

SPECIAL INVESTIGATIVE REPORT

**TOWN OF CASHION
CASHION PUBLIC WORKS AUTHORITY**

January 1, 2009 through November 30, 2009



*Independently serving the citizens of
Oklahoma by promoting the
accountability and fiscal integrity of
governmental funds.*



Oklahoma State
Auditor & Inspector
Gary A. Jones, CPA, CFE

**Town of Cashion
Cashion Public Works Authority**

Kingfisher County, Oklahoma

Special Investigative Report

January 1, 2009 through November 30, 2009

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Oklahoma State Auditor & Inspector

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November 13, 2012

Honorable Michael Fields
District Attorney, District 4
Kingfisher County Courthouse
101 S. Main, Room 13
Kingfisher, Oklahoma 73750

Transmitted herewith is the Special Investigative Report of the Town of Cashion/Cashion Public Works Authority, Kingfisher County, Oklahoma.

Pursuant to the District Attorney's request and in accordance with the requirements of **74 O.S. 2001, § 212(h)**, we performed a special audit with respect to the Town of Cashion/Cashion Public Works Authority, for the period January 1, 2009 through November 30, 2009.

The objectives and procedures of our special investigative audit primarily included, but were not limited to, the areas noted in the District Attorney's 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 Town of Cashion/Cashion Public Works Authority, for the period January 1, 2009 through November 30, 2009.

The goal of the State Auditor and Inspector is to promote accountability and fiscal integrity in state and local government. Maintaining our independence as we provide this service to the taxpayers of Oklahoma is of utmost importance.

We wish to take this opportunity to express our appreciation for the assistance and cooperation extended to our office during the course of our investigation.

This report is addressed to and intended solely for the information and use of the District Attorney, District #4, and should not be used for any other purpose. Consequently, this document is *not* a public document, but is part of the investigation and/or litigation files of the District Attorney. Until its release by the District Attorney's office, it may be kept confidential pursuant to the **Oklahoma Open Records Act**, in accordance with **51 O.S. 2011, § 24A.12**.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Gary A. Jones', is written over a horizontal line.

GARY A. JONES, CPA, CFE
OKLAHOMA STATE AUDITOR & INSPECTOR

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Town Board of Trustees

January 1, 2009 through November 30, 2009

Brian SmithMayor/Trustee
Mayor.....June 1, 2009 through November 30, 2009
Trustee.....January 1, 2009 to June 1, 2009

Calvin ReasonerMayor/Trustee
Mayor.....January 1, 2009 to June 1, 2009
Trustee.....June 1, 2009 through November 30, 2009

Carolyn NelsonTrustee
Trustee.....January 1, 2009 through October 31, 2009 (resigned October 2009)

Town Clerk/Treasurer

Stephanie Clark

Emergency Services Director

Danny Clark

Introduction

The Town of Cashion, Oklahoma (Town) is organized under the statutory town board of trustees form of government, as outlined in **11 O.S. § 12-101, et seq.**

11 O.S. § 12-101, states:

The form of government provided by Sections 12-101 through 12-114 of this title shall be known as the statutory town board of trustees form of government. Towns governed under the statutory town board of trustees form shall have all the powers, functions, rights, privileges, franchises and immunities granted, or which may be granted, to towns. Such powers shall be exercised as provided by law applicable to towns under the town board of trustees form, or if the manner is not thus prescribed, then in such manner as the board of trustees may prescribe.

In addition, the Town and its public trust authority are subject to the provisions of some other sections in Title 11 (Cities and Towns), as well as other statutes found in various titles including, but not limited to, Title 25 (Definitions and General Provisions), Title 51 (Officers), Title 60 (Property, Chapter 4 Uses and Trusts), Title 61 (Public Buildings and Public Works), Title 62 (Public Finance) and Title 68 (Revenue and Taxation).

The Cashion Public Works Authority (CPWA or Authority) is a public trust established under 60 O.S. § 176 et seq. The Authority operates a utility service providing natural gas, water, sewer, and garbage service to the residents of the Town of Cashion. The Town Board of Trustees serve *ex officio* as the Board of Trustees for the Authority.

A private, independent audit firm audits the Town and the Authority. Audit reports were made available for our review.

Any references to the “Town” should be assumed to also apply to the Cashion Public Works Authority, unless otherwise specified.

All dollar amounts in this report are rounded to the nearest dollar, unless otherwise indicated.

The Town/Authority’s fiscal year starts July 1 and ends June 30. In this report, fiscal years are abbreviated by using the ending calendar year. For example, the fiscal year of July 1, 2006, to June 30, 2007, will be identified as “FY07.”

At the request of the District Attorney, District #4, the Oklahoma State Auditor and Inspector (OSAI) conducted a special investigative audit of the records of the Town/Authority.

The objectives expressed by the District Attorney included transactions relating to Objectives #1, #2 and #4 for the time period of January 1, 2009, to November 30, 2009. Some additional information prior to this period has been included in this report, as necessary to complete our findings. Objective #3 included transactions related to the FY07 REAP Grant #KI07-1, passed through the Northern Oklahoma Development Authority, for the time period of December 5, 2006 to June 30, 2008.

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

**Fiduciary
Responsibility**

The Board of Trustees for the Town/Authority has an obligation to act in the best interest of the Town as a whole. This fiduciary responsibility requires that all funds belonging to the Town/Authority 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 Town/Authority.

Further, the Town Clerk/Treasurer has a fiduciary responsibility to perform all statutory duties, including those related to the public trust authority, in maintaining accurate, complete and reliable records for the Town/Authority.

**General
Background**

The Town of Cashion operated an ambulance service for the Town and surrounding area. In 2005, in order to support the ambulance service, Cashion School District voters approved a measure to create what is commonly referred to as a “522 district”, named after State Question #522 that was approved by state voters in 1976.

The Cashion 522 Emergency Medical Service District (dba Cashion 522 Ambulance District) was organized under Article 10, § 9C of the Oklahoma Constitution. The Cashion 522 Emergency Medical Service District (522 District) is a separate legal entity from the Town and has its own 5-member Board of Trustees (522 Board).

There was an overlapping relationship present between the Town and the 522 District. Both the Town and the 522 District collected revenues to operate the ambulance service for the Town and surrounding area. The boundaries of the 522 District coincide with the boundaries of the Cashion Public School District, which is comprised of portions of Canadian, Kingfisher and Logan Counties. The primary revenue source for the 522 District was a voter approved property tax levy, which was used to pay “administrative” salaries and provide financial support to the Town’s ambulance service. The 522 District provided the support through an operating agreement approved and signed by both boards.

The EMTs and ambulance drivers were employees of the Town and were paid through the Town “Cashion Ambulance Service” bank account. Other costs of operating the ambulance service were paid by the Town, with the financial assistance of the 522 District, and with other Town revenues.

In an executive session in the October 28, 2009, meeting of the Town Board of Trustees (Town Board), issues were raised concerning the use of the Town’s credit cards and charge accounts by Danny and Stephanie Clark. On November 2, 2009, the Town Board placed Danny Clark, Emergency Services Director, and Stephanie Clark, Town Clerk/Treasurer, on paid administrative leave, pending the outcome of an investigation of questionable financial transactions by the Oklahoma State Bureau of Investigation. On November 30, 2009, the Board of Trustees terminated the employment of Danny and Stephanie Clark.

We contacted Danny and Stephanie Clark to arrange a meeting in order to give them the opportunity to discuss and/or explain the findings we noted during our special audit. Their attorney replied and stated the Clarks declined to meet with OSAI staff.

Objective I: Determine if the hourly wage amounts paid to Danny Clark, Emergency Services Director, for EMT services, were allowable.

Background

Danny Clark (Clark or Mr. Clark) was employed by the Town of Cashion as their Emergency Services Director (ESD), a position which combined the administration of both the ambulance service and the fire department. During our audit period, the salary for the ESD position was \$2,729 monthly for January through August 2009, and \$2,875 monthly for September through November 2009.

In addition to Clark's duties and responsibilities at the Town of Cashion, he was employed as the "Administrator" for the Cashion 522 Emergency Medical Service District. As Administrator for the 522 District, Clark was paid a second monthly salary from that public entity. The \$15,000 annual salary (\$1,250 monthly) for "Administrator" was included in the June 27, 2005, meeting of the 522 District, and approved by that board. That year was the beginning year of operation for the 522 District.

*In addition to the two above salaried positions, Clark filed documentation claiming hours worked as a regular EMT/1st Responder and received **hourly** wages paid from the Town's "Cashion Ambulance Service" bank account on those payroll claims. (A table of the hourly wages is presented on the next page.)*

Stephanie Clark was employed by the Town of Cashion as the Town Clerk/Treasurer. Mrs. Clark was paid a monthly salary for her services, which was split between the Town and the Cashion Public Works Authority.

