

CITY OF YALE

JANUARY 1, 2004 THROUGH
JULY 30, 2007



SPECIAL AUDIT



Oklahoma State Auditor
& Inspector

CITY OF YALE
PAYNE COUNTY
SPECIAL AUDIT REPORT
JANUARY 1, 2004 THROUGH JULY 31, 2007

This publication is printed and issued by the State Auditor and Inspector as authorized by 74 O.S. 2001, § 227.8 and 74 O.S. 2001, § 3105. Twenty copies have been prepared and distributed at a cost of \$65.08. Copies have been deposited with the Publications Clearinghouse of the Oklahoma Department of Libraries.

STATE AUDITOR AND INSPECTOR

STEVE BURRAGE, CPA
State Auditor

MICHELLE R. DAY, ESQ.
Chief Deputy



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October 26, 2009

Board of City Commissioners
City of Yale
209 N. Main
Yale, Oklahoma 74085-2510

Transmitted herewith is the Special Audit Report of the City of Yale, Payne County, Oklahoma. We performed our special audit in accordance with the requirements of **74 O.S. 2001, § 227.8**.

A report of this type tends to be critical in nature; however, failure to report commendable features in the present accounting and operating procedures of the entity should not be interpreted to mean 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 ensure 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".

STEVE BURRAGE, CPA
STATE AUDITOR & INSPECTOR

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**CITY OF YALE
PAYNE COUNTY
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**BOARD OF CITY COMMISSIONERS
AS OF JULY 31, 2007**

Tom Mendenhall.....Mayor
Maurice Lozier.....Vice-Mayor
Steve Hewitt.....Commissioner
Charles Thomas.....Commissioner
Mike McCullough.....Commissioner
Craig Wells.....City Clerk
Tom Rhoane.....City Manager
Dan Gripe.....Former City Manager
Terminated August 2006
Carl Hensley.....Former City Manager
Resigned April 2007
Sharon Crisjohns.....Former City Clerk
Resigned July 2007

**YALE WATER AND SEWAGE TRUST BOARD OF TRUSTEES
AS OF JULY 31, 2007**

Tom Mendenhall.....Mayor
Maurice Lozier.....Vice-Mayor
Steve Hewitt.....Commissioner
Charles Thomas.....Commissioner
Mike McCullough.....Commissioner

STATE AUDITOR AND INSPECTOR

STEVE BURRAGE, CPA
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Chief Deputy



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

Honorable Pam Coke, Mayor
City of Yale
209 N. Main
Yale, Oklahoma 74085-2510

Dear Ms. Coke:

Pursuant to the Board of City Commissioners' request and in accordance with the requirements of **74 O.S. 2001, § 227.8**, we performed a special audit with respect to the City of Yale, Payne County, Oklahoma for the period January 1, 2004 through July 31, 2007.

The objectives of our special audit primarily included, but were not limited to, the objectives expressed by the City Commissioners. Our findings related to these procedures are presented in the accompanying report.

Because the above procedures do not constitute an audit in accordance with generally accepted auditing standards, we do not express an opinion on the account balances or financial statements of the City of Yale for the period January 1, 2004 through July 31, 2007. 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 do not extend to any financial statements of the City.

This report is intended solely for the information and use of the City Commissioners and the City's administration 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. § 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

October 26, 2009

**CITY OF YALE
PAYNE COUNTY
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INTRODUCTION

The City of Yale, Oklahoma is organized under the statutory council manager form of government, as outlined in **11 O.S. 2001, § 10-101, et seq.**, which states:

The form of government provided by Sections 10-101 through 10-121 of this title shall be known as the statutory council-manager form of city government. Cities governed under the statutory council-manager 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 statutory council-manager form, or if the manner is not thus prescribed, then in such manner as the council may prescribe.

A private, independent audit firm audits the City and the Yale Water and Sewage Trust annually. In addition, the City prepares an annual financial statement, presenting the financial condition of the City at the close of the previous fiscal year, in accordance with the requirements of **68 O.S. 2001, § 3002**.

The Oklahoma State Auditor and Inspector (OSAI) conducted a special audit of the records of the City, primarily those records relating to the objectives expressed by the City Commissioners at their request. The results of the special audit are in the following report.

BOARD OF CITY COMMISSIONERS FIDUCIARY RESPONSIBILITY

The Board of City Commissioners for the City of Yale and the Board of the Yale Water and Sewage Trust (Trust) have an obligation to act in the best interest of the City and the Trust as a whole. This fiduciary responsibility requires that all funds belonging to the City and the Trust 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 City Commissioners 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 and Trust. Further, the City Clerk has a fiduciary responsibility to perform all statutory duties in maintaining accurate, complete, and reliable records for the City of Yale.

