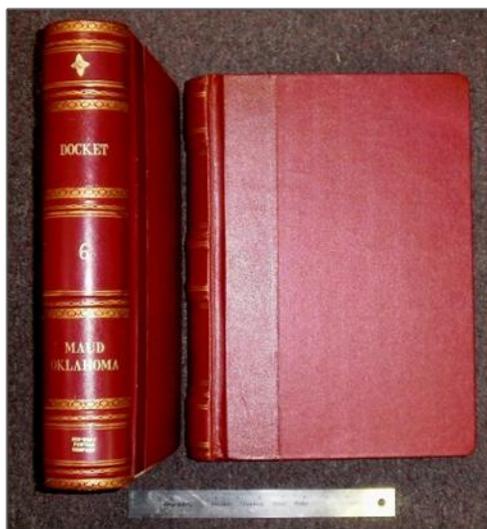
Since the departure of Meadows and Bower-Horton, the utility billing cash deposits have increased \$2,000.00 per month.

RECOMMENDATION We recommend the proper authorities review this finding to determine what action, if any, may be required.

III. OBJECTIVE Determine if court fund revenues have been misappropriated.

BACKGROUND In order to test court revenue, we would ordinarily obtain court docket records to determine the disposition of traffic citations, fines, and collections, then trace the court docket collections to bank deposits.

The City uses large (12" wide x 16" tall x 3" thick) court docket books that are numbered on the spine. When we began to test the court records, the most recent book we could locate was Book #7 which covered the period from July 8, 2002 through June 13, 2005.



We notified city officials we had found book #4 through book #7 but were unable to find book #8. We searched city hall with the Chief of Police and were unable to locate book #8.

It appears the current court docket book was also stolen during the same burglary in which the utility billing computer and associated computer backups were also stolen.

FINDINGS During an interview with Natalie Meadows, she stated she served as the court clerk and was responsible for the collection of court fines. During the same interview, and as previously noted, Meadows stated she had issued receipts for the collection of court fines, had used the money from the court fines to supplement cash shortages in the utility billing money, and had then destroyed the receipts.

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Without the court docket book and receipts issued and thrown away by Meadows, we are unable to perform any testing of court fund collections to determine what amount has been misappropriated.

RECOMMENDATION We recommend the proper authorities review this finding to determine what action, if any, may be required.

IV. OBJECTIVE Determine if meter deposit revenues have been misappropriated.

FINDINGS During an interview with former clerk Natalie Meadows, she stated she had used a meter deposit receipt book containing unnumbered receipts to issue receipts for court fund payments. According to Meadows, she would then use the court fund payments to cover shortages in the utility billing collections. Meadows also said she destroyed all copies of the receipts.

Meter Deposit NO. 1765
DATE 11-12-08
RECEIVED FROM [REDACTED]
Seventy-five + 00/100 DOLLARS
7681
Account Total \$ _____
Amount Paid \$ 75.00
Balance Due \$ _____
Natalie Meadows

When we reviewed the city clerk's daily deposits, we found receipts had been issued from a receipt book that was not pre-numbered and is now missing. We found similarly formatted receipts had been issued for the street and alley fund and the cemetery care fund. We also found a "Certificate of Deposit" book with pre-numbered certificates for meter fund deposits.

The only book we found started with certificate #7750 dated October 26, 2009. The last certificate issued by former Clerks Meadows and Bowers-Horton was certificate #7757 dated November 17, 2009.

When we compared the certificates issued to the receipts in the clerk's collection reports, we found no correlation between the two. For example, certificate #7750 was issued on October 26, 2009 and included a customer name but no amount. On October 29, 2009 certificate # 7751 was issued for \$75.00 to another customer whose name was reflected on the certificate.

On October 26 and October 30, 2009, deposits were made to the meter deposit account. The documentation contained in the clerk's reports includes receipts to

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customers of a different name than those names reflected on the deposit certificates.

Similarly, on November 5, 2009, a deposit was made to the meter deposit account in the amount of \$75.00. (The name listed on the deposit documentation does not correspond to the name shown on the certificate.)

The receipt book being used to issue receipts for meter deposit funds is now missing, and city officials were unable to locate a certificate book dated prior to October 26, 2009.

We have no means to determine if the prior deposit certificate books were also taken during the same burglary of city hall in which the utility billing computer, computer backups, and court docket book was stolen.

Due to a lack of records and based on the statement by Natalie Meadows, we are unable to perform any meaningful testing of the meter deposit account to determine if meter deposit funds have been misappropriated.

RECOMMENDATION We recommend the proper authorities review this finding to determine what action, if any, may be required.

V. OBJECTIVE

Review purchase orders, credit card and other expenditures.

BACKGROUND

We reviewed the meeting minutes for the City and the Authority and determined the City and the Authority Boards authorize expenditures by approving an attached listing of purchase orders prepared by the city clerk. The actual approval recorded in the meeting minutes refers only generically to the "purchase orders," as shown in the image below from the July 13, 2009 Authority board meeting:

ITEM# 7- Boardmember Azlin made the motion and Boardmember Garren seconded to approve purchase orders for payment from the Water and Sewer Revenue Fund. Boardmembers voting aye were Azlin, Garren, Cunningham and Garner. Chairman Watson declared the motion carried.

The meeting minutes for both the City and the Authority are maintained in a three-ring binder. When we reviewed the minutes, we found the lists of purchase orders being approved were not maintained with the official meeting minutes.

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The purchase order list was missing for the City Council meetings as far back as August 2008. Similarly, when we examined the Authority meeting minutes, we found a purchase order list for only one month during 2009.

Approvals have been recorded on blank purchase orders.

According to the Mayor, the City and the Authority have used signature stamps for a number of years. The Mayor stated that the signature stamps for the board members were locked in the safe at city hall. Before each board meeting, the city clerk would retrieve those stamps from the safe and hand them out at the board meetings.

When we began reviewing purchase orders, we found purchase orders that were incomplete, blank, voided, and in many cases, had no, or insufficient, supporting documentation, yet the purchase order was stamped as approved by the governing board.

One such example, shown at left, included a purchase order with only a vendor name but with the stamped approval of the board members.

Moreover, purchase order #9265 was issued for “petty cash.” The purchase order contained no amount, no indication of the fund being drawn against, and no evidence of the funds being encumbered.

The purchase order contains three governing board member approvals - one of those appears to be a signature stamp, the other two appear to be live signatures.

City purchase orders are of little value for audit purposes.

When we reviewed purchase orders from the City General Fund, we found numerous purchase orders had been approved although there was no supporting documentation attached. These purchase orders included payments for fuel, telephone bills, professional services, and a signature stamp.

In addition to insufficiently supported purchase orders, we also we found the purchase orders being issued appear to have little correlation to the actual payments being made.

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For example:

- On August 7, September 11, and October 9, 2009, purchase orders were issued to Maud Food Center in the amounts of \$109.44, \$106.89, and \$32.48, respectively.

When we reviewed the General Fund bank statements, we found two payments had been made to Maud Food Center. The first payment, issued September 9, 2009, was in the amount of \$216.33. The second payment, issued December 4, 2009, was in the amount of \$140.28.

- Similarly, on August 7 and October 9, 2009, purchase orders were issued to the Pottawatomie County Enhanced 9-1-1 System in the amounts of \$750.00 each.

On July 1, 2009, a \$1,500.00 payment was made to the 9-1-1 System. Another payment in the amount of \$2,250.00 was made August 17, 2009. On September 4 and September 30, payments of \$750.00 each were made to the 9-1-1 system. Finally, on December 4, 2009, a payment of \$1,500.00 was made to the 9-1-1 System.

Although purchase orders were only found for two payments totaling \$1,500.00 between July 1 and December 30, 2009, we found five payments totaling \$6,750.00 had been made.

- Two purchase orders were issued to Expert Tire. The first purchase order, in the amount of \$5.00 was issued on September 11, 2009, and a payment was made in the same amount on September 18, 2009.

A second purchase order numbered 9155 was also issued to Expert Tire. Although the purchase order was undated and had no indication of the funds having been encumbered or charged against an appropriation account, the purchase order was stamped as approved for \$87.65. On August 24, 2009, a payment was issued to Expert Tire in the amount of \$176.76.

We found similar problems when we reviewed purchase orders for the City's Street and Alley fund. We found one purchase order drawn against the Street and Alley fund for the FY2010. That purchase order was issued on October 9, 2009 to Carpenter Insurance in the amount of \$3,556.33.