In addition to Mrs. Clark's duties and responsibilities as the Town Clerk/Treasurer, she was employed by the 522 District as the "administrative assistant". The \$5,000 annual salary (\$416.67 monthly) for administrative assistant was included in the June 27, 2005, meeting of the 522 District, and approved by that board.

For the audit period, we reviewed the EMT shift checks issued and the payroll reports noting the following hourly shift wages paid to Clark for "Emergency Medical Technician" (EMT) services from the "Cashion Ambulance Service" bank account.

Check Number	Date Issued	Hours paid @ \$6/hr	Gross Amount	Net Amount	Pay Period Ended
1902	01/31/09	156	\$936.00	\$836.40	01/31/09
1924	02/27/09	168	1,008.00	894.88	02/28/09
1939	03/31/09	204	1,224.00	1,101.36	03/31/09
1966	04/30/09	228	1,368.00	1,221.36	04/30/09
1977	05/31/09	228	1,368.00	1,221.34	05/31/09
2014	06/30/09	228	1,368.00	1,263.36	06/30/09
2035	07/31/09	180	1,080.00	976.38	07/31/09
2049	09/03/09	180	1,080.00	976.38	08/31/09
2103	09/30/09	60	360.00	332.46	09/30/09
2118	10/31/09	132	792.00	723.40	10/31/09
Totals:		1,764	\$10,584.00	\$9,547.32	

This objective addresses the concern of whether the above hourly wages for EMT/1st Responder pay were “allowable”.

Finding #1:

Based on the hourly rate of \$6.00, Clark filed claims that could be considered a second “full-time” paycheck from the Town.

A salaried position is generally calculated to be 173 hours per month (52 weeks X 40 hours per week / 12 months = 173.33). A position paid on an hourly basis for an 8-hour day and a 40-hour week would generally amount to from 160 to 184 hours in a month, depending on the number of weekdays in a given month. A schedule of 12-hour shifts may give a different number of hours per month, depending on the number of shifts an employee signed up for.

From the above, it can be observed that Clark was claiming to be “on call” and/or working and charging time as an EMT/1st Responder “more than full-time”, “full-time” and/or “nearly full-time” for 9 of the first 10 months in calendar year 2009. The only exception was September at 60 hours claimed.

Finding #2:

The Town Board/Management was unable to provide us with any documentation that defined the duties or work schedule for the Emergency Services Director (ESD) position.

Interviews with past and present town officials indicated there was no apparent identified list of duties, or specified or designated work schedule for the Emergency Services Director position.

The Town's Personnel Rules and Regulations policy manual, under the "Definition of Employees" on page 2, simply referred to the Cashion (Town) Code section 2-305(B.). That section of the town code only discusses "layoff, suspension, demotion, or removal," including "probationary period(s)" and "appeals," etc. There were no "definitions" or job duty descriptions in that section of the town code.

On page 3 of the personnel policy manual, there is a section for "Pay Plan/Job Descriptions" which references the Cashion (Town) Code section 2-308. Again, that code section only discusses in very general terms the "Compensation of Employees, Number and Classes of Personnel." Nothing specific was recorded about job duties, work schedules or job descriptions.

On page 8, the personnel policy manual had one sentence under the caption "Work Period" that stated:

The work period is a *standard seven (7) day work period* which begins Sunday at 7:00 a.m. and ends the following Sunday at 7:00 a.m. (emphasis added)

In the absence of any written guidelines to the contrary, the working assumption should be that a salaried position would require the ordinary 173.33 hours per month and a standard 40 hour work week, as noted in the background section of this objective and the policy section quoted above.

Also, on page 8, the personnel policy manual had a timesheet requirement under the caption "Time Sheets" which stated, in part:

Each employee is required to complete a time sheet supplied by the Town. Such time sheet must be submitted to the payroll clerk as requested.

An interview with Bobby Brooks, a long-term maintenance employee for the Town's trust authority indicated that he had been required to provide weekly timesheets since approximately the mid-1990's. Examples of the timesheets used by the trust authority were provided for the audit period (2009).

The interview with Brooks is consistent with the Town's Ordinance No. 62, adopted in October 1995, which requires "a documented record...in the personnel file" of the authorized pay rate *and* "a record of time worked...in the form of time sheets or logs for each employee and officer to be paid."

We requested the timesheets for the Clarks' salaries for Emergency Services Director and Town Clerk/Treasurer. The present Board/management could not locate any timesheets for the salaried positions of the Clarks.

Finding #3: The Town's Personnel Rules and Regulations policy manual did not address the situation of a salaried department head also receiving an additional paycheck based on an hourly rate for specified hours worked.

The personnel policy manual refers to "Cashion Code section 2-308" for "Pay Plan/Job Descriptions". Section 2-308 (A.) states:

The compensation of all other officers and employees, excepting those whose compensation the law requires to be set by ordinance, may be determined *by motion or resolution adopted by the Board of Trustees*, and may be changed at any time in the same manner. (emphasis added)

Based on Section 2-308 (A), we would expect to find at least a "motion or resolution" to document the Board's approval for Danny Clark receiving *both* an hourly wages paycheck and the ESD monthly salary paycheck.

Finding #4: We found no motion or resolution of Board approval for the EMT hourly shift or "on call" pay received by Clark.

We requested the present Town management review the personnel files for any authorization of the hourly shift pay for Clark. There was no "motion or resolution" found in the personnel records.

We reviewed available board minutes back to January 2005. However, some minutes were not available for our review, including the February 2007 meeting minutes. The hourly paychecks began April 2007, as noted in Finding #8. The minutes record job evaluations and percentage based pay increases for the *salaried positions* of the Clarks, but there was no mention of the EMT hourly shift pay or "on call" pay received by Danny Clark.

We interviewed former Mayor and current Town Trustee Brian Smith and former Trustee Carolyn Nelson. Both indicated they were unaware of the EMT shift hourly wages being paid to Clark. Trustee Smith said he had not been aware of the other monthly salary paid by the 522 District until the fall of 2009.

In an interview with former Mayor and Trustee Calvin Reasoner, Mr. Reasoner stated that he believed the Town Board *had* approved the EMT shift pay for Danny Clark, but Reasoner could not give any specifics concerning dates or a timeframe for the approval.

In a phone interview, the Town's municipal consultant, Bill Moyer, stated he had been attending the Town's board meetings for approximately 10 years. Mr. Moyer could not recall any occasion in which the Board had discussed and/or approved the EMT hourly shift pay for Danny Clark.

Mr. Moyer did have a recollection of some discussion of Clark being paid an hourly rate for shift pay in addition to a monthly salary. However, Moyer placed that discussion in a setting with Town employees and not at a board meeting.

Mr. Moyer also indicated that the discussion had concluded that such an arrangement was not appropriate and recalled that the conclusion had been based on some rule or regulation, possibly related to either "retirement" rules or EMS district rules and regulations promulgated by the Oklahoma State Department of Health, the state agency that oversees EMS districts.

Finding #5:

The documentation for calculating Clark's EMT shift pay was vague and ambiguous.

We obtained the ambulance service timesheets for the 11 month period of January 1 through November 30, 2009. The "timesheets" were not actually timesheets, but rather shift log-in sheets. Each day of a month was split into two 12-hour shifts requiring an "EMT" and a "2nd" (two people) for each 12-hour shift. Each employee signed the appropriate block (EMT or 2nd) for the shift they were working and present at the fire station.

In addition to the shift log, a manual "pay sheet" was prepared by Clark listing the employees and the total shifts worked. EMTs and "2nds" were paid an hourly rate for their shifts at 12 hours per shift. With the exception of the April and November pay sheets, Clark's signature or initials appear on the pay sheets, as approving the payroll for each monthly period.

In April, Clark initialed the shift log, instead of the "pay sheet". In November, Clark was on "administrative leave" prior to termination, and the "pay sheet" was signed by Chuck Countryman, the Deputy Director. Clark was not paid any EMT hourly shift wages for November 2009.

The ambulance service pay sheets were submitted to the Town Clerk/Treasurer, Stephanie Clark (Mrs. Clark), for the processing and issuing of payroll checks.

During our examination of the shift logs and pay sheets, we noted that Clark:

1. Had not affirmatively “logged in” (signed in) the way the other EMTs and 1st responders were required to do;
2. Had claimed BOTH shift positions (EMT and 2nd for the same shift), and was paid for BOTH shift positions on eleven dates during the 2009 period reviewed;

Rather than logging (signing) in, as required for the other ambulance service employees, the shifts attributed to Clark, and for which he was paid, were based on shifts not covered (not signed) by some other employee.