OBJECTIVE

Review for possible irregularities in the City Community Group Grant and Park Improvement Grant.

FINDING

The City of Yale was awarded a \$49,000.00 grant from the Oklahoma Tourism and Recreation Department (OTRD) through a Land and Water Conservation Fund (LWCF) Project Agreement in November/December 2002. The project was specifically for improvements at Jim Thorpe Park. The total projected cost of the improvements was estimated at \$98,000.00. The concern arose when a change order to the park's asphalt was made by possibly exceeding the percentage (15%) allowable according to **61 O.S. § 121**.

On June 20, 2006, bids were reviewed and awarded to Wilson Way Construction in the amount of \$68,970.00 for applying asphalt for specified roads for the Jim Thorpe Park. Included in the bid package was a second bid for applying asphalt to F Street. Wilson Way Construction also was awarded the bid for F Street in the amount of \$15,400.00. F street construction was to be paid from COEDD REAP grant funds.

At a reconvened Commission meeting on September 13, 2006, the Board authorized the former grant administrator to issue a change order on the contract with Wilson Way Construction in an amount not to exceed \$12,600.00 to pave the remainder of roads in Jim Thorpe Park. The reason for the change order was to extend the asphalt around the ball fields.

It appears that the City of Yale combined both bids (Jim Thorpe Park/F Street) for a total of \$84,370.00. Therefore, the maximum amount allowable per state law (15% of total bid) for a change order was \$12,655.50 totaling \$97,025.50 for the whole project. Wilson Way Construction submitted their change orders in the amount of \$6,912.50 (Jim Thorpe Park) and \$5,775.00 (F Street) totaling \$12,687.50, \$32.00 more than allowed by state law. However, according to City records, Wilson Way Construction Inc. was paid a total of \$96,970.00, which is \$55.50 (\$97,025.50-\$96,970.00) less than the maximum allowed per state law.

As described in a letter dated October 30, 2006 from Wilson Way Construction, Inc., it was stated that the City supplied the asphalt materials, and the above change orders were for labor and actual costs only with no profit.

The City paid approximately \$9,407.19 to Quapaw for asphalt to finish the park project. Therefore, the concern must lie in the fact that the City paid much more for the project than the change order reflected for the materials in the asphalt project.

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Commission minutes reflect the subsequent decisions and discussions concerning the payment to Wilson Way Construction and the change orders by the Board. They are as follows:

October 10, 2006 – There was discussion about the change orders on the project and if the asphalt was included in the price for the additional paving in the Jim Thorpe Park. The price of the additional asphalt was not included in the billing from Wilson Way Construction, Inc. and was billed separately by Quapaw.

Motion by Sparks, second by Baker to authorize a partial payment in the amount of \$65,000.00 to Wilson Way Construction Inc. from the COEDD REAP Grant Fund and the LWC Park Grant Fund..... Motion approved with yes votes being three in number with two no votes.

October 30, 2006 – 1. The Board discussed the billing from Wilson Way Construction, Inc, for the Jim Thorpe Park and “F” Street paving project. City Attorney John Severe advised that Wilson Way Construction, Inc. finished the paving project per the change order with our materials and they are only charging the City of Yale for actual costs with no profit for their company on that portion of the project. He also advised that the City purchased the additional asphalt at the Payne County bid price, so he believes that the City of Yale acted lawfully in the purchase of the asphalt and will be legal in paying Wilson Way Construction, Inc. for the labor they performed with their equipment.

Motion by Sparks, second by Mendenhall to authorize final payment to Wilson Way Construction, Inc. in the amount of \$31,970.00 from the Street and Alley Fund....Motion approved

From the review of the above bid and change order process, OSAI submits the following observations:

- A change order was not needed and it could have been treated as a separate construction project because the road was not included in the scope of the original bid and the cost was under \$25,000.00.
- The City paid for the asphalt materials, and the construction contract was awarded based on unit pricing for applying the asphalt. Title 61 O.S. § 121.I.1 exempts contracts awarded based on unit pricing bids from change order limitations. Even if the contract had not been awarded based on unit pricing, the charge order was not in excess of the 15% allowed by state law.
- The City Commissioners acted upon the advice of the City Attorney.