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When we reviewed the bank records for the Street and Alley account, we found six (6) payments had been issued from the Street and Alley fund, totaling \$13,975.44. We did not find a payment to Carpenter Insurance for \$3,556.33 to correspond with the purchase order.

Authority purchase orders are of little value for audit purposes.

As with the General Fund, the Water and Sewer fund purchase orders include purchase orders that are incomplete, offering no indication as to vendor, amounts, encumbrances or receiving, and without attached documentation, but are stamped as approved by the Board of Directors.

In addition to a lack of documentation, we also found payments are being made to vendors without an approved purchase order.

For example:

- Purchase order #8956 to Buddy's Hardware dated August 7, 2009, in the amount of \$208.49 has no indication of approval. On August 13, 2009, a payment in the amount of \$208.49 to Buddy's Hardware was processed by the bank.
- On August 10, 2009, check #9241 was issued from the Authority Water and Sewer Revenue account to White's Ace [Hardware] in the amount of \$1,184.82. The check included the notation "smoke detectors." We reviewed all of the Authority's purchase orders and did not find an Authority purchase order for this payment.

Later, while reviewing the City General Fund payments, we found a purchase order to White's Ace [Hardware] for \$1,184.82. The purchase order was dated April 14, 2009, and indicates the funds were encumbered and drawn against the fire department appropriation account.

It seems purchase orders are being created more for appearance than for properly issuing payments. For example, purchase order #8952 to Accurate Environmental was dated August 7, 2009 in the amount of \$442.96. Although the purchase order has no indication of approval on August 12, 2009, the bank processed a payment to Accurate Environmental in the same amount.

Another problem we identified was significant delays in payments being made. We found, for example, purchase order #8937 to Britton Electric Motors in the amount of \$285.45 was dated June 29, 2009. The actual payment was dated

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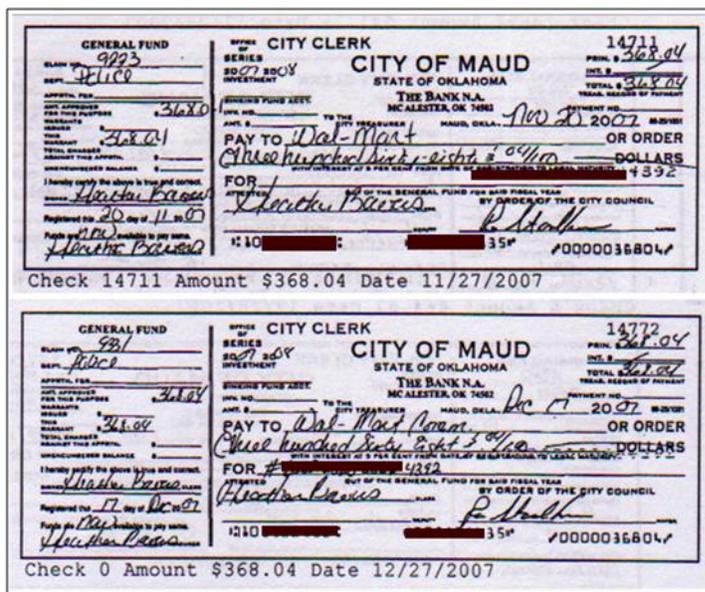
October 7, 2009, some four months and a fiscal year later. We also found, in some cases, purchase orders are being approved by the Authority, but the payments are actually being made from the City's accounts.

Purchase order #8938 to Buddy's Hardware in the amount of \$146.88 appears to have been approved for payment from the Water and Sewer account. However, we found a corresponding payment in the amount of \$146.88 had been made from the City's General Fund.

Credit card payments are unsupported.

From a review of the bank statements, we found ten payments had been made to Wal-Mart totaling \$1,453.35. Nine of the ten payments totaling \$1,368.42 were made from the City General fund.

Purchase order #9223 was issued to Wal-Mart on September 26, 2007, in the amount of \$362.60 for the purchase of cameras and docking station for the police department. Attached to the purchase order was an itemized receipt from Wal-Mart for \$362.60¹.



On November 20, 2007, a General Fund payment, noting it was for the police, was made to Wal-Mart in the amount of \$368.04. The payment was processed by the bank on November 27, 2007.

Purchase order #9331 was issued to Wal-Mart on November 28, 2007, in the amount of \$368.04 with the purchase order notation "purchase of camera, etc. original P.O. 9223 voided."

A second general fund payment was issued to Wal-Mart on December 17, 2007, also in the amount of \$368.04.

The supporting documentation attached to P.O. 9331 was one page of a credit memo statement in the amount of \$368.04. The credit was dated November 16, 2007, four days prior to the payment issued by the City.

¹ The \$362.60 amount increased to \$368.04 due to additional finance charges being assessed.

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The next purchase order to Wal-Mart was dated March 25, 2008 in the amount of \$36.77 for the purchase of an ink cartridge. The attached documentation included a credit card statement reflecting a balance due of \$36.77 and no indication of a \$368.04 credit balance.

We are unable to determine if the \$368.04 credit balance was used to make additional purchases or if the amount was refunded to the City. We asked city officials to obtain additional records from Wal-Mart and they were unable to do so, in part, because the account had already been closed.

We noted, concerning the \$36.77 balance and the purchase order approved on March 25, 2008 for \$36.77, no subsequent payment to Wal-Mart in that amount. However, on May 7, 2008, another purchase order was approved to Wal-Mart. The documentation attached to this purchase order included a previous balance of \$36.77.

On July 30, 2008, purchase order #9663 was issued to Wal-Mart. The purchase order contained no descriptive information, no amounts, no encumbrance information, no receiving information, and includes in large letters, "void." The purchase order appears to have been approved.

Shell Fleet Management (gas card) Issued by CITI.

Between July 1 and November 30, 2009, four purchase orders were issued to Shell Fleet in the total amount of \$1,228.90. The purchase orders included two purchase orders in August in the amounts of \$406.16 and \$85.68 and two purchase orders in October in the amounts of \$704.41 and \$32.65.

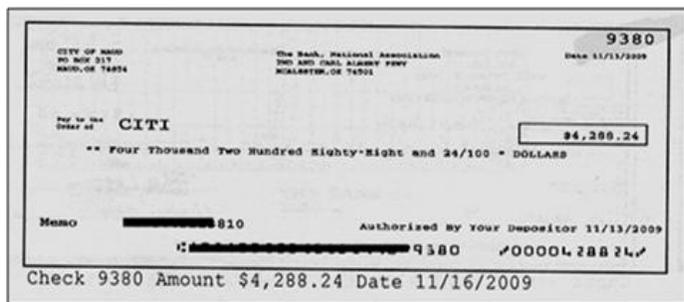
Although the four purchase orders indicated the funds were being appropriated against the police and fire departments (both General Fund expenditures) when we reviewed the general fund bank statements for the same period, a single payment was issued to Shell Fleet on December 4, 2009 in the amount of \$589.42.

When we reviewed the City Street and Alley fund we found an electronic payment had been made on August 24, 2009 to Shell in the amount of \$2,183.40. We did

not find a purchase order authorizing a payment to Shell from the Street and Alley fund.

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When we reviewed the Authority purchase orders, we found two purchase orders were issued for Shell Fleet. The first purchase order was dated July 13, 2009, in the amount of \$619.96. Attached to the purchase order were two pages of a four page statement indicating a previous balance of \$3,063.95. The second Shell Fleet purchase order was dated October 9, 2009, in the amount of \$567.41.



Despite no documentation being attached to this purchase order, it was stamped as being approved by the governing board. Although the “approved” purchase orders totaled \$1,187.37, on November 13, 2009, an electronic payment was made to the account in the amount of \$4,288.24.

Conclusion: The financial records are of little value for auditing purposes.

The financial records for both the City and the Authority are inaccurate, misleading and of little value for auditing purposes. Blank purchase orders have been “approved,” payments are being made without “approved” purchase orders, and purchase orders are being issued although the payments are not being made.

We address internal control issues later in this report.

RECOMMENDATION We recommend the proper authorities review this finding to determine what action, if any, may be required.

VI. OBJECTIVE Review payroll taxes and withholdings.

BACKGROUND City officials expressed concern that payroll deductions were being withheld from employees’ payroll but were not being properly accounted for. This concern related specifically to one employee who was having child support payments to the Department of Human Services (DHS) withheld from his check.

The current city clerk was called to testify in District Court concerning the withholdings from the employee’s checks and what was perceived to be a gap in the payments made to DHS.

FINDINGS We reviewed the DHS order, the payroll withholdings, and the cancelled checks. It appears the withholdings were in accordance with the DHS order, and the bank

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had processed the payments, all of which listed the employee's name and DHS case number.