In other words, any signature block left “blank”, whether an EMT shift or a “2nd” shift, was assumed to be covered by Clark. The shifts with no signatures were totaled each month, and Clark’s EMT payroll check for “shift hours” was calculated accordingly.

We obtained the EMS response logs to determine the ambulance runs for which Clark was listed as a crew member. There were a total of one hundred seventeen (117) response logs for the period January 1 through November 30, 2009, of which eleven (11) runs listed Clark as part of the ambulance crew. Four of the eleven runs were during “blank” shift periods for which Clark received “on call” or shift pay. Seven were during shift periods for which the logs indicate there were others signed up for the shift, so there were inconsistencies between some of the run records compared to when Clark claimed to be “on duty,” or at least “on call.”

Finding #6:

Under the administration/direction of Danny Clark, Clark himself was the only Town ambulance or fire employee permitted to draw full pay for being “on call.”

We obtained a signed affidavit from Chuck Countryman, the former Deputy Director of Emergency Services and full-time EMT, stating the EMT/1st responder personnel were required to stay at the living quarters at the fire department during their twelve (12) hour shift. The only exception to this policy was that during holidays they could respond from their

homes. The affidavit also includes a statement that to Countryman's knowledge, Clark had not worked a twelve (12) hour shift at the station.

In addition, we obtained two other interviews with ambulance/fire employees, one former employee (Larry Lenhart) and one current employee (Ronny Jech), that confirmed Clark was the only employee permitted to "charge" for time on shifts without being physically present or "on duty" at the fire station. There was no "on call" pay for any employee, except Clark.

Both Lenhart and Jech confirmed that Clark would respond to page alerts for the ambulance and/or fire calls, but otherwise was not present, or rarely present, at the fire station. Both indicated that they had not been aware that Clark was receiving the hourly shift pay in addition to his ESD monthly salary.

The response to some page alerts by Clark was indicated in the comparison of response logs to those shift periods that Clark claimed to be "on call" in Finding #5

Finding #7: Interviews with former Town Trustee Nelson indicated that 13 signatures on the EMT shift paychecks for Danny Clark were not her signatures.

The Town's check forms have two lines for two signatures. From our review, typically Stephanie Clark would sign as Town Clerk/Treasurer and a board member would also sign on one of the two lines. Some checks and debit withdrawals had only the signature of Stephanie Clark.

In May 2011, we confirmed at the bank that there had never been any formal notification filed at the bank that "two signatures were required." *Consequently, checks and debit withdrawals with only one signature had been honored by the bank.*

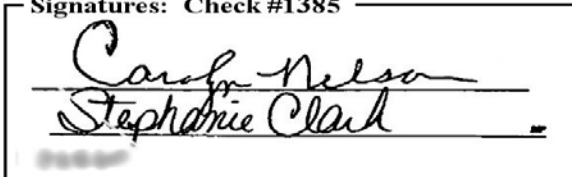
There were 31 checks issued to Clark for the EMT hourly wage claims. Of those 31 checks, there were a variety of combinations of signatures on the two signature lines, as noted in the following table:

Signature Combinations on the EMT Hourly Shift Paychecks issued to Danny Clark	Number of occurrences
Stephanie Clark/Carolyn Nelson	13
Stephanie Clark/Calvin Reasoner	6
Stephanie Clark/ ? illegible	5
Stephanie Clark/B. L. Smith	3
Stephanie Clark/ (only one signature)	1
Calvin Reasoner/ ? illegible	1
Calvin Reasoner/ (only one signature)	1
James Wheelbarger/ ? illegible	1
Total Checks:	31

Due to the observation that Carolyn Nelson's name had been signed 3 different ways, we scanned and emailed to her the 13 check copies with her alleged signatures. Nelson reviewed the signatures and emailed her reply that *none of the 13 signatures were hers*.

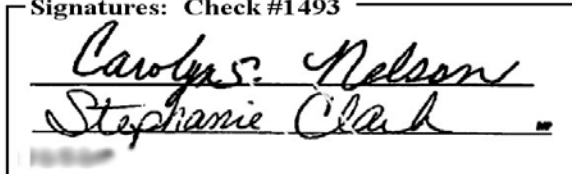
These images are three of the alleged Nelson signatures on the EMT hourly shift paychecks issued to Danny Clark:

Signatures: Check #1385



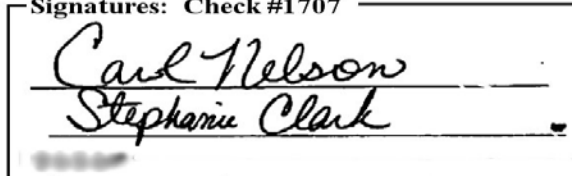
Carolyn Nelson
Stephanie Clark

Signatures: Check #1493



Carolyn S. Nelson
Stephanie Clark

Signatures: Check #1707

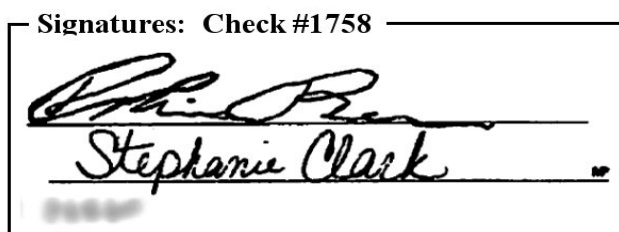


Carl Nelson
Stephanie Clark

This table notes the variation in the Nelson/Clark dual signatures for 13 of the 31 EMT shift hourly paychecks issued to Danny Clark:

Check #	Date	Dual Signatures on Checks	Payee	Net Amount
1385	6/30/2007	Carolyn Nelson/Stephanie Clark	Danny Clark	\$1,288.34
1403	7/30/2007	Carolyn Nelson/Stephanie Clark	Danny Clark	\$1,400.32
1493	10/31/2007	Carolyn S. Nelson/Stephanie Clark	Danny Clark	\$2,077.63
1607	2/28/2008	Carolyn S. Nelson/Stephanie Clark	Danny Clark	\$1,235.84
1654	3/31/2008	Carol Nelson/Stephanie Clark	Danny Clark	\$1,179.36
1707	5/31/2008	Carol Nelson/Stephanie Clark	Danny Clark	\$1,570.08
1722	7/1/2008	Carolyn Nelson/Stephanie Clark	Danny Clark	\$834.40
1786	8/30/2008	Carolyn S. Nelson/Stephanie Clark	Danny Clark	\$950.38
1809	9/30/2008	Carolyn Nelson/Stephanie Clark	Danny Clark	\$1,459.82
1846	10/31/2008	Carolyn Nelson/Stephanie Clark	Danny Clark	\$1,459.82
1855	11/28/2008	Carolyn Nelson/Stephanie Clark	Danny Clark	\$1,347.80
2049	9/3/2009	Carolyn Nelson/Stephanie Clark	Danny Clark	\$976.38
2103	9/30/2009	Carolyn S. Nelson/Stephanie Clark	Danny Clark	\$332.46

In addition, former Town Trustee Reasoner reviewed copies of the eight EMT hourly paychecks that had his signature. He identified one signature of his name that he did not believe was his or the “stamp” signature that he customarily used. Reasoner indicated that he kept his signature stamp with him and did not leave it at the town hall building. The questioned signature was on check #1758:



Finding #8:

Our review of bank records and payroll registers indicated that Clark began charging the Town the additional EMT hourly shift wages starting in April 2007.

Our review of the bank statement records and payroll registers back to January 2007 indicated the first EMT shift paycheck to Clark occurred with the payroll for the month of April 2007. Including the April 2007 EMT shift paycheck, the total number of hourly shift paychecks and the total gross amounts of checks issued to Clark were:

Calendar Year	# of EMT Shift Paychecks	Gross Pay Total	Employer's FICA Match	Total Cost to Town
2007	9	\$15,408	\$1,179	\$16,587
2008	12	\$17,856	\$1,366	\$19,222
2009	10	\$10,584	\$810	\$11,394
Totals:	31	\$43,848	\$3,355	\$47,203

The employer's FICA matching amounts paid for Medicare and Social Security were included to arrive at a total cost to the Town.

We reviewed the payroll registers for calendar years 2007 and 2008 and noted that Clark claimed **430 hours** (or 107.5 hours per week) for EMT hourly shift pay in *both* September and October 2007, in addition to his ESD salary. A total of **860** would seem to be an unlikely number for hours legitimately claimed as "worked" or "on call" for the eight and a half week time period of September-October 2007.