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RECOMMENDATION OSAI recommends the proper legal authorities review this finding to determine what action, if any, may be required.

FINDING At a Payne County Economic Development Authority (PCEDA) meeting on August 16, 2004, the Board awarded a grant to Community Group Inc. (CGI) of Yale in the amount of \$60,000.00. As stated in the PCEDA minutes, the grant “was requested to assist in building 18-20 new homes in Yale. The homes would be moderately priced and designed to entice new residents to Yale.” The grant application denoted the money was needed to start on raising monies for the development and infrastructure cost for the new housing development. The City of Yale’s obligation was to serve as fiscal agents (a pass-through agency) of the grant funds.

From the grant application submitted to PCEDA by CGI, the total for the start-up project would be \$164,500.00. The application denotes that the current sources of funding were \$55,000.00 from the City of Yale for utility installation and \$49,500.00 in private donations from CGI, leaving a balance of \$60,000.00 needed to initiate the new development infrastructure.

The concern expressed was that work completed (bulldozing, clearing of brush) on the land on the south side of Prairie Lane has overgrown and will need to be redone. Additionally, there are 3 new houses on the north side of Prairie Lane, which is land that was not proposed in the original grant application.

To date there have been six (6) expenditures from the grant. They are as follows:

Date	Vendor	Amount	Purpose
10-13-2004	Tharp’s Dozer Service	\$ 3,400.00	Clearing of brush and trees from land
01-14-2005	Stillwater Engineering & Consulting, Inc.	1,625.00	Retainer Fee
02-09-2005	Stillwater Engineering & Consulting, Inc.	4,500.00	Topographic and Boundary Surveys
07-15-2005	Tharp’s Dozer Service	8,640.00	Dozer/Scraper work on housing project
10-12-2005	Tharp’s Dozer Service	20,640.00	Dozer/Scraper work/Streets/House pads
10-12-2005	The Quapaw Company	1,944.64	Crusher Run gravel
02-15-2007	Community Group Inc.	<u>756.68</u>	Gravel
Total		<u>\$ 41,506.32</u>	

The remaining available balance of the grant is \$18,493.68 plus interest earned. The expenditures above were reimbursements to CGI. OSAI traced all expenditures to an invoice for verification.

Mr. Tharp of Tharp’s Dozer Service explained to OSAI that his first invoice was for work completed on the north side of Prairie Lane. The last two invoices were for approximately 11 house pads, cutting of street, and clearing of brush and

trees on the south side of Prairie Lane. OSAI observed that work had been done on the south side of Prairie Lane. However, it was now overgrown and would need to be redone. Mr. Tharp indicated that it would not take much work to get it back into shape again. The gravel purchased was placed on Prairie Lane road.

The grant application has two exhibits (Exhibit A, Exhibit B). Exhibit B is a plat that contains an overview of Western Heights Second Section. Exhibit A is a plat of the southern portion of the land in detailed sections. Exhibit A is the land that was purportedly the source of the need for grant funds and the new development site.

At the Payne County Clerk's office, OSAI noted that Exhibit B's Block 8 and Block 10 (lots north and south of Prairie Lane), were purchased by CGI on August 16, 2004 (the same day the grant was awarded) from the Red Hawk Development Corporation of Sand Springs. Exhibit A was purchased by CGI from private owners in May 2002.

Though Exhibit A was the focus for grant funds, CGI described the project in detail in Section 2.2 of the grant application by stating: "Land has been purchased for the development with funding provided by the Yale Chamber of Commerce, and *additional undeveloped lots have been optioned.*" The application also reflects: "A preliminary plat of the new development and a plat of the *optioned undeveloped lots* have been attached." (emphasis added). The City Manager at the time wrote most of the application for CGI. OSAI questioned the former City Manager to define what he meant as "optioned undeveloped lots." He stated that though the focus was on the south side of Prairie Lane, the north side of Prairie Lane was always intended as an option.

OSAI obtained the original grant application from the Payne County Clerk's office. In addition, OSAI interviewed each of the PCEDA Board members, which are comprised of the Payne County Commissioners, for their recollections and objective of the grant. Two of the PCEDA Board members stated that at a ribbon cutting ceremony in 2004-2005, the north side of the road was not discussed, and the ceremony focused only on the south side of the road. However, one member stated that there were 3 new houses in the new addition; and to him that was the beginning of economic development for the City of Yale regardless of which side of the road it was on. The third PCEDA Board member stated that he always thought that CGI intended to "fill in the whole thing," not just the south side of the road.