We met with DHS officials and confirmed the payroll deductions shown on the employee's payroll records were received and applied to the employee's DHS case. The previous court action appears to have been the result of a timing issue related to when the payments had been received and applied to the DHS case.

We have addressed additional issues related to payroll withholdings later in this report in our section on internal controls.

RECOMMENDATIONS No recommendation necessary.

VII. OBJECTIVE Determine if petty cash funds have been misappropriated.

BACKGROUND After the resignations of Heather Bowers-Horton and Natalie Meadows, city officials discovered "IOU's" had been written to the petty cash account. City officials asked that we determine if there has been a misappropriation of funds from the petty cash account.

FINDINGS The City has no defined policy on how the petty cash fund is to be controlled. According to the current City Clerk, he believes the policy has been to maintain a \$200.00 balance in the petty cash fund which is reimbursed monthly.

Because of the unreliability of the financial records maintained by the City, we reviewed bank records to determine the number and amount of payments for petty cash. We found 30 payments totaling \$1,606.20 were issued for petty cash between April 2007 and November 2009.

We were only able to find 23 purchase orders totaling \$1,187.16 supporting petty cash payments. All 23 purchase orders were approved despite the fact that no receipts, ledgers, or other documentation were attached.

Two of the payments were made from the City's General Fund account on November 6, 2008 and December 2, 2008 in the amounts of \$56.94 and \$40.98, respectively. We located two corresponding purchases orders that look like they were supposed to support these payments, but they lacked Board approval.

Purchase order 9264 was issued for petty cash in the amount of \$69.63. Although the purchase order was approved, it did not indicate the account the funds were to be drawn from.

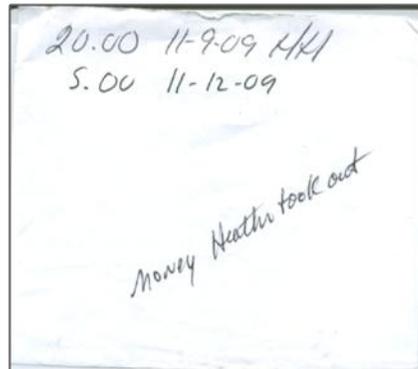
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Purchase order 9265, shown at left, was also issued for petty cash. Although the purchase order has no amount, no encumbrance information, and no account information, the purchase order appears to have been approved. The purchase order reflects it was voided after it was approved.

Although the Board is approving purchase orders reimbursing the petty cash fund without receipts or other documentation, we found petty cash receipts were being attached to daily deposit reports being completed by the City Clerk.

We reviewed the reimbursement amounts for the period from July 1, 2009, through November 30, 2009, and determined the petty cash fund had been reimbursed \$193.55 from the City General Fund. During the same period, we found petty cash receipts totaling \$191.59, a variance of \$1.96.

In the November 2009 records that management could provide, we were able to locate four receipts for petty cash totaling \$27.63.



According to the current City Clerk and Utility Clerk, in November when they took over the duties held by Natalie Meadows and Heather Bowers-Horton, they were given a petty cash bag containing \$62.05. In the petty cash bag was a small scrap of paper that appears to indicate Clerk Heather Bowers-Horton may have taken \$25.00 from the petty cash bag.

Based on the reported practice of starting each month with a petty cash on-hand amount of \$200.00, it appears \$110.32 in petty cash funds may be missing.

RECOMMENDATIONS We recommend the City Council adopt procedures specifying how the petty cash funds are to be maintained, including starting balances, receipt retention, and reimbursement procedures. We also recommend the petty cash receipts be attached to the purchase orders the City Council is approving for reimbursement of the petty cash fund.

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We recommend the proper authorities review this finding to determine what action, if any, may be required.

VIII. OBJECTIVE Determine if grant proceeds were received.

BACKGROUND Prior to the start of the audit we met with City officials. During that meeting, the officials asked that we determine if the City had actually received the proceeds from a CDBG grant for the purchase of radios for the police and/or fire department.

FINDINGS The City Fire Chief told us the Fire Department had received a grant from the Department of Homeland Security (DHS) for the purchase of radios. However, the City was unable to find any documentation related to the DHS grant.

We reviewed the City's General Fund bank records and found on March 25, 2008, a wire transfer deposit was received in the amount of \$83,423.00. The wire transfer includes the notation "DHS – TREAS."

These bank records reflected a payment dated November 14, 2008, to Motorola in the amount of \$81,689.00. The payment includes the notation "DHS Grant." The \$81,689.00 payment indicates it was paid from claim #9621.

Purchase order #9621 was issued on June 23, 2008, to Motorola for the same amount as the November 14, 2008, payment. The documents attached indicate the payment was for the purchase of radios for the fire department.

The Maud Municipal Authority currently has a CDBG loan with the Oklahoma Department of Commerce. The loan documentation reflects the Maud Municipal Authority received the funds from the loan on September 24, 1999.

The Authority does not have bank records for 1999 and the Authorities banking institution cannot retrieve records over 7 years old. However, based on a February 20, 2001 letter, it appears the Mayor acknowledged the funds had been received. The authority is still making monthly payment of \$468.75 to the Oklahoma Department of Commerce on this loan.

RECOMMENDATIONS No recommendation necessary.

IX. OBJECTIVE

Review the distinction between the City and the Authority.

BACKGROUND

The Maud Municipal Authority was established under **60 O.S. § 176 et seq.** as a public trust created to “operate, construct and administer any public works.” Although the Trustees of the Authority are also the members of the governing board of the City of Maud, the Authority and the City are two distinct and separate legal entities.

Oklahoma State Statute **60 O.S. § 176-1 A**, states, in part:

- A. Except as provided in subsection F of this section and if the conditions set out in subsection B of this section are satisfied in compliance with Section 176 et seq. of this title, a public trust duly created in accordance with the provisions of Section 176 et seq. of this title shall be presumed for all purposes of Oklahoma law to:

...

2. Exist as a legal entity separate and distinct from the settlor and from the governmental entity that is its beneficiary;

Oklahoma State Statute **60 O.S. § 176-1 D**, states, in relevant part:

Except where the provisions of the trust indenture or of Section 176 et seq. of this title, or of any other law written specifically to govern the affairs of public trusts, expressly requires otherwise, the affairs of the public trust shall be separate and independent from the affairs of the beneficiary in all matters or activities authorized by the written instrument creating such public trust including, but not limited to, the public trust's budget, expenditures, revenues and general operation and management of its facilities or functions; provided, that either the public trust or the beneficiary may make payment of money to the other unless prohibited by the written instrument creating such public trust or by existing state law.

FINDINGS

While reviewing the City’s Street and Alley bank records, we began noting \$543.94 electronic transfer loan payments in the City’s Street and Alley fund beginning in October, 2008 for loan #449083.

We asked city officials to obtain the loan documentation from the bank. When we reviewed the loan documentation, we found the loan was actually created by the Maud Municipal Authority.

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On August 11, 2008, the Authority approved obtaining a loan in the amount of \$17,943.88 to purchase a tractor and equipment. On September 19, 2008, the Authority obtained loan #449083, a \$17,988.88 loan to be repaid in 36 monthly payments of \$543.94. The loan contract was signed by Robert Watson as Mayor, and Heather Bowers-Horton as City Clerk.

Between October 2008 and December 2009, the City's Street and Alley fund has paid \$8,159.10 for the Authority loan payments.

The City sales tax is being deposited into the Authority's bank account.

Ordinarily, the Oklahoma Tax Commission (OTC) receives city sales tax proceeds and then, on a monthly basis, distributes the sales tax by making a monthly electronic transfer to a city bank account, usually the city or town's general fund. When we reviewed Maud's sales tax distributions, we found the monthly sales tax proceeds were being electronically deposited into the Authority's Water Revenue account rather than to the city's general fund.

On September 1, 2006, the City and the Authority entered into an agreement pledging the use of sale tax funds to secure payment for the Authority's note and other future obligations issued on parity with the note. The agreement states, in part:

The monies received from the State Sales Tax Commission by the City each month shall be deposited in a special account established in the General Fund of the City.

Although the agreement was executed by James Haws, as both the Mayor of the City and Chairman of the Authority, the City and the Authority are not following the terms of the agreement.

The independent auditors report for the fiscal year ending June 30, 2008 includes the following item in reference to the city's sale tax:

The City is currently receiving a four cent sales tax on each dollar. Four cents of the sales tax proceeds are deposited into the General Fund. Then, two cents are transferred to the Municipal Authority for the purpose of paying the debt service. The remaining two cents are used for operation and maintenance costs incurred by the City.