The average of hours claimed for all 9 months in 2007 was 285.33 per month. The average of hours claimed for the 12 months in 2008 was 248 per month. Again, it should be noted that a "standard" 40 hour work week results in an average of 173.33 hours per month for payroll calculations. Clark was claiming far more EMT hours than the "standard" work week.

It should also be observed that as the "Emergency Services Director" Clark was considered a "management level" employee of the Town who met the criteria for either the "executive" and/or the "administrative" *exemptions* under the Fair Labor Standards Act (FLSA). Consequently, Clark could not legitimately claim any "overtime" or "comp" hours under that federal law.

On page 8, of the personnel policy manual, the Town's policy was:

Overtime is paid in accordance with the Fair Labor Standards Act, *to non-exempt employees*. (emphasis added)

Finding #9:

Two other Town employees were paid ambulance "shift" pay, in addition to their regular salaries.

Charles "Chuck" Countryman and Ron Nelson were receiving "salary" checks, as the former ambulance service "day shift" supervisor and as the former police chief, respectively. Like Danny Clark, both Countryman and Nelson were being paid \$6.00 per hour for ambulance shift duty.

Board minutes report a board motion at the August 6, 2007, board meeting to appoint Countryman to “oversee daytime emergency services,” but there was no mention of a salary or the time involved for the appointment. According to Town management, the personnel records at the Town Hall contained no motion or resolution authorizing the salary for Countryman or the “shift” pay for Nelson.

During an interview, Countryman indicated that his salary was for a standard 40-hour work week, 8:00 to 4:30, Monday through Friday, and the shift pay he received was for shift periods he was actually on ambulance duty, at night and on week-ends. Countryman indicated Nelson’s shift pay also was for nights and other “off-duty” time periods.

One significant difference between Nelson and Countryman was that they were actually signing the time or log-in sheet to attest that they were present and on duty. Clark only drew a line through the shift signature box to indicate that he was claiming “on call” status.

Finding #10: A comparison of the EMS shift timesheets, the EMS response logs, and fuel card purchases indicated 11 examples or occasions when Clark was apparently using his assigned fuel card out-of-town, while also claiming to be “on call” in Cashion.

As noted in Findings #5 and #6, Clark was the only apparent ambulance staff member paid for being “on call.” Others were directed or required to be at the station.

There were no regular timesheets, job descriptions, documented policies or other pay records to indicate when Clark was working as Emergency Services Director. The unusually large number of hours that were being claimed by Clark and paid as “on call” appeared to be at least an “abuse” and highly questionable.

We compared the 2009 ambulance shift records to response logs for the same period and to the list of questionable fuel card purchases included in Appendix C. We noted eleven (11) examples of fuel card purchases being made using the card assigned to Danny Clark outside of Cashion, during ambulance shifts that Clark had claimed pay for “on call” status.

Two of the eleven examples (January 24 and March 21) were shifts for which Clark claimed “on call” double pay (i.e. double the hours) for *BOTH* ambulance crew positions, the EMT and the driver position.

Two other examples (August 15 and August 28) were fuel card purchases, which the Clarks reimbursed to the Town in October 2009, indicating the purchases were personal in nature and not Town related.

The ambulance shifts were 12 hours long. According to Countryman, the “AM” shift started at 6:00am and ended at 6:00pm. The “PM” shift started at 6:00pm and ended at 6:00am on the following morning. The following are the 11 fuel card purchases discussed above:

Date	Day of Week	Shift Claimed by DC		Fuel Card Purchase	Location	Time
		Day	Night			
		6am-6pm	6pm-6am			
1/24/2009	Sat		X,X	42.02	Kingfisher	23:53
2/28/2009	Sat	X		44.69	Guthrie	12:40
3/21/2009	Sat	X,X		39.84	Perkins	17:42
5/09/2009	Sat		X	40.00	OKC	19:52
5/16/2009	Sat	X		69.02	OKC	15:59
5/24/2009	Sun	X		36.99	OKC	16:09
6/13/2009	Sat		X	8.53	Guthrie	21:12
6/20/2009	Sat	X	X	64.02	Guthrie	12:14
8/15/2009	Sat	X	X	62.00	OKC	13:08
8/15/2009	Sat	X	X	54.46	OKC	14:15
8/28/2009	Fri	X		72.70	Guthrie	12:29
10/08/2009	Thu	X		52.04	Watonga	15:36
Total:				\$586.31		
NOTE: “X,X” indicates Clark claimed “on call” status and pay for both EMT and driver positions						

On January 24, 2009, Clark’s fuel card was used in Hinton at 14:49 hours or 2:49PM, approximately three hours prior to the start of the PM shift. On that date, there was one response log for an ambulance call, “enroute” at 18:34 hours or 6:34PM, to a “MVC” or motor vehicle collision. Clark is listed on the ambulance crew. No patient was transported.

The log indicated “back in service” at 1700 hours or 7:00PM. There were no other calls logged on that date, but Clark’s fuel card was used again in Kingfisher at 23:53 or 11:53PM the same night, during his “on call” shift.

There was one response log for February 28, 2009, for the night shift. Clark was not listed on the crew. There was one response log for a “walk-in” at the station on an undated log #99, between log #98 dated October 7 and #100, dated October 13. Clark was not listed on the crew for the undated “walk-in” response log. There were no response logs for the other shifts identified above.

The examples above are evidence, or at least indications, that while claiming “on call” status at Cashion Clark was *not present in Cashion* to respond within a reasonable time, if an emergency call had come in. The large majority of response logs that we reviewed recorded a response time of 1 to 5 minutes between “time call received” and “enroute.”

***Conclusion for
this objective:***

Danny Clark was paid two administrative salaries, one by the Town and one by the Cashion 522 District. The Town management could not provide the documentation that authorized Danny Clark to be compensated for “on call” status, in addition to his Town salary. No other ambulance crew member received that benefit or pay.

As the Emergency Services Director, either the executive or administrative exemption under the Fair Labor Standards Act would preclude Clark from claiming “overtime” hours, in accordance with the Town’s personnel policy manual.

We noted eleven dates in which Clark claimed “on call” status and double the pay for allegedly covering *both* the EMT and driver crew positions for the same shift, an abuse that we believe “crosses the line” and to be fraudulent.

In addition, we noted eleven examples of fuel card purchases that indicated Clark, or at least Clark’s assigned fuel card, was being used out-of-town during shifts when Clark was claiming “on call” status and for which there were no response logs that would or could explain why Clark would be out-of-town.

Two of these eleven examples were transactions that the Clarks reimbursed to the Town as having been personal transactions, not Town expenditures. Two other of these eleven examples of Clark, or Clark’s fuel card being used out-of-town, were during shift periods that Clark had claimed *double* pay for allegedly being “on call” for *both* crew positions.

The Clarks were two management level employees who controlled every phase of the EMT hourly shift pay transactions:

Initiation:	The shift schedule and shift log-in or time sheets were administered by Mr. Clark.
Authorization:	The pay sheet calculations were approved by Mr. Clark, and Mrs. Clark's signed all the paychecks, as one of the supposedly "required" two authorized signatures.
Processing:	Mrs. Clark prepared and issued all Town paychecks.
Recording:	Mrs. Clark maintained the payroll ledgers and payroll files.
Reporting:	Mrs. Clark prepared the financial reports for Town board meetings and controlled what the Town Trustees saw, and what they did not see, with regard to the monthly transactions of the Town.

As management level employees, the Clarks had a fiduciary duty to act in the best interest of their employers (the Town Board & Town citizens), and to not abuse their higher level of authority and responsibility.

There are a number of statutes potentially applicable to the actions of the Clarks.

This objective has been referred to the District Attorney for legal review and evaluation.

Recommendations The Town Board of Trustees should adopt policies and procedures:

1. To define shifts, hours, and under what conditions EMTs/1st responders will be paid for being "on duty" and/or "on-call".
2. To require hours and/or shifts worked to be clearly recorded and reported.
3. To require that ALL employees and supervisory personnel review and sign all timesheets and/or shift logs to indicate their agreement and approval.
4. To include provisions for the Board of Trustees, or a designated member of the Board, to periodically review and authorize the timesheets and/or shift logs.
5. The Board of Trustees should provide formal notification to the bank that at least "two signatures" are required for all debit transactions and/or check withdrawals.

Objective II: Determine if charges to the Town's credit cards and revolving charge accounts were for personal use of the Clarks.

Background

During an executive session of the Town Board's meeting on October 28, 2009, Stephanie Clark was questioned about suspicious charges to several of the Town's credit card and vendor charge accounts. On October 28, 2009, the day of the meeting, Stephanie Clark issued a personal check to Brownell's, Inc. in the amount of \$154.68.