OSAI interviewed the President of CGI to gather more information of the grants intent. He stated that CGI entered into an agreement with Excel Development Corporation of Nebraska to build approximately 10-20 homes on the land in Exhibit A (south side of Prairie Lane). Excel Development Corporation was

building the same type of homes in Perkins, Oklahoma through a Community Housing Association for Rehabilitation Measures and Effective Development (CHARMED) grant from the Central Oklahoma Economic Development District (COEDD). CGI had applied for the CHARMED grant funding and was awaiting its award when CHARMED ran out of funding for the year, and the CGI's application process had to start again. Dozer work stopped on the land in Exhibit A due to tax credits needed for the CHARMED grant. Meanwhile, since 3 house pads had been constructed on the north side of Prairie Lane and the City had already laid utilities to the road, it seemed logical to CGI to begin construction for 3 new houses by a contractor in Cushing, Oklahoma with their own money and slowly start their way southward one house at a time. In addition to the unavailability of the CHARMED grant funds, he stated that CGI was unable to raise the \$49,000.00 in private funding as stated in the PCEDA grant application which further slowed the process.

Approximately \$6,101.32 (\$3,400.00+1,944.64+756.68) was spent for dozer work and gravel on Prairie Lane and north of Prairie Lane. Expenditures of \$35,505.00 were made on the land south of Prairie Lane for surveying and infrastructure for the new housing development.

RECOMMENDATION OSAI recommends the proper legal authorities review this finding to determine what action, if any, may be required.

OBJECTIVE Review for possible irregularities in City payroll.

FINDING On July 13, 2007, the Board of Commissioners accepted the City Clerk's resignation effective July 30, 2007. The City Clerk had been an employee of the City of Yale for twenty years. On July 30, 2007, the remaining compensatory time for the City Clerk totaled 71.5 hours.

OSAI reviewed the City's policies to determine if one existed for paid compensatory time for employees and found that such a policy did not exist. Chapter V of the City's Personnel Policy Manual, Section 5-4, provides guidelines for overtime worked. It states:

OVERTIME

Employees eligible for overtime shall be paid 1 ½ times the computed hourly rate for each overtime hour worked. Overtime shall constitute any time physically worked over Forty (40) hours in the normal work week as defined by departmental operations. The Department Head shall approve all overtime prior to the time it is worked. Employees are not eligible for overtime compensation for required attendance at

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departmental, City Commission, or special board meetings. Supervisory positions often require a certain amount of overtime to complete normal administrative assignments, and reasonable amounts of time devoted to this end are to be expected as a condition of employment. Accordingly, any supervisory position as defined by the Classification and Pay Plan shall be ineligible to receive overtime either because of the supervisory nature of the position or other special aspects of the position.

After a review of City policy concerning compensatory time standards for employees, the Board of Commissioners, at the August 14, 2007 meeting, voted to decline compensatory time pay to the former City Clerk for the time she had accrued during her tenure.

OSAI was informed that other City employees had been paid their compensatory time upon retirement or resignation. OSAI reviewed the former Public Works Director's final time sheet and noted that he was paid for 224.75 hours of compensatory time in December 2005. OSAI also obtained a letter dated February 15, 2005 from the former City Manager addressing the "accrued unpaid time" to the Street Superintendent prior to his retirement. It states:

...I have reviewed your time sheets to determine the amount of unpaid time you have accumulated, and further discussed the matter with the City Attorney and City Commissioners.

In calculating your unpaid time, or any other wage and hour issue, we can only go back 3 years. There are two different limitation periods, 2 years and 3 years. We chose the 3 year period because it is the most favorable to you. I went back to January 2002 and calculated your unpaid time from that date.

Although City policy does not address compensatory time, there appears to be a practice of allowing it and paying for it when employees leave. OSAI reviewed time sheets for the former employees and found that the former City Clerk started accruing compensatory time in February 1996. OSAI also noted that the City Clerk sometimes accrued compensatory time during Commission meetings, when City policy specifically states, "Employees are not eligible for overtime compensation for required attendance at departmental, City Commission, or special board meetings."

OSAI interviewed the City Manager at that time who stated that he let the Public Works Director, the Street Superintendent and the City Clerk accrue compensatory time after he asked the Commissioners permission to do so. He stated that they were working such long hours that he felt it would be fair as long as it was properly maintained and documented. However, this decision was a

verbal discussion and was not documented or voted upon in Commission meetings.