The City and the Authority financial records are contrary to both the agreement signed by the Mayor and the statement in the independent audit report.

Based on the records we reviewed, the sales tax funds are being deposited into the Authority Water Revenue account and not the City General Fund. Once

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those proceeds are received, 50% is then transferred to the City General Fund and 50% is transferred to the City Street & Alley fund.

Beginning in July 2007, shortly after City Clerk Heather Bowers-Horton took office, the sales tax transfers to the General Fund and Street and Alley were periodically delayed or skipped altogether.

The May 2007 sales tax collections of \$9,211.91 were received on June 8, 2007. The transfers of \$4,610.95 to the General fund and \$4,610.96 to the Street and Alley fund were made on July 27, 2007.

Between December 2008 and November 2009, the sales tax distribution deposited into the Authority Water Revenue account totaled \$139,448.00. Only one transfer to the City Street and Alley fund of \$11,290.94 occurred.

The Authority's Water Revenue account from April 1, 2007 through November 2009 had not transferred the sales tax collections of \$56,445.17 to the City General fund and \$82,840.23 to the City's Street and Alley fund.

As previously noted, some of the General Fund amount was being used to secure the Authority's monthly note payments in the event the Authority was unable to make those payments. Determining the actual amount of General Fund tax money that may have been used to make those note payments is beyond the scope of this audit.

We have previously noted in this report, what appears to be a misappropriation of funds from the Authority Water Revenue account. The misappropriation may not have been detected, at least in part, because of Clerk Bowers-Horton's ability to allow the City's Street and Alley funds to remain in the Authority Water Revenue account.

RECOMMENDATIONS We recommend the City take the appropriate steps to determine and to recover sales tax monies retained by the Authority, including both sales tax money due to the General Fund, as well as sales tax money due to the City's Street and Alley fund.

We recommend the proper authorities review this finding to determine what action, if any, may be required.

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X. OBJECTIVE

Review the City and the Authority's compliance with the Open Meeting Act.

Meetings of the City Council and the Authority Board are governed by, and must conform to, the provisions of the Oklahoma Open Meeting Act. The primary purpose of the Open Meeting law is to "encourage and facilitate an informed citizenry's understanding of the governmental processes and governmental problems" as stated in **25 O.S. § 302**.

The Open Meeting Act provides that "any action taken in willful violation of this act shall be invalid" and provides for criminal penalties, as set out in **25 O.S. § 314**, which states:

Any person or persons willfully violating any of the provisions of this act shall be guilty of a misdemeanor and upon conviction shall be punished by a fine not exceeding Five Hundred Dollars (\$500.00) or by imprisonment in the county jail for a period not exceeding one (1) year or by both such fine and imprisonment.

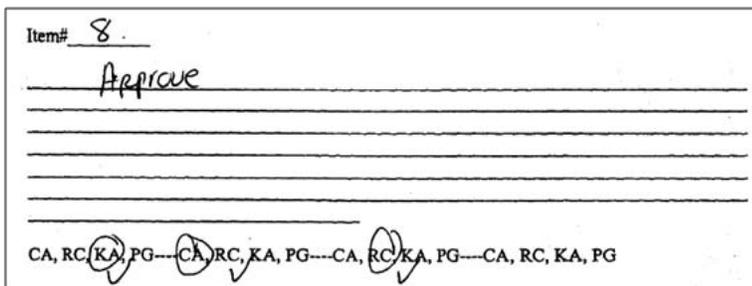
The Oklahoma Open Meeting Act, **25 O.S. § 312(A)** states:

The proceedings of a public body shall be kept by a person so designated by such public body in the form of written minutes which shall be an official summary of the proceedings showing clearly those members present and absent, all matters considered by the public body, and all actions taken by such public body. The minutes of each meeting shall be open to public inspection and shall reflect the manner and time of notice required by this act.

An attempt to review meeting minutes for both the City and the Authority revealed minutes to be incomplete, cryptic, and of little value for determining what actions were being taken by both bodies.

For example, the agenda for the September 14, 2009, the Authority Board meeting reflects item #8 as "[A]pproval of purchase orders for payment from the Water and Sewer Revenue Fund.

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Item# 8
Approve

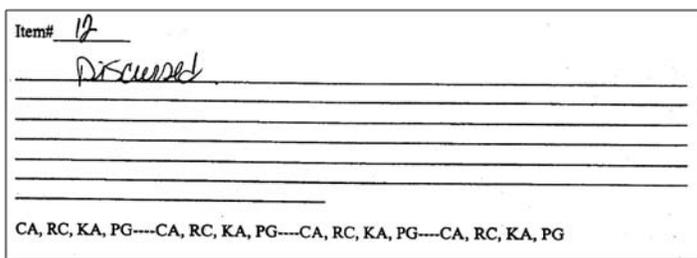
CA, RC, KA, PG—CA, RC, KA, PG—CA, RC, KA, PG—CA, RC, KA, PG

A review of the meeting minutes for this agenda item found the minutes simply state, “approve.”

The Open Meeting Act, specifically **25 O.S. § 305**, requires the votes of each member to be “publicly cast and recorded.”

Although the circles and check marks may have some relevance to the person recording the minutes they are of little value to anyone else reading the minutes and do not appear to satisfy the requirement that the votes be “publicly cast and recorded.”

Similar problems with the meeting minutes for the City Council meetings were also identified. The agenda for the August 10, 2009, city council meeting includes, “Discussion with Mayor Watson and Clerk Heather Horton concerning security system for the City Hall.”



Item# 12
Discussed

CA, RC, KA, PG—CA, RC, KA, PG—CA, RC, KA, PG—CA, RC, KA, PG

When we reviewed the meeting minutes we found the minutes reflected “discussed,” as shown in the image at left.

In addition to requirements to keep minutes of public meetings, the governing boards are also required by

51 O.S. § 24A.4 to keep and maintain consent agendas, a method boards use to approve purchase orders. As previously noted in this report, there were very few purchase order lists being approved.

51 O.S. § 24A.4 states:

In addition to other records which are kept or maintained, every public body and public official has a specific duty to keep and maintain complete records of the receipt and expenditure of any public funds

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reflecting all financial and business transactions relating thereto, except that such records may be disposed of as provided by law.

RECOMMENDATIONS We recommend the City Council and the Authority Board review the Open Meeting Act in order to ensure their actions comply with Oklahoma State Law regarding meeting minutes.

We recommend the District Attorney review these findings to determine what action, if any, may be required.

XI. OBJECTIVE Review the City and the Authority's internal controls.

FINDINGS One of the primary reasons for having good internal controls is to prevent a misappropriation from occurring and, in the event a misappropriation does occur, to detect a misappropriation in a timely manner.

One of the most basic elements of an internal control structure includes the proper segregation of duties. The segregation should include requiring more than one signature on all payments being issued and providing for an independent reconciliation of payments being made. In this case, the City and the Authority did neither.

The City and the Authority both implemented a dual signature requirement for payments being issued from either account. Both the City and the Authority have also implemented the use of signature stamps which were left under the control of City Clerk Heather Bowers-Horton, effectively defeating the purpose of having dual signatures.

We found questionable uses of signature stamps including signature stamp approvals appearing on purchase orders that are otherwise completely blank. We also found instances of Board Members' pre-signing blank purchase orders.

Clerk Heather Bowers-Horton had control of the signature stamps for the Board Members and the ability to issue payments independent of the governing boards of both the City and the Authority.

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Since Clerk Bowers-Horton could issue payments independent of the Boards, there were little, if any, internal controls in place sufficient to *prevent* a misappropriation of the City and the Authority's funds.

The agenda for the September 14, 2009, City Council meeting includes, at item 22, "Approve or not approve cashing in of Certificate of Deposit in order to help cover city expenses." The associated meeting minutes reflect "approve carried."

There is no indication of a discussion as to why two months into the current fiscal year, the City is already experiencing financial difficulties.

On September 22, 2009, a Certificate of Deposit was redeemed and \$50,000.00 was deposited into the General Fund. Subsequent to redeeming the CD and also on September 22, 2009, four payments totaling \$28,816.63 were issued to the Internal Revenue Service. The payments which all appeared on the same page of a bank statement included notations clearly indicating these payments, and penalties, were for past due tax payments.



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When we reviewed the Authority's bank statement for September 2009, we found check images for nine payments totaling \$6,901.50 paid to Clerk Horton's husband, Justin Horton, who was paid bi-weekly.