Following the meeting, on October 29, 2009, the Clarks issued six more checks, four to reimburse the Town for certain apparently personal purchases and two to pay direct to vendors for certain balances that were due, but not yet paid with Town funds. The total amount of these six *additional* reimbursements and payments to vendors was \$2,714.40.

We examined records for the credit cards and revolving charge accounts expenditures from January 1 through November 30, 2009, for Brownell's, Inc., Northern Tool and Equipment, PayPal, Special-Ops Uniforms, Inc., Wal-Mart, and Wrights Express to determine possible purchases made for personal use. In addition, we examined records of PayPal purchases back to the opening of the PayPal account in August 2006.

We prepared lists of the items purchased by Danny and/or Stephanie Clark, as indicated by their signatures on the charge slips, tickets and invoices. For transactions that were not "consumable purchases" (such as fuel), we attempted to visually verify tools and equipment items that could or should be in the possession of the Town's officials and/or Town employees.

For fuel purchases, we reviewed the Wright's Express invoice reports to determine if Mr. Clark had used the Town's credit card issued to him to make other purchases for personal use. We prepared a list that included the location, date of purchase, time, cost, and fuel type. We noted several purchases in surrounding cities and towns on weekends and at unusual times. We compared the date and time of these fuel purchases to the ambulance and fire run sheets to determine if Mr. Clark could have been in the locations on official business.

Finding #1: Reimbursements by the Clarks and/or payments made directly to vendors by the Clarks were “prima facie” evidence to indicate that certain purchases were “personal” and had been done using the Town’s credit cards and charge accounts. We noted other questionable expenditures that had not been reimbursed to the Town. (See Appendices A and C)

The following table summarizes the vendors and total amounts of questioned purchases:

Vendors	Questioned Purchases (see note)	Reimbursed to the Town by Clarks	Paid direct to Vendors by Clarks	Balance of Questioned Purchases
Brownell's, Inc.	\$1,229.74	(486.10)	(743.64)	\$-0-
PayPal	\$719.92	(298.59)	-	\$421.33
Special Ops Uniforms	\$479.48	-	(346.99)	\$132.49
Walmart	\$1,324.58	(783.49)	-	\$541.09
Wright’s Express	\$1,426.24	(210.27)	-	\$1,215.97
Totals	\$5,179.96	(1,778.45)	(1,090.63)	\$2,310.88

(Note: Details of these questioned purchases, as well as details of the Clark reimbursements, Clark payments direct to vendors and items returned to the Town are included in the Appendix section of this report.)

Some of the above purchases were clearly not Town related. Other purchases were questioned based on the judgment of our audit staff. We requested a meeting with the Clarks to help clarify which purchases were personal and which purchases were Town related, but the Clarks declined a meeting through their attorney.

Finding #2: During our inventory procedures, we were not able to locate items with an original cost of approximately \$3,760. (See Appendix B)

This table summarizes the questioned items/purchases that were returned prior to our audit and other transactions identified during our inventory procedures:

Vendors	Questioned Purchases (see note)	Items Returned to Town	Balance of Questioned Purchases
Northern Tool & Equipment	\$1,102.54	-0-	\$1,102.54
PayPal	\$3,677.84	(1,019.95)	\$2,657.89
Totals	\$4,780.38	(1,019.95)	\$3,760.43

(Note: Details of these questioned purchases, as well as details of the Clark reimbursements, Clark payments direct to vendors and items returned to the Town are included in the Appendix section of this report.)

The invoices from Northern Tool and Equipment included several equipment items purchased by the Town in April 2009 and October 2009. During our inventory of questionable purchases, we were unable to locate a DeWalt dry/wall framing screwdriver, base router kit, circular saw, and Wagner paint sprayer. The Wagner paint sprayer was a warranty replacement of a previous purchase. The total purchase price for the missing equipment was \$1,102.54, which includes the cost of the Wagner paint sprayer.

In addition, our review of the PayPal records from late 2007 and late 2008, indicated items purchased in the amount of \$2,657.89 that we considered “questionable”. These purchases consisted of two laptop computers and “paintball” equipment. We were unable to locate the items during our inventory. We examined the Town’s general fund bank statements for the months of the purchases and subsequent months and found no deposits by the Clarks reimbursing the Town for these items.

Prior to our audit, Town Trustees identified items purchased through PayPal which initially were not in the possession of the Town. These items had an original cost of \$1,019.95 and included a digital camera with a 9 piece lens kit and another laptop. Mr. Clark returned the items to the Town’s possession, but only after questions were raised by the Town’s board members.

Finding #3:

In addition to the above questioned purchases, we noted transactions with certain vendors which did not have supporting documentation to confirm what was purchased or whether the purchase was an appropriate Town expenditure.

Check nos. 1999 and 2000 were issued on May 31, 2009, to Wal-Mart from the Ambulance Service bank account. Both checks were for the

same amount, \$285.03, and both were signed *only* by Stephanie Clark. We verified that check #1999 cleared the bank on June 25, 2009, and was credited to the Walmart credit card account on June 26, 2009.

1999

CASHION AMBULANCE SERVICE
FED ID 7500000000
P.O. BOX 27
CASHION, OK 73016
(405) 433-2243

CASHION COMMUNITY STATE BANK
CASHION, OKLAHOMA 73016
86-158-1031

5/31/2009

PAY TO THE ORDER OF Wal-Mart

JUN 23 \$ 285.03

Two Hundred Eighty-Five and 03/100

WAL-MART #0132 - ALWAYS LOW PRICES

***285.03 DOLLARS

MEMO May 2009

Stephanie Clark

Acct # 4[REDACTED], Ck #1999, 06/25/2009, \$285.03

Check #2000 cleared the bank on July 2, 2009. The memo section identifies the check's purpose as being "multiple invoices". Since this check *was not* applied to the Town's Wal-Mart credit card balance, it may have been used to make additional *direct* purchases.

2000

CASHION AMBULANCE SERVICE
FED ID 7500000000
P.O. BOX 27
CASHION, OK 73016
(405) 433-2243

CASHION COMMUNITY STATE BANK
CASHION, OKLAHOMA 73016
86-158-1031

5/31/2009

PAY TO THE ORDER OF Wal-Mart

\$ 285.03

Two Hundred Eighty-Five and 03/100

6032202000226566

MEMO multiple invoices

Stephanie Clark

Acct # 4[REDACTED], Ck #2000, 07/02/2009, \$285.03

The present Town management was unable to provide records to identify and/or support the purchases paid with Ambulance Service check # 2000.

We reviewed PayPal purchases back to the opening of the account. The purchases totaled \$4,895.55. Items purchased through the Internet were charged to the PayPal account, and payments were withdrawn directly from the Town's general fund bank account by debit transactions.

No supporting documentation could be found for \$753.55 of the total PayPal debit transactions. Consequently, our staff could not make a determination on whether the purchases were "personal" and/or "questionable" versus purchases reasonably related to the Town. This

\$753.55 is in addition to the \$719.92 of PayPal purchases reported in Finding #1.

Finding #4: **In July 2009 (3 months before the Clarks' suspension), Danny Clark was opening a new charge account under the name of the Town. (See Appendix D).**

On July 29, 2009, Danny Clark submitted a letter to Brownell's, Inc., requesting that vendor to open a charge account for the "Cashion Police Department." Brownell's, of Montezuma, Iowa, advertizes itself as the "world's largest supplier of firearm accessories, gun parts and gunsmithing tools." Clark signed the application as "Emergency Services Director," although that was an administrative position over only the ambulance service and fire department.

The Town had a police chief position. We contacted former Police Chief Ron Nelson by email. The Nelsons replied by email that no authorization was given to Danny Clark to open a charge account in the name of the Cashion Police Department/Town of Cashion.

The Clarks reimbursed the Town and/or paid direct for all purchases done on the Brownell's, Inc. charge account. There were no transactions at Brownell's that were identified as actual "Town" purchases. Clearly, Clark opened this charge account and utilized the Town's credit for personal transactions.

Conclusion for this objective: Our review indicated there were additional transactions of a personal nature using certain Town credit card and charge accounts, besides those already reimbursed by the Clarks in October 2009.

Again, as management level employees, the Clarks had a fiduciary duty to act in the best interest of their employers (the Town Board & Town citizens), and to not abuse their higher level of authority and responsibility.

There are a number of statutes potentially applicable to the actions of the Clarks.

This objective has been referred to the District Attorney for legal review and evaluation.

Recommendation We recommend the Town Board:

1. Review all purchasing policies and procedures, especially those involving credit card accounts, to determine the minimum number of accounts and actual credit cards necessary for the Town's management and employees to transact the Town's business; and
2. Designate one or more Board Trustees to periodically monitor those purchasing policies and procedures and verify they are being followed.