OSAI noted that all timesheets were approved by three City Managers during the course of the compensatory accrual by the former employees. In addition, the Board of Commissioners approved all payroll for the above individuals for the period compensatory time was accrued. OSAI also found that the City's "Leave Request Form" denotes "Compensation Time" as an option for a type of leave to be taken.

In a management letter dated October 1, 2007, the City's Independent Auditor stated:

The City has been paying comp time to employees; however the employee manual does not contain a policy concerning comp time.

We recommend that the commissioners review the employee manual and set up specific policies that apply to comp time.

RECOMMENDATION Since all timesheets and payroll were approved by all City Managers and the Board of Commissioners for many years, OSAI recommends the Commission retain legal counsel to review their policies and time forms on overtime and the use of compensatory time for City employees to ensure its compliance with the Fair Labor Standards Act.

OSAI recommends the City Commission develop clearly defined policies regarding overtime, compensatory time, and other types of leave, and who may be eligible for these types of leave. The City Commissioner should also apply the policies in a uniform manner.

FINDING OSAI was informed that a former City Manager may have been conducting his private practice as an attorney while on City time. OSAI obtained two probate cases from the Oklahoma State Courts Network (OSCN) in which the former City Manager was legal counsel. OSAI traced the days in which the former City Manager appeared in court to his timesheet to verify leave. In addition, the former City Manager sent OSAI two more cases along with his daily planner for the days in question.

After a review of the former City Manager's timesheet compared to the court docket and his daily planner, OSAI noted that on some days, the City Manager stayed late at City Hall or showed 6, 7, etc., hours worked.

OSAI was informed there was not an employment contract between the City and the former City Manager. Therefore, OSAI could find no set requirements or conditions for the hours the City Manager was to be working.

RECOMMENDATION OSAI recommends the City Commission develop policies defining work hours required for employees to address any concerns it may have regarding time and attendance.

Objective	Review for possible irregularities in 2006 and 2007 City Cash Investments.
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FINDING On May 11, 2004, the Yale Board of Commissioners passed Resolution #268 to amend the City's Investment Policy. The amendment allowed the City Clerk to negotiate with banks without seeking bids and to invest City monies without Board approval. The Board passed the Resolution unanimously. The resolution states in part,

(b) The City Clerk shall be and is hereby given blanket authority and directed to invest and reinvest available funds on a continuing basis during each fiscal year; provided that the income received from said investment may be placed in the general fund of the governmental subdivision to be used for general government operations, the sinking fund, the building fund, or the fund from which the investments was made.

While reviewing City Minutes, OSAI noted that in 2003 and 2004, the City Clerk submitted bids from local banks to the Board for approval. When Resolution #268 passed in 2004, subsequent City minutes did not contain investment information.

OSAI contacted the City of Yale's former Independent Audit firm to verify their documents and confirmations from financial institutions to insure that all City investments were accounted for and properly documented.

It appears that there was some concern pertaining to the difference of how "Deposits and Investments" were recorded in the FY05 and FY06 "Notes to the Basic Financial Statements" compared to FY07's information. Noting the "reporting of investments" concern, the current City Clerk wrote a detailed explanation dated October 25, 2007 to the Board of Commissioners showing how the reporting standards had changed and that the City's investments were still documented in their financial statements but reported in a different manner.

OSAI noted that “Deposits and Investments” were not described in detail in prior years’ audit reports; however, the funds were still properly reported in the City’s “Statement of Net Assets”. In addition, all funds were deposited into one bank with the exception of restricted funds owed to the Oklahoma Water Resources Board (OWRB) for the repayment of a loan. These funds are held at the Bank of Oklahoma.

OSAI was informed by the former City Clerk that all funds were invested in one bank. In addition, she stated that City investments were never deposited with a private investment firm located in the City of Yale, in which her husband was employed. The former City Auditor also confirmed that no City investments were ever located or deposited in the private investment firm. The only business the City had conducted with the private firm was to allow the City’s employees to voluntarily opt for a deferred compensation plan (457). One employee enrolled.

Resolution #268 was repealed on December 11, 2007. Now, the City Clerk has to submit bids to the Board of Commissioners for approval before City investment transactions occur.

RECOMMENDATION A recommendation is not necessary.

Objective

Review for possible irregularities in Library donations.