RECOMMENDATIONS We recommend the City and the Authority develop and implement an internal control structure including an independent reconciliation of all bank records. We recommend the City and the Authority Boards establish proper controls to ensure signature stamps are handled appropriately. The stamps should only be used after proper authorization, and board members should maintain a log to document when the stamps are used and periodically monitor the controls to determine that they are working properly. We further recommend the governing board ensure purchase orders are properly documented and supported prior to affixing signatures of approval.

XII. OBJECTIVE

Other issues.

11 O.S. § 17-105(B) states:

The governing body of each municipality with an income of Twenty-five Thousand Dollars (\$25,000.00) or more to its general fund during a fiscal year and with a population of less than two thousand five hundred (2,500) as of the most recent Federal Decennial Census, and for whom an annual financial statement audit is not required by another law, regulation or contract, shall cause to be prepared, by an independent licensed public accountant or a certified public accountant, an annual financial statement audit in accordance with auditing standards generally accepted in the United States and Government Auditing Standards as issued by the Comptroller General of the United States, or an agreed-upon procedures engagement over certain financial information and compliance requirements to be performed in accordance with the applicable attestation standards of The American Institute of Certified Public Accountants, and the fieldwork and reporting standards in Government Auditing Standards.

The last completed audit for the City of Maud was for the fiscal year ending June 30, 2008. The audit report was signed by Michael Douglas, CPA, and dated November 25, 2008.

We obtained records from the Oklahoma Accountancy Board indicating the license for Michael Douglas was revoked on September 30, 2008, about two months prior to his signing of the Fiscal Year Ending 2008 auditor's report. The City has not received an audit report for fiscal year ending June 30, 2009.

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On April 27, 2009, a \$6,850.00 payment to Michael Douglas, CPA, was processed by the Authority's bank. The payment, drawn on the Water Revenue account, indicates the payment is for "audit."

Neither the City nor the Authority were able to provide a purchase order for this payment or an audit engagement letter for the fiscal year ending June 30, 2009 audit.

The City is currently seeking bids to have another audit performed for fiscal year ending June 30, 2008 as well as performing an audit for fiscal year ending June 30, 2009.

Based on our review of the City and the Authority's financial records, it is likely the City and the Authority will need to reconstruct a substantial portion of its financial records before such audits can be performed.

RECOMMENDATIONS We recommend the City and the Authority seek legal counsel to determine what legal remedies may be available to recover any audit costs related to the 2008 audit and the April 2009 payment of \$6,850.00.

We recommend that the City and the Authority establish policy and procedures and implement proper internal controls to ensure that all expenditures are properly documented and supported by approved purchase orders and invoices. The City and the Authority should periodically review these controls to ensure they are working properly.

We recommend the District Attorney review these findings to determine what action, if any, may be required.

DISCLAIMER Throughout this report there are numerous references to state statutes and legal authorities, which appear to be relevant to issues raised by the District Attorney and reviewed by this Office. The State Auditor and Inspector has no jurisdiction, authority, purpose or intent by the issuance of this report to determine the guilt, innocence, culpability or liability, if any, of any person or entity for any act, omission, or transaction reviewed and such determinations are within the exclusive jurisdiction of regulatory, law enforcement, and judicial authorities designated by law.

The inclusion of cites to specific statutes or other authorities within this report does not, and is not intended to, constitute a determination or finding by the State Auditor and Inspector that the City of Maud, the Maud Municipal Authority, or any of the individuals named in this report or acting on behalf of the city or

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authority have violated any statutory requirements or prohibitions imposed by law. All cites and/or references to specific legal provisions are included within this report for the sole purpose of enabling interested parties to review and consider the cited provisions, independently ascertain whether or not the city or authorities policies, procedures, or practices should be modified or discontinued, and to independently evaluate whether or not the recommendations made by this Office should be implemented.

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Attachment A

##	Payment Date	Number	Fund	Payee	Payment Amount	Questioned Amount
1	12/31/2007	8694	Water Revenue	Heather Bowers	\$1,171.64	
2	2/29/2008	8743	Water Revenue	Heather Bowers	\$1,172.64	
3	3/31/2008	8769	Water Revenue	Heather Bowers	\$1,172.64	
4	4/22/2008	8791	Water Revenue	Heather Bowers	\$1,172.64	
5	5/20/2008	8815	Water Revenue	Heather Bowers	\$585.81	
6	5/27/2008	8821	Water Revenue	Heather Bowers	\$1,172.64	
7	5/28/2008	8822	Water Revenue	Heather Bowers	\$207.79	
8	6/11/2008	8833	Water Revenue	Heather Bowers	\$585.81	
9	6/13/2008	8835	Water Revenue	Heather Bowers	\$1,356.43	\$1,356.43
10	6/23/2008	8852	Water Revenue	Heather Bowers	\$1,356.43	
11	7/29/2008	8878	Water Revenue	Heather Bowers	\$1,356.43	
12	8/11/2008	8883	Water Revenue	Heather Bowers	\$677.72	
13	8/13/2008	8899	Water Revenue	Heather Bowers	\$1,356.43	\$1,356.43
14	8/29/2008	8913	Water Revenue	Heather Bowers	\$1,356.43	
15	9/15/2008	8927	Water Revenue	Heather Horton	\$1,356.43	
16	10/7/2008	8937	Water Revenue	Heather Horton	\$1,356.43	\$1,356.43
17	10/14/2008	8939	Water Revenue	Heather Horton	\$1,356.43	\$1,356.43
18	10/31/2008	8965	Water Revenue	Heather Horton	\$1,356.43	
19	11/25/2008	8990	Water Revenue	Heather Horton	\$1,356.43	
21	12/15/2008	9022	Water Revenue	Heather Horton	\$678.68	
22	12/23/2008	9029	Water Revenue	Heather Horton	\$678.21	
23	1/2/2009	9034	Water Revenue	Heather Horton	\$685.71	\$685.71
24	1/16/2009	9045	Water Revenue	Heather Horton	\$1,361.43	
25	1/30/2009	9053	Water Revenue	Heather Horton	\$1,361.42	
26	2/17/2009	9074	Water Revenue	Heather Horton	\$1,361.43	\$1,361.43
27	3/6/2009	9086	Water Revenue	Heather Horton	\$1,361.41	
28	3/31/2009	9095	Water Revenue	Heather Horton	\$1,361.41	\$1,361.41
29	4/21/2009	9121	Water Revenue	Heather Horton	\$685.71	
30	4/30/2009	9142	Water Revenue	Heather Horton	\$340.36	
31	5/15/2009	9153	Water Revenue	Heather Horton	\$680.71	\$680.71
32	5/29/2009	9160	Water Revenue	Heather Horton	\$360.66	
33	6/1/2009	9167	Water Revenue	Heather Horton	\$680.71	
34	6/12/2009	9179	Water Revenue	Heather Horton	\$680.71	
35	6/22/2009	9193	Water Revenue	Heather Horton	\$810.56	
36	7/1/2009	9203	Water Revenue	Heather Horton	\$293.81	\$293.81
37	7/13/2009	9206	Water Revenue	Heather Horton	\$810.56	
38	7/14/2009	9212	Water Revenue	Heather Horton	\$718.00	\$718.00
39	7/31/2009	9230	Water Revenue	Heather Horton	\$810.56	
40	8/10/2009	9243	Water Revenue	Heather Horton	\$810.56	
41	8/21/2009	9264	Water Revenue	Heather Horton	\$293.68	\$293.68
42	8/24/2009	9267	Water Revenue	Heather Horton	\$810.56	
43	9/1/2009	9280	Water Revenue	Heather Horton	\$810.56	
45	9/14/2009	9288	Water Revenue	Heather Horton	\$810.56	
46	9/18/2009	9308	Water Revenue	Heather Horton	\$1,621.20	\$1,621.20
47	9/29/2009	9329	Water Revenue	Heather Horton	\$810.56	
48	9/30/2009	9338	Water Revenue	Heather Horton	\$810.56	\$810.56
49	10/15/2009	9350	Water Revenue	Heather Horton	\$1,621.12	
50	10/30/2009	9371	Water Revenue	Heather Horton	\$810.56	\$810.56
51	11/13/2009	9382	Water Revenue	Heather Horton	\$810.56	
						\$14,062.79