Objective III: Determine if REAP Grant funds were properly obtained.

Background

On December 5, 2006, the Town of Cashion entered into contract 07 REAP FUND KI07-1 with Northern Oklahoma Development Authority (NODA). The contract provided funding of \$40,000.00 from the Rural Economic Action Plan (REAP) for park improvements for the period December 1, 2006 through November 30, 2007. The park improvements included the construction of a concession stand building and bathroom facilities.

The procedures for reimbursement of expenditures from REAP Grant funds to the “contractor”, i.e. the Town of Cashion, were defined in Part II, Section 13, paragraph C of the contract, which stated:

Payment for products or services under this contract shall be made *only after* products have been provided or services rendered. (emphasis added)

At the July 2, 2007 Town Board of Trustees meeting, the Board approved a contract with Gene Myers Engineering for the park improvement project.

A letter dated October 30, 2007, from Town Clerk/Treasurer Stephanie Clark to NODA REAP Coordinator Alicia Hibbets, stated:

“Enclosed are invoices for engineering and metal building we purchased for our FY07 REAP Grant #KI07-1. The materials for the building meet our specifications and are in our possession and the engineering work has been completed and meets our specifications. We are requesting reimbursement in the amount of \$15,802.30.”

The request for reimbursement of the \$15,802.30 includes the following invoices:

Vendor	Invoice date	Amount	Purpose
The Railroad Yard	06/28/07	\$8,650.30	metal building kit
Myers Engineering Corp.	08/08/07	\$7,152.00	engineering services
Total		\$15,802.30	

On November 13, 2007, NODA issued check #2185 in the amount of \$15,802.30, which was deposited in the Town's General Fund bank account on December 3, 2007.

On November 20, 2007, Cashion Fire Department Fund check #3133 was issued to The Railroad Yard in the amount of \$8,650.30.

Concurrent with the deposit, Cashion General Fund check #7703, dated December 3, 2007, was issued to Myers Engineering in the amount of \$7,152.00.

On December 20, 2007, NODA Executive Director Larry Tipps wrote a letter to the Town which stated in part:

“On November 7, 2007, Alicia Hibbets wrote the town to advise that the above contract was expiring on November 30, 2007. Our records show there is an unspent balance of \$24,197.70 on this project. We included instructions on how to ask for an extension if the project was not complete and advising that the unspent funds would be de-obligated if we receive no response. A copy of her letter is attached.

The contract has now expired and we have not received a written response as to the status of the project. I called the town office several weeks ago and got your recording. I am not sure of the date, but think it was the day of our November board meeting (November 28th). I called again today December 20th at around 2:00 P.M. and got your recording. I left a message to call me, but as I am going to be in and out, I thought I would write you and let you know that as of this point in time the contract for your REAP project is no longer valid.”

A facsimile transmission sent January 28, 2008, from Danny Clark to Alicia Hibbets states, “Please find the letter for request of final funds and invoices.” The attached letter states:

“Enclosed are invoices for the erection of the concession stand building at the sports complex and request for final payment for the construction work for our FY07 REAP Grant #KI07-1. The materials for the building meet our specifications and are in our possession and the cement work has been completed and meets our specifications. We also have received the supplies to finish out the inside of the building and they meet our specifications also. We have an appliance package that we are currently working on for an approximate additional \$3400 but have been unable to complete the final sales on the appliances. At this time, we are requesting final distribution of payment in the

amount of \$20,841.97. This does not include the appliance package total. Would we still be able to get reimbursement if we are able to get this completed?"

The letter reflects "Sincerely, Stephanie Clark," but is not signed. The invoices included for the reimbursement of the \$20,841.97 are listed below:

Vendor	Invoice Date	Amount	Purpose
Broomfield Construction	11/28/07	9,600.00	plumbing and concrete work for concession stand – materials and labor
Broomfield Construction	11/29/07	\$4,100.00	labor for erecting concession stand building at ball park
Walter Building Center	11/26/07	907.45	materials and supplies for completion of concession stand and restrooms
Walter Building Center	11/26/07	2,347.56	materials and supplies for completion of concession stand and restrooms
Walter Building Center	11/26/07	1,651.17	materials and supplies for completion of concession stand and restrooms
Walter Building Center	11/26/07	2,235.79	materials and supplies for completion of concession stand and restrooms
Total		\$20,841.97	

In a letter to Town Clerk/Treasurer Stephanie Clark, dated February 8, 2008, NODA informed the Town Board of Trustees that a board member would have to attend the NODA Board of Trustee meeting to request an extension of the FY 07 REAP grant.

On February 20, 2008, Town Mayor Calvin Reasoner, Director of Emergency Services Danny Clark, and Town Clerk/Treasurer Stephanie Clark attended the NODA Board of Trustees meeting. Mr. Clark explained why the Town needed an extension and requested they be given two (2) weeks. The NODA Board approved a ninety (90) day extension for the Town.

Following the NODA meeting in February, a letter from NODA Executive Director Larry Tipps to Town Mayor Calvin Reasoner dated March 11, 2008, stated in part:

"As you recall, on February 19, 2008, you, Danny Clark, and Stephanie Clark came to the NODA Board meeting to request an extension on the above mentioned grant. I asked Danny how long they needed and he told me the work could be completed in two weeks. The Board approved the extension for 90 days. *On*

March 5, 2008, (two weeks after NODA Board meeting), two of my staff did a routine field inspection of your FY 07 REAP project. Upon their return, I was extremely surprised to learn that the project was incomplete and in fact only minimal work has been done... (emphasis added)

Statements in the letters requesting reimbursement indicate work has been completed and that materials were in the town's possession. *The photographs and examination of the site along with the conversations my staff had with Stephanie, Danny, vendors supplying materials, and the contractor show the written statements are obviously false...* (emphasis added)

NODA can neither trust the written or oral representation of representatives of Cashion. *The information, presented orally and in writing, was incorrect (and in fact could be construed as fraudulent documentation provided in order to induce NODA to make payments in violation of the contract.)*" (emphasis added)

From statements and documentation obtained by NODA from the materials vendor and the contractor, it is apparent the "representatives of Cashion" in the last paragraph above is a reference to the Clarks.

On April 7, 2008, the Town Board of Trustees approved a "Memorandum of Understanding" with NODA. The first stipulation in the agreement states:

1. The Town will make restitution for the grant funds *obtained under false statements*. (emphasis added)

The memorandum called for a total of \$8,650.30 to be paid to NODA in eight (8) equal installments. The Town paid the total amount owed to NODA, with general fund check number 7309, issued May 22, 2008.

Finding

Based on the above information, Danny and Stephanie Clark, acting as agents for the Town, knowingly submitted false information to NODA in their attempt to obtain state appropriated REAP grant funds.

On the second REAP claim to NODA submitted January 28, 2008, the invoices submitted totaling \$20,841.97 were for products *not yet* provided and services *not yet* rendered. The March 5, 2008, inspection of the project by NODA staff members revealed the information submitted to NODA to be false.

The Memorandum of Understanding included a provision that the agreement was “subject to the approval of Michelle Day, Acting State Auditor and Inspector.” An April 30, 2008, cover letter for the “executed Memorandum of Understanding” indicated “The Acting State Auditor has approved this plan.”

However, the memorandum was an agreement between the Town and NODA. There was no clause in the memorandum that “holds harmless” the Clarks, as the agents of the Town who submitted the false documentation to NODA.

***Conclusion for
this objective:***

Based on the above facts and documentation, the Clarks knowingly submitted false claims to NODA. The initial claim was paid by NODA and became the basis for NODA’s demand for “restitution” in the amount of \$8,650.30. The second claim for a potential amount of \$20,841.97 was denied by NODA, following the more or less “surprise” inspection conducted by NODA staff members.

There are a number of statutes potentially applicable to the actions of the Clarks.

This objective has been referred to the District Attorney for legal review and evaluation.

Recommendation

There is no recommendation for this objective.

Objective IV: Determine if collections for utility payments were deposited.

Background

The Community State Bank of Cashion (the Bank) is the collecting agent for the utility services billed by the Cashion Public Works Authority (CPWA). Payments are received at the Bank and deposited into the CPWA's savings account.

The Bank provides the CPWA with a "G.C.A. Item Listing" which includes a summary sheet of the collection for that day and a copy of the customer's receipt. This information is then entered into the CPWA's billing system for that day's collection to create a utility payment/deposit journal report. This report shows the date, account number, and payment.

We reviewed January 2009 collections to determine all monies were deposited and the payments were applied to the customers' accounts. From the CPWA's utility pre-billing report dated December 30, 2008, we prepared a schedule that included all customers, account numbers, current billing, and previous outstanding bills to document the total amount due for January 2009.