FINDING

In February 2008, the Yale Water and Sewage Trust Board purchased a building directly north and adjacent to City Hall and the Yale Public Library for \$35,000.00 for the future expansion of the City offices, departments, and library. In April 2008, the “Friends of the Yale Public Library Association” (FYPLA) wanted to donate \$10,000.00 to the City of Yale for payment toward the new building and future expansion of the City library. The Board of Commissioners instructed the City Clerk to contact the Oklahoma Municipal League (OML) for procedural guidance. OML instructed the City to abide by **11 O.S. § 31-107**, which states:

Any person desiring to make donations of money, personal or real property for the benefit of the municipal library shall have the right to vest the title to such money or property in the municipality, to be held and controlled by the municipality, when accepted, according to the terms of the donation. The municipality shall be held and considered to be a special trustee as to such property or money donated.

In a letter dated April 11, 2008, the FYPLA wrote, "The check is given to the Trust with the understanding that the entire \$10,000 will be used to pay on note #1008012270 with American Heritage Bank for the building that was recently purchased by the Trust for use by the library and other city entities."

On April 15, 2008, the City made payment in the amount of \$10,000.00 to American Heritage Bank for the reduction of the Trust's annex building bank note as requested by the FYPLA for their donation.

RECOMMENDATION A recommendation is not necessary.

FINDING At the Yale City Commission meeting April 10, 2007, the City's librarian requested permission to declare items from the Yale public library as surplus and allow the library to sell them at a rummage sale as part of a fund-raiser project for the purchase of the building next door to the current library.

The minutes reflect that the Board questioned the librarian about which items were to be declared surplus and was told that the items consisted of out-of-date books, books that have been donated to the library but never placed on the shelves, an old record cabinet, and some old records. The Board voted and approved the items as surplus to allow the library to sell the items. The Board also stipulated that all proceeds would be deposited with the City Clerk and be placed in a special fund for the retirement of the annex's bank note.

The FYPLA wrote a check on May 9, 2008 in the amount of \$66.50 to the City of Yale for the sale of the City library's surplus inventory. OSAI visually verified the building in which the surplus items were sold, observing several hundred books and magazines placed on tables with a price of (25¢, 50¢, \$1.00, etc.). However, OSAI was informed that in addition to the library's surplus items, the FYPLA also had donated books, magazines, etc., in the sale and that the proceeds of the sale had not been tracked as to FYPLA monies or library funds. There were no receipts written for the sale to establish the exact amount of funds derived from the sale.

The amount that was deposited with the City was an estimate as to what surplus Library inventory had been sold. Initial proceeds of the sale were not deposited into a City account.

11 O.S. § 10-118 states in part:

Subject to such regulations as the council may prescribe, the city treasurer shall deposit daily funds received from the city in depositories as the council may designate.

In addition, **62 O.S. § 517.3(B)** states in part:

The treasurer of every public entity shall deposit daily, not later than the immediately next banking day, all funds and monies of whatsoever kind that shall come into the possession of the treasurer by virtue of the office, in one or more financial institutions that have been designated as either state or county depositories, or both[.]

RECOMMENDATION OSAI recommends that if the City Library continues to hold sales of surplus items, they should observe the following internal controls:

- The Library should provide a list of its books (title; author) to be surplused and get final approval by the Board for the sale of books.
- When a book is sold, the Library should maintain a proceeds ledger to reflect if it's a FYPLA book or Yale City Library book being purchased. (The Library already stamps its books "Yale Public Library" and surplused books are stamped "Yale Library Discard" in red letters to establish its identity.) This will ensure that the Library's City deposits are accurately documented and separated from the FYPLA proceeds.

FINDING While performing our investigation, it was noted that the Yale City Library maintains its revenue (fines and copy/fax fees) on post-it notes and gives those notes and funds to the City clerk for deposit. It was also noted that the Yale City Library has recently installed a new computer system to track library patrons usage, and if necessary, fines and fees for late returns. The new computer system has the ability to track late fines on overdue books.

RECOMMENDATION OSAI recommends the City establish policies and procedures and implement proper internal controls to ensure Library revenue is properly accounted for. OSAI also recommends that Yale City Library use the computer system to provide the City of Yale with a "Fines and Fees" report along with the deposit to properly document and account for its "Fines and Fees" revenue. OSAI further recommends that copy and fax fee revenue be documented on pre-numbered, duplicate receipts issued in consecutive order to properly account for all monies received by the City Library.

Objective

Review for possible irregularities in utility billing and deposits.

FINDING

OSAI conducted a “receipts to deposits” test on the City’s utility billing system. OSAI selected five months (October, December 2004, December 2005, December 2006, and January 2007) for the review. From the City’s Payment & Adjustments report and Daily Cash