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Attachment B

#	Payment Date	Ck/Wrt	Fund	Payee	Payment Amount	Questioned Amount	
1	4/24/2009	9124	Water Revenue	Justin Horton	\$687.62	\$687.62	
2	4/29/2009	9140	Water Revenue	Justin Horton	\$483.85		
3	5/8/2009	9146	Water Revenue	Justin Horton	\$776.89		
4	5/14/2009	9150	Water Revenue	Justin Horton	\$675.71	\$675.71	
5	5/29/2009	9162	Water Revenue	Justin Horton	\$192.49		
6	5/29/2009	9161	Water Revenue	Justin Horton	\$667.63		
7	6/1/2009	9166	Water Revenue	Justin Horton	\$201.11		
8	6/10/2009	9177	Water Revenue	Justin Horton	\$667.63		
9	6/13/2009	9183	Water Revenue	Justin Horton	\$300.42		
10	6/22/2009	9194	Water Revenue	Justin Horton	\$667.63		
11	6/26/2009	9195	Water Revenue	Justin Horton	\$968.05	\$968.05	
12	7/1/2009	9202	Water Revenue	Justin Horton	\$608.77	\$608.77	
13	7/10/2009	9205	Water Revenue	Justin Horton	\$803.07		
14	7/15/2009	9216	Water Revenue	Justin Horton	\$798.80		
15	7/21/2009	9222	Water Revenue	Justin Horton	\$762.29	\$762.29	
16	7/27/2009	9224	Water Revenue	Justin Horton	\$1,605.53	\$1,605.53	
17	7/30/2009	9228	Water Revenue	Justin Horton	\$667.63		
18	8/7/2009	9240	Water Revenue	Justin Horton	\$967.73		
19	8/12/2009	9247	Water Revenue	Justin Horton	\$884.20	\$884.20	
20	8/13/2009	9248	Water Revenue	Justin Horton	\$1,291.87	\$1,291.87	
21	8/14/2009	9256	Water Revenue	Justin Horton	\$297.76	\$297.76	
22	8/18/2009	9258	Water Revenue	Justin Horton	\$1,598.97	\$1,598.97	
23	8/21/2009	9261	Water Revenue	Justin Horton	\$1,297.67	\$1,297.67	
24	8/28/2009	9273	Water Revenue	Justin Horton	\$708.00		
25	8/28/2009	9277	Water Revenue	Justin Horton	\$251.94		
26	9/9/2009	9282	Water Revenue	Justin Horton	\$100.00		
27	9/10/2009	9285	Water Revenue	Justin Horton	\$926.02	\$926.02	
28	9/15/2009	9299	Water Revenue	Justin Horton	\$1,200.65	\$1,200.65	
29	9/21/2009	9320	Water Revenue	Justin Horton	\$1,626.78	\$1,626.78	
30	9/23/2009	9322	Water Revenue	Justin Horton	\$315.11		
31	9/25/2009	9323	Water Revenue	Justin Horton	\$1,625.76	\$1,625.76	
32	9/29/2009	9330	Water Revenue	Justin Horton	\$754.18		
33	9/30/2009	9326	Water Revenue	Justin Horton	\$1,626.87	\$1,626.87	
34	10/2/2009	9339	Water Revenue	Justin Horton	\$1,626.76	\$1,626.76	
35	10/5/2009	9341	Water Revenue	Justin Horton	\$189.07		
36	10/9/2009	9344	Water Revenue	Justin Horton	\$1,626.87	\$1,626.87	
37	10/15/2009	9354	Water Revenue	Justin Horton	\$708.00		
38	10/15/2009	9355	Water Revenue	Justin Horton	\$110.29	\$110.29	
39	10/16/2009	9364	Water Revenue	Justin Horton	\$1,626.87	\$1,626.87	
40	10/23/2009	9358	Water Revenue	Justin Horton	\$1,626.87	\$1,626.87	
41	10/30/2009	9370	Water Revenue	Justin Horton	\$731.09		
42	11/6/2009	9376	Water Revenue	Justin Horton	\$299.35		
43	11/12/2009	9379	Water Revenue	Justin Horton	\$731.09		
					\$36,284.89	\$24,302.18	
			Actual Payroll For September, 2009				-\$708.00
						\$23,594.18	

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Attachment C

#	Payment Date	Ck/Wrt	Fund	Payee	Payment Amount	Questioned Amount
1	4/2/2007	8387	Water Revenue	Natalie Meadows	\$400.96	
2	4/30/2007	8413	Water Revenue	Natalie Meadows	\$400.96	
3	5/15/2007	8419	Water Revenue	Natalie Meadows	\$400.96	
4	5/30/2007	8450	Water Revenue	Natalie Meadows	\$400.96	
5	6/11/2007	8457	Water Revenue	Natalie Meadows	\$400.96	
6	6/28/2007	8479	Water Revenue	Natalie Meadows	\$400.96	
7	7/13/2007	8495	Water Revenue	Natalie Meadows	\$585.81	
8	7/29/2007	8501	Water Revenue	Natalie Meadows	\$585.81	
9	8/14/2007	8517	Water Revenue	Natalie Meadows	\$585.81	
10	8/30/2007	8549	Water Revenue	Natalie Meadows	\$585.81	
11	9/13/2007	8558	Water Revenue	Natalie Meadows	\$585.81	
12	9/25/2007	8579	Water Revenue	Natalie Meadows	\$585.81	
13	10/3/2007	8590	Water Revenue	Natalie Meadows	\$585.81	
14	10/12/2007	8596	Water Revenue	Natalie Meadows	\$585.81	
15	10/31/2007	8625	Water Revenue	Natalie Meadows	\$1,171.64	
16	11/30/2007	8658	Water Revenue	Natalie Meadows	\$1,171.64	
17	12/20/2007	8685	Water Revenue	Natalie Meadows	\$1,171.64	
18	12/31/2007	8698	Water Revenue	Natalie Meadows	\$1,171.64	
19	1/9/2008	8700	Water Revenue	Natalie Meadows	\$1,171.64	
20	2/15/2008	8723	Water Revenue	Natalie Meadows	\$305.92	
21	2/28/2008	8742	Water Revenue	Natalie Meadows	\$1,171.64	
22	3/17/2008	8765	Water Revenue	Natalie Meadows	\$1,171.64	
23	5/12/2008	8800	Water Revenue	Natalie Meadows	\$1,172.64	
24	5/28/2008	8823	Water Revenue	Natalie Meadows	\$207.79	
25	6/2/2008	8830	Water Revenue	Natalie Meadows	\$1,356.43	
26	7/22/2008	8876	Water Revenue	Natalie Meadows	\$1,356.43	
27	8/1/2008	8882	Water Revenue	Natalie Meadows	\$1,356.43	\$1,356.43
28	8/18/2008	8900	Water Revenue	Natalie Meadows	\$1,356.43	
29	9/9/2008	8920	Water Revenue	Natalie Meadows	\$53.64	
30	9/12/2008	8928	Water Revenue	Natalie Meadows	\$1,356.43	\$1,356.43
31	10/16/2008	8943	Water Revenue	Natalie Meadows	\$1,356.43	
32	11/11/2008	8967	Water Revenue	Natalie Meadows	\$1,356.43	
33	11/25/2008	8989	Water Revenue	Natalie Meadows	\$1,356.43	
34	1/12/2009	9037	Water Revenue	Natalie Meadows	\$1,356.43	
35	2/2/2009	9056	Water Revenue	Natalie Meadows	\$1,361.42	
36	3/2/2009	9084	Water Revenue	Natalie Meadows	\$1,361.42	
37	4/14/2009	9116	Water Revenue	Natalie Meadows	\$1,361.41	
38	4/30/2009	9090	Water Revenue	Natalie Meadows	\$1,361.43	
39	5/6/2009	9144	Water Revenue	Natalie Meadows	\$1,361.42	\$1,361.42
40	5/26/2009	9159	Water Revenue	Natalie Meadows	\$1,361.42	
41	6/11/2009	9178	Water Revenue	Natalie Meadows	\$1,361.42	
42	6/22/2009	9192	Water Revenue	Natalie Meadows	\$1,635.11	
43	6/30/2009	9200	Water Revenue	Natalie Meadows	\$293.68	
44	7/30/2009	9210	Water Revenue	Natalie Meadows	\$294.79	\$294.79
45	8/7/2009	9237	Water Revenue	Natalie Meadows	\$293.68	\$293.68
46	8/26/2009	9269	Water Revenue	Natalie Meadows	\$293.68	\$293.68
47	8/31/2009	9278	Water Revenue	Natalie Meadows	\$1,635.11	
48	9/28/2009	9327	Water Revenue	Natalie Meadows	\$293.68	\$293.68
49	9/28/2009	9331	Water Revenue	Natalie Meadows	\$1,635.11	
					\$45,146.36	\$5,250.11