Finding

We tested utility collections by comparing the daily collections as reported on the CPWA's utility payment/deposit journal (payment journal) to the amounts deposited at the Bank. With the exception of January 12 and 13, 2009 deposits, all deposits in January agreed with the payment journal. The January 12th bank deposit was \$290.40 *greater* than the amount recorded on the payment journal.

Further review indicated this amount included four (4) customer accounts that were not listed on the payment journal and one (1) account in which the actual payment received was \$5.00 more than the amount posted to the payment journal.

The bank deposit for January 13th was \$115.00 *greater* than the amount recorded on the payment journal, indicating a similar discrepancy.

Additionally, we calculated the customers balance due at January 31, 2009, and compared it to the previous "balance due" reported on the CPWA's utility pre-billing report for February 2009 collections to determine all transactions had been entered into the billing system. We noted variances in several customers' accounts, documenting that some payments received at the bank had not been posted to the billing program.

- Conclusion for this objective:*** Based on the significant control of the local bank receiving collections for the Town, we conclude there was a sufficient segregation of duties in place to prevent any major diversion of funds during the utility billing and collection process.
- Recommendation** Monthly reconciliation procedures should be implemented to verify that utility receipts posted on the Town/CPWA's billing system are totaled and reconciled to the "G.C.A. Item Listing" report and the deposit records supplied by the Community State Bank of Cashion.
- Commendation** The policy of having the local bank receive collections for utility services is an important enhancement of the Town/CPWA's internal controls for accounting and financial reporting. This policy implements a critical "segregation" or separation of duties between the ***billing*** for utility services (by the Town staff) and the ***collection*** of utility service payments (by the bank). We wish more small governmental entities with limited office/finance staff would implement a similar policy.

Other Findings During our examination of the Town and Cashion Public Works Authority's (CPWA) bank statements, we noted numerous instances of non-sufficient funds (NSF) item charges. The period covered was January 1, 2009, to November 30, 2009. The following table summarizes the total NSF item charges by bank account:

Bank Account	NSF Charge
General Fund – Town	\$684.00
Fire Department – Town	198.00
Ambulance Service – Town	90.00
Street and Alley – Town	324.00
Gross Revenue Account – CPWA	792.00
97 Bond Account – CPWA	36.00
Total	\$2,124.00

As Town Clerk/Treasurer, it was Mrs. Clark's responsibility to:

- maintain up-to-date financial records and reports;
- monitor deposits, disbursements and bank account balances; and
- perform the basic functions of a Town Clerk/Treasurer in such a manner as to avoid any needless or unnecessary cost to the Town that such NSF charges represent.

Recommendation We recommend one or more Board Trustees periodically review the Town's bank statements for unusual transactions, including such items as non-sufficient funds charges, unusual payees, unauthorized transfers, etc.

DISCLAIMER In this report, there may be references to state statutes, Attorney General's opinions and other legal authorities which appear to be potentially relevant to the issues 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. Such determinations are within the exclusive jurisdiction of regulatory, law enforcement, and judicial authorities designated by law.

APPENDIX

APPENDIX "A"

ITEMS PURCHASED FOR PERSONAL USE

WAL-MART [receipts, statements] [return to report page 18; return to report page 19]

Date	Questioned Items Purchased	Amount	Reimbursed Town
10/03/09	Winchester Super X 30-30 rifle ammunition	\$27.94	\$27.94
10/03/09	Remington 30-06 rifle ammunition	71.88	71.88
09/30/09	Mini Dingo	3.78	3.78
09/30/09	Kibbles beef and vegetable dog food	81.84	81.84
09/30/09	Dog treats	4.37	4.37
09/30/09	Deep pocket std	20.00	0.00
09/30/09	Dog treats - pig ears	11.77	11.77
09/22/09	Precision screwdriver set	5.27	0.00
09/22/09	Punch set	11.37	0.00
09/22/09	Nail set	7.67	0.00
09/22/09	Laser bore sight	41.97	0.00
08/28/09	Winchester Super X 30-30 rifle ammunition	29.94	29.94
08/28/09	Winchester Super X 30-06 rifle ammunition	51.94	51.94
08/28/09	Remington UMC 223 rifle ammunition	9.97	9.97
08/28/09	Plano 737 tackle box	44.96	44.96
08/28/09	Remington oil aerosol	5.97	5.97
08/28/09	Cleaning patches (gun)	8.94	8.94
08/28/09	Remington 223 rifle ammunition	13.97	13.97
08/28/09	Winchester cleaning tools	3.97	3.97
08/28/09	Winchester break free powder blast	4.97	4.97
08/28/09	Winchester break free lubricant	3.97	3.97
08/28/09	Winchester sight gun vise	29.97	29.97
08/14/09	Theme book	0.50	0.50
08/14/09	Kitchen drawer assist	5.94	5.94
08/14/09	Skillet - 10 inch	15.97	15.97
08/14/09	Extension cord – 6 foot	1.24	1.24
08/14/09	Essentials tool set	19.88	19.88

**APPENDIX "A" - Continued
ITEMS PURCHASED FOR PERSONAL USE**

WAL-MART - Continued

08/14/09	End table set	19.00	19.00
08/14/09	TICONDERGOGA NO.2 BL	2.44	0.00
08/14/09	Axe 2N1 shampoo	4.84	4.84
08/14/09	Light bulbs	9.14	0.00
08/14/09	Pocket accent assortment	1.50	1.50
08/14/09	Melamine salad plate	1.00	1.00
08/14/09	Melamine dinner plate	1.50	1.50
08/14/09	Highlighters	1.00	1.00
08/14/09	Emerson 19" LCD HDTV	178.00	178.00
08/14/09	Hole sharpener	0.97	0.00
08/14/09	PROFILE RT 2CT BLK	1.64	1.64
08/14/09	Student desk	37.00	37.00
08/14/09	Mechanic pencils	1.44	1.44
08/14/09	Entertainment center	24.00	24.00
08/14/09	Bowls	2.00	2.00
08/14/09	Tumblers	4.00	4.00
08/14/09	Floor cleaning combo	10.00	10.00
08/14/09	Pop up hamper	9.00	9.00
08/14/09	Waste basket	4.50	4.50
08/14/09	Task chair	24.00	24.00
08/14/09	Duracell coppertop AA16 batteries	9.97	0.00
08/14/09	Sports Illustrated college football	5.39	5.39
04/03/09	Battery core fee	9.00	0.00
04/03/09	Motorcycle battery	47.00	0.00
12/18/08	Remington 223 rifle ammunition	35.94	0.00
12/18/08	Remington 223 rifle ammunition	146.82	0.00
12/18/08	Remington 223 rifle ammunition	73.62	0.00
12/18/08	Federal 223 bullets	119.91	0.00
Total		\$1,324.58	\$783.49

APPENDIX “A” - Continued
ITEMS Purchased FOR PERSONAL USE

BROWNELL’S, INC. [return to report page 18; return to report page 19]

Date	Questioned Items Purchased	Amount	Reimbursed Town
09/30/09	AR-15 Flash Hider	\$39.99	\$39.99
09/30/09	Tactical G6A2 Vortex Flash Hider	46.99	46.99
09/30/09	AK Front Sight Tool	4.12	4.12
09/30/09	LRPK-1 Lower Receiver Parts Kit	54.73	54.73
09/30/09	Priority shipping	11.50	11.50
08/31/09	V Stripped Ft Upper Receiver	164.27	164.27
07/31/09	Carbine Length 4-Rail Hand guard	91.50	91.50
07/31/09	Magpul Pmag 20 round-black (5)	62.50	62.50
07/31/09	Shipping	10.50	10.50
Total		\$486.10	\$486.10

Date	Questioned Items Purchased	Amount	Paid Direct to Vendor
10/08/09	AR-15 Front Sight Bench Block	\$31.99	\$31.99
10/08/09	AR-15/M-16 Parts Kits (2)	31.84	31.84
10/08/09	M1CMAG30 Magazines, M1, Carbine, 30 Rnd (5)	90.85	90.85
08/24/09	Gunsmith Professional Punch Set	35.07	35.07
08/24/09	Lula AR-15/M-16 Mag Loader/Unloader	25.34	25.34
08/24/09	PMAG 30-Rd AR-15 Magazines (5)	64.85	64.85
08/24/09	Smith Enterprise .223 Armors Wrench	45.99	45.99
08/24/09	#MAG6620B – SKS 20 Rd Magazine (5)	82.45	82.45
08/24/09	AR15 L5 Translucent 30 Round Mag (3)	56.97	56.97
08/24/09	M16/M4 Weapons Field Maintenance Pack	194.49	194.49
08/24/09	AR15 42 Round Steel Magazine (3)	72.30	72.30
08/24/09	Shipping	11.50	11.50
Total		\$743.64	\$743.64

APPENDIX "A" - Continued
ITEMS Purchased FOR PERSONAL USE

PAYPAL [return to report page 18; return to report page 19]

Date	Questioned Items Purchased	Amount	Reimbursed Town
10/20/09	Wooden Bench Storage Cabinet	\$34.55	\$0.00
10/01/09	Traffic Safety Cones (48) – green	42.74	0.00
10/01/09	Traffic Safety Cones (48) – blue	42.74	0.00
09/24/09	DVD Firearms Manuals Library for AK47	8.95	8.90
09/21/09	Folding Slingshots	18.39	18.39
09/21/09	Crossbow Pistol with Arrows	29.95	0.00
09/21/09	Pistol Crossbow Metal Bolts	36.98	36.98
09/21/09	(2) Trumark Folding Slingshot	40.42	40.42
09/21/09	Steel-ball Sling Shot Ammo	74.00	74.00
09/21/09	Crossbow Rifle with Arrows	119.90	119.90
07/10/09	(2) Logitech Pro Keyboard for Playstation 3	95.90	0.00
07/06/09	Paintball Compressor (2)	175.40	0.00
Total		\$719.92	\$298.59

SPECIAL-OPS UNIFORM, INC. [return to report page 18; return to report page 19]

Date	Questioned Items Purchased	Amount	Reimbursed Town
01/31/09	Rapter Holster for GLK22	\$110.50	\$0.00
01/31/09	Patroltech #2 Mag Case for GLK1722	21.99	0.00
Total		\$132.49	\$0.00

Date	Questioned Items Purchased	Amount	Paid Direct to Vendor
09/02/09	Rapid Light System LED AA	86.99	86.99
09/02/09	TLR Led/Laser Railmnt F/GLK	260.00	260.00
Total		\$346.99	\$346.99

APPENDIX "B"

ITEMS PURCHASED DURING AUDIT PERIOD – UNABLE TO LOCATE

NORTHERN TOOL AND EQUIPMENT [return report page 18; or page 19; or table, page 20]

Date	Questioned Items Purchased	Amount
10/05/09	DeWalt VSR drywall/framing screwdriver	\$119.99
10/05/09	DeWalt 3-base router kit	299.99
10/05/09	DeWalt circular saw	134.99
04/20/09	Wagner 3/4 hp piston paint sprayer	497.58
04/20/09	Warranty – paint sprayer	49.99
Total		\$1,102.54

ITEMS RETURNED TO TOWN AFTER EXPENDITURES QUESTIONED

PAYPAL [return to report page 18; or page 19; or table, page 20]

Date	Questioned Items Purchased	Amount
09/21/09	2 Dog Electric Underground Fence System	\$56.00
09/21/09	Canon EOS 300D Camera	391.00
09/21/09	9 pc lens kit for Canon Digital Rebel XT, Xti, Xsi	107.95
09/21/09	Toshiba L505-S5966 Laptop T4200 Webcam	465.00
Total		\$1,019.95

ITEMS PURCHASED PRIOR TO AUDIT PERIOD – UNABLE TO LOCATE

PAYPAL [return to report page 18; or page 19; or table, page 20]

Date	Questioned Items Purchased	Amount
10/16/08	Dell Latitude D600 Laptop Computer	\$279.90
10/16/08	Dell Latitude D600 P4 Laptop Computer	265.30
11/19/07	HFC 92F Blowback Airsoft Gun and miscellaneous items	615.57
11/18/07	.45 G2 Air Paintball Pistol and miscellaneous item	645.97
11/15/07	Tactical Airsoft Gun Belt Holster left – 6	41.70
11/15/07	Tactical Airsoft Gun Belt Holster right – 16	111.20
11/15/07	V-Force Airsoft Goggle System – 35	698.25
Total		\$2,657.89

APPENDIX “C”

QUESTIONED FUEL PURCHASES

WRIGHT EXPRESS CREDIT CARD [return to report page 18; return to report page 19]

Location	Date	Day	Time	Cost	Gallons	Fuel type
Oklahoma City	10/24/09	Saturday	12:22	\$53.03	18.946	UNL+
Watonga	10/08/09	Thursday	15:36	52.04	20.658	UNL+
Edmond	09/12/09	Saturday	20:49	48.64	20.974	UNL
Seiling	09/09/09	Wednesday	16:43	21.11	8.090	UNL+
Guthrie	09/06/09	Sunday	21:32	32.40	13.012	UNL+
Guthrie	09/06/09	Sunday	21:32	50.71	20.367	UNL+
Guthrie	08/30/09	Sunday	12:51	62.03	25.225	UNL
Guthrie	08/28/09	Friday	12:29	40.70	16.551	UNL
Guthrie	08/28/09	Friday	12:29	32.00	13.013	UNL
Oklahoma City	08/15/09	Saturday	13:08	62.00	22.150	SUP
Oklahoma City	08/15/09	Saturday	14:15	2.97		sales tax
Oklahoma City	08/15/09	Saturday	14:15	51.49		OIL
Guthrie	08/14/09	Friday	11:53	75.00	26.795	SUP
Edmond	08/02/09	Sunday	13:51	50.36	20.152	UNL
Cashion	07/05/09	Sunday	12:34	28.00	11.671	UNL
Guthrie	06/20/09	Saturday	12:14	64.02	24.259	UNL
Guthrie	06/13/09	Saturday	21:12	8.53	30.047	SUP
Oklahoma City	06/12/09	Friday	21:52	7.00		WASH
Oklahoma City	06/12/09	Friday	21:52	42.00	16.160	UNL
Oklahoma City	05/24/09	Sunday	16:09	36.99	15.418	UNL
Oklahoma City	05/16/09	Saturday	15:59	69.02	30.410	UNL
Oklahoma City	05/09/09	Saturday	19:52	40.00	18.527	UNL
Oklahoma City	05/03/09	Sunday	13:24	47.74	23.880	UNL
Cashion	04/26/09	Sunday	22:17	22.70	11.587	UNL
Cashion	03/22/09	Sunday	13:17	33.39	17.770	UNL
Perkins	03/21/09	Saturday	17:42	39.84	20.762	UNL
Oklahoma City	03/08/09	Sunday	14:38	44.87	24.000	UNL

APPENDIX “C” – Continued

QUESTIONED FUEL PURCHASES

WRIGHT EXPRESS CREDIT CARD - Continued

Cashion	03/07/09	Saturday	3:00	37.19	19.792	UNL
Guthrie	02/28/09	Saturday	12:40	44.69	24.301	UNL
Oklahoma City	02/06/09	Friday	21:57	26.51	14.735	UNL
Crescent	02/06/09	Friday	12:47	19.05	10.590	UNL
Cashion	02/06/09	Friday	00:38	27.31	16.074	UNL
Kingfisher	01/24/09	Saturday	23:53	42.02	22.130	SUP
Hinton	01/24/09	Saturday	14:49	40.67	23.121	UNL
Crescent	01/17/09	Saturday	20:39	33.90	19.950	UNL
Crescent	01/16/09	Friday	22:17	36.32	20.788	UNL
Total				\$1,426.24		

Note: The items highlighted in yellow are the fuel and oil purchases totaling \$210.27 that were reimbursed to the Town by the Clarks.

APPENDIX "D"

[return to report page 22]

BROWNELL'S, INC. ACCOUNT APPLICATION

CASHION POLICE DEPARTMENT

**P.O. BOX 27
CASHION, OK 73016
(405) 433-2243**

July 29, 2009

Brownell's,

The Cashion Police Department would like to establish an account with you.

Our billing Address is:

Town of Cashion
P.O. Box 27
Cashion, OK 73016

Shipping Address

Town of Cashion
102 S. Main
Cashion, OK 73016
Phone 405-433-2243
Fax 405-433-2685
dsclark167@cs.com

I would like to order,

Item # 100-003-667CE V match upper receiver 9B162H08
Flattop upper receiver for a bushmaster AR15 model XM15 E2S

Item #100-002-169 handrail for bushmaster 223 AR15

Item #100-003541CE Magpul 20 Round P-MAG Magazine 5 of these please.

**Ship to: Danny Clark
Town of Cashion
102 S. Main
Cashion, OK 73016**

Thank You for your time with this matter. Please call if you have any questions.

Danny Clark



Director of Cashion Emergency Services



OFFICE OF THE STATE AUDITOR AND INSPECTOR

2300 N. LINCOLN BOULEVARD, ROOM 100

OKLAHOMA CITY, OK 73105-4896

WWW.SAI.OK.GOV