**CITY OF MAUD / MAUD MUNICIPAL AUTHORITY
COUNTY OF POTTAWATOMIE
SPECIAL AUDIT REPORT
APRIL 1, 2007 THROUGH NOVEMBER 30, 2009**

Attachment D

Date	Payee	Amount	Date	Payee	Amount
12/23/2008	GCA Booth Sac&FO	\$103.00	7/3/2009	GCA Booth Sac & FO	\$350.20
12/29/2008	GCA Booth Sac&FO	\$206.00	7/7/2009	GCA Booth Sac & FO	\$206.00
12/30/2008	GCA Booth Sac&FO	\$103.00	7/10/2009	GCA Booth Sac & FO	\$309.00
			7/14/2009	GCA Booth Sac & FO	\$206.00
1/2/2009	GCA Booth Sac&FO	\$103.00	7/15/2009	GCA Booth Sac & FO	\$206.00
1/13/2009	GCA Booth Sac&FO	\$206.00	7/17/2009	GCA Booth Sac & FO	\$309.00
1/13/2009	GCA Booth Sac&FO	\$164.80	7/27/2009	GCA Booth Sac & FO	\$103.00
1/20/2009	GCA Booth Sac&FO	\$206.00	7/28/2009	GCA Booth Sac & FO	\$103.00
1/23/2009	GCA Booth Sac&FO	\$206.00	7/28/2009	GCA Booth Sac & FO	\$206.00
1/27/2009	GCA Booth Sac&FO	\$206.00			
			8/11/2009	GCA Booth Sac&FO	\$206.00
3/3/2009	GCA Booth Sac & FO	\$206.00	8/13/2009	GCA Booth Sac&FO	\$309.00
3/10/2009	GCA Booth Sac & FO	\$206.00	8/25/2009	GCA Booth Sac&FO	\$309.00
3/11/2009	GCA Booth Sac & FO	\$206.00	8/27/2009	GCA Booth Sac&FO	\$309.00
3/17/2009	GCA Booth Sac & FO	\$103.00	8/31/2009	GCA Booth Sac&FO	\$309.00
3/19/2009	GCA Booth Sac & FO	\$206.00			
3/24/2009	GCA Booth Sac & FO	\$103.00	9/1/2009	GCA Booth Sac&FO	\$206.00
3/26/2009	GCA Booth Sac & FO	\$206.00	9/1/2009	GCA Booth Sac&FO	\$206.00
3/27/2009	GCA Booth Sac & FO	\$103.00	9/9/2009	GCA Booth Sac&FO	\$206.00
			9/18/2009	GCA Booth Sac&FO	\$103.00
4/7/2009	GCA Booth Sac & FO	\$103.00	9/29/2009	GCA Booth Sac&FO	\$309.00
4/7/2009	GCA Booth Sac & FO	\$41.20			
4/9/2009	GCA Booth Sac & FO	\$92.70	10/5/2009	GCA Booth Sac&FO	\$309.00
4/21/2009	GCA Booth Sac & FO	\$206.00	10/16/2009	GCA Booth Sac&FO	\$309.00
4/29/2009	GCA Booth Sac & FO	\$206.00	10/19/2009	GCA Booth Sac&FO	\$206.00
			10/19/2009	Fire Lake Casino/CC_LLC	\$206.00
5/1/2009	GCA Booth Sac & FO	\$206.00	10/26/2009	Fire Lake Casino/CC_LLC	\$103.00
5/5/2009	GCA Booth Sac & FO	\$309.00	10/27/2009	GCA Booth Sac&FO	\$206.00
5/7/2009	GCA Booth Sac & FO	\$309.00	10/30/2009	GCA Booth Sac&FO	\$206.00
5/12/2009	GCA Booth Sac & FO	\$206.00			
5/19/2009	GCA Booth Sac & FO	\$103.00	11/3/2009	Fire Lake Casino/CC_LLC	\$103.00
5/20/2009	GCA Booth Sac & FO	\$103.00	11/10/2009	GCA Booth Sac&FO	\$206.00
5/26/2009	GCA Booth Sac & FO	\$206.00	11/12/2009	Fire Lake Casino/CC_LLC	\$206.00
5/26/2009	GCA Booth Sac & FO	\$154.50	11/16/2009	Fire Lake Casino/CC_LLC	\$309.00
			11/19/2009	Fire Lake Casino/CC_LLC	\$309.00
6/2/2009	GCA Booth Sac & FO	\$103.00	11/20/2009	GCA Booth Sac&FO	\$391.40
6/8/2009	GCA Booth Sac & FO	\$103.00	11/27/2009	GCA Booth Sac&FO	\$206.00
6/11/2009	GCA Booth Sac & FO	\$309.00	11/30/2009	GCA Booth Sac&FO	\$41.20
6/12/2009	GCA Booth Sac & FO	\$309.00			\$7,786.80
6/16/2009	GCA Booth Sac & FO	\$206.00		Column 1	\$6,530.20
6/23/2009	GCA Booth Sac & FO	\$309.00			\$14,317.00
6/23/2009	Cherokee Casino / Purchase	\$103.00			
		\$6,530.20			

**CITY OF MAUD / MAUD MUNICIPAL AUTHORITY
COUNTY OF POTTAWATOMIE
SPECIAL AUDIT REPORT
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Attachment E.1

##	Date	Type	Deposit Notation	Deposit Amount	Casino	Heather/Justin	No Indication
1	1/16/2009	Cash	Heather / Justin	\$880.00	\$0.00	\$880.00	\$0.00
2	1/20/2009	Cash	Casino	\$100.00	\$100.00	\$0.00	\$0.00
3	1/21/2009	Cash	Heather / Justin	\$89.00	\$0.00	\$89.00	\$0.00
4	1/22/2009	Cash	Heather / Justin	\$50.00	\$0.00	\$50.00	\$0.00
5	1/22/2009	Cash	Heather / Justin	\$200.00	\$0.00	\$200.00	\$0.00
6	1/5/2009	Cash	Nothing Indicated	\$140.00	\$0.00	\$0.00	\$140.00
7	1/6/2009	Cash	Nothing Indicated	\$200.00	\$0.00	\$0.00	\$200.00
8	1/7/2009	Cash	Heather / Justin	\$60.00	\$0.00	\$60.00	\$0.00
9	10/1/2009	Cash	Heather / Justin	\$140.00	\$0.00	\$140.00	\$0.00
10	10/10/2009	Cash	Nothing Indicated	\$35.00	\$0.00	\$0.00	\$35.00
11	10/13/2009	Cash	Heather / Justin	\$230.00	\$0.00	\$230.00	\$0.00
12	10/14/2009	Cash	Casino	\$280.00	\$280.00	\$0.00	\$0.00
13	10/15/2009	Cash	Casino	\$261.00	\$261.00	\$0.00	\$0.00
14	10/19/2009	Cash	Nothing Indicated	\$165.00	\$0.00	\$0.00	\$165.00
15	10/2/2009	Cash	Heather / Justin	\$100.00	\$0.00	\$100.00	\$0.00
16	10/22/2009	Cash	Nothing Indicated	\$113.00	\$0.00	\$0.00	\$113.00
17	10/26/2009	Cash	Casino	\$200.00	\$200.00	\$0.00	\$0.00
18	10/26/2009	Cash	Heather / Justin	\$200.00	\$0.00	\$200.00	\$0.00
19	10/7/2009	Cash	Heather / Justin	\$100.00	\$0.00	\$100.00	\$0.00
20	11/10/2009	Cash	Casino	\$300.00	\$300.00	\$0.00	\$0.00
21	11/12/2009	Cash	Casino	\$260.00	\$260.00	\$0.00	\$0.00
22	11/16/2009	Cash	Heather / Justin	\$145.00	\$0.00	\$145.00	\$0.00
23	11/18/2009	Cash	Casino	\$360.00	\$360.00	\$0.00	\$0.00
24	11/24/2009	Cash	Casino	\$115.00	\$115.00	\$0.00	\$0.00
25	11/5/2009	Cash	Heather / Justin	\$200.00	\$0.00	\$200.00	\$0.00
26	11/9/2009	Cash	Nothing Indicated	\$40.00	\$0.00	\$0.00	\$40.00
27	12/10/2008	Cash	Nothing Indicated	\$20.00	\$0.00	\$0.00	\$20.00
28	12/17/2008	Cash	Nothing Indicated	\$100.00	\$0.00	\$0.00	\$100.00
29	12/21/2009	Cash	Heather / Justin	\$100.00	\$0.00	\$100.00	\$0.00
30	12/21/2009	Cash	Heather / Justin	\$100.00	\$0.00	\$100.00	\$0.00
31	12/22/2008	Cash	Casino	\$100.00	\$100.00	\$0.00	\$0.00
32	12/23/2008	Cash	Nothing Indicated	\$120.00	\$0.00	\$0.00	\$120.00
33	12/26/2008	Cash	Heather / Justin	\$500.00	\$0.00	\$500.00	\$0.00
34	12/30/2008	Cash	Heather / Justin	\$250.00	\$0.00	\$250.00	\$0.00
35	12/4/2008	Cash	Nothing Indicated	\$60.00	\$0.00	\$0.00	\$60.00
36	12/4/2008	Cash	Nothing Indicated	\$165.00	\$0.00	\$0.00	\$165.00
37	12/9/2008	Cash	Heather / Justin	\$380.00	\$0.00	\$380.00	\$0.00
38	2/4/2009	Cash	Heather / Justin	\$120.00	\$0.00	\$120.00	\$0.00
39	3/10/2009	Cash	Nothing Indicated	\$30.00	\$0.00	\$0.00	\$30.00
40	3/11/2009	Cash	Nothing Indicated	\$20.00	\$0.00	\$0.00	\$20.00
41	3/11/2009	Cash	Heather / Justin	\$100.00	\$0.00	\$100.00	\$0.00
42	3/16/2009	Cash	Casino	\$100.00	\$100.00	\$0.00	\$0.00
43	3/17/2009	Cash	Nothing Indicated	\$20.00	\$0.00	\$0.00	\$20.00
44	3/31/2009	Cash	Heather / Justin	\$350.00	\$0.00	\$350.00	\$0.00
45	3/5/2009	Cash	Casino	\$460.00	\$460.00	\$0.00	\$0.00
46	4/1/2009	Cash	Nothing Indicated	\$100.00	\$0.00	\$0.00	\$100.00
47	4/13/2009	Cash	Nothing Indicated	\$20.00	\$0.00	\$0.00	\$20.00
48	4/17/2009	Cash	Nothing Indicated	\$100.00	\$0.00	\$0.00	\$100.00
49	4/2/2009	Cash	Nothing Indicated	\$100.00	\$0.00	\$0.00	\$100.00
50	4/24/2009	Cash	Heather / Justin	\$200.00	\$0.00	\$200.00	\$0.00
51	4/28/2009	Cash	Heather / Justin	\$100.00	\$0.00	\$100.00	\$0.00
52	4/29/2009	Cash	Casino	\$205.00	\$205.00	\$0.00	\$0.00

**CITY OF MAUD / MAUD MUNICIPAL AUTHORITY
COUNTY OF POTTAWATOMIE
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Attachment E.2

##	Date	Type	Deposit Notation	Deposit Amount	Casino	Heather/Justin	No Indication
53	5/1/2009	Cash	Casino	\$300.00	\$300.00	\$0.00	\$0.00
54	5/2/2009	Cash	Heather / Justin	\$500.00	\$0.00	\$500.00	\$0.00
55	5/22/2009	Cash	Heather / Justin	\$100.00	\$0.00	\$100.00	\$0.00
56	5/28/2009	Cash	Heather / Justin	\$100.00	\$0.00	\$100.00	\$0.00
57	5/30/2009	Cash	Heather / Justin	\$100.00	\$0.00	\$100.00	\$0.00
58	5/5/2009	Cash	Heather / Justin	\$100.00	\$0.00	\$100.00	\$0.00
59	5/5/2009	Cash	Casino	\$640.00	\$640.00	\$0.00	\$0.00
60	5/7/2009	Cash	Nothing Indicated	\$30.00	\$0.00	\$0.00	\$30.00
61	5/8/2009	Cash	Casino	\$464.13	\$464.13	\$0.00	\$0.00
62	6/10/2009	Cash	Casino	\$220.00	\$220.00	\$0.00	\$0.00
63	6/11/2009	Cash	Casino	\$800.00	\$800.00	\$0.00	\$0.00
64	6/2/2009	Cash	Casino	\$100.00	\$100.00	\$0.00	\$0.00
65	6/25/2009	Cash	Nothing Indicated	\$100.00	\$0.00	\$0.00	\$100.00
66	6/26/2009	Cash	Nothing Indicated	\$200.00	\$0.00	\$0.00	\$200.00
67	6/3/2009	Cash	Heather / Justin	\$120.00	\$0.00	\$120.00	\$0.00
68	6/6/2009	Cash	Nothing Indicated	\$20.00	\$0.00	\$0.00	\$20.00
69	6/8/2009	Cash	Nothing Indicated	\$60.00	\$0.00	\$0.00	\$60.00
70	6/9/2009	Cash	Casino	\$100.00	\$100.00	\$0.00	\$0.00
71	7/15/2009	Cash	Heather / Justin	\$1,018.00	\$0.00	\$1,018.00	\$0.00
72	7/16/2009	Cash	Nothing Indicated	\$100.00	\$0.00	\$0.00	\$100.00
73	7/16/2009	Cash	Casino	\$260.00	\$260.00	\$0.00	\$0.00
74	7/2/2009	Cash	Casino	\$265.00	\$265.00	\$0.00	\$0.00
75	7/20/2009	Cash	Nothing Indicated	\$200.00	\$0.00	\$0.00	\$200.00
76	7/22/2009	Cash	Nothing Indicated	\$100.00	\$0.00	\$0.00	\$100.00
77	7/24/2009	Cash	Casino	\$300.00	\$300.00	\$0.00	\$0.00
78	7/27/2009	Cash	Casino	\$200.00	\$200.00	\$0.00	\$0.00
79	7/28/2009	Cash	Heather / Justin	\$100.00	\$0.00	\$100.00	\$0.00
80	7/30/2009	Cash	Nothing Indicated	\$30.00	\$0.00	\$0.00	\$30.00
81	7/30/2009	Cash	Nothing Indicated	\$40.00	\$0.00	\$0.00	\$40.00
82	7/6/2009	Cash	Casino	\$300.00	\$300.00	\$0.00	\$0.00
83	7/7/2009	Cash	Nothing Indicated	\$260.00	\$0.00	\$0.00	\$260.00
84	7/8/2009	Cash	Nothing Indicated	\$280.00	\$0.00	\$0.00	\$280.00
85	8/11/2009	Cash	Casino	\$240.00	\$240.00	\$0.00	\$0.00
86	8/12/2009	Cash	Casino	\$110.00	\$110.00	\$0.00	\$0.00
87	8/13/2009	Cash	Nothing Indicated	\$100.00	\$0.00	\$0.00	\$100.00
88	8/17/2009	Cash	Nothing Indicated	\$40.00	\$0.00	\$0.00	\$40.00
89	8/17/2009	Cash	Heather / Justin	\$100.00	\$0.00	\$100.00	\$0.00
90	8/18/2009	Cash	Heather / Justin	\$240.00	\$0.00	\$240.00	\$0.00
91	8/3/2009	Cash	Heather / Justin	\$100.00	\$0.00	\$100.00	\$0.00
92	8/4/2009	Cash	Heather / Justin	\$200.00	\$0.00	\$200.00	\$0.00
93	8/5/2009	Cash	Heather / Justin	\$120.00	\$0.00	\$120.00	\$0.00
94	8/6/2009	Cash	Heather / Justin	\$100.00	\$0.00	\$100.00	\$0.00
95	9/10/2009	Cash	Heather / Justin	\$100.00	\$0.00	\$100.00	\$0.00
96	9/14/2009	Cash	Nothing Indicated	\$40.00	\$0.00	\$0.00	\$40.00
97	9/16/2009	Cash	Casino	\$100.00	\$100.00	\$0.00	\$0.00
98	9/2/2009	Cash	Nothing Indicated	\$20.00	\$0.00	\$0.00	\$20.00
99	9/24/2009	Cash	Nothing Indicated	\$55.00	\$0.00	\$0.00	\$55.00
100	9/29/2009	Cash	Nothing Indicated	\$20.00	\$0.00	\$0.00	\$20.00
101	9/3/2009	Cash	Nothing Indicated	\$125.00	\$0.00	\$0.00	\$125.00
102	9/4/2009	Cash	Heather / Justin	\$120.00	\$0.00	\$120.00	\$0.00
103	9/8/2009	Cash	Casino	\$40.00	\$40.00	\$0.00	\$0.00
104	9/9/2009	Cash	Nothing Indicated	\$40.00	\$0.00	\$0.00	\$40.00
Totals				\$18,400.13	\$7,180.13	\$7,812.00	\$3,408.00



**OFFICE OF THE STATE AUDITOR AND INSPECTOR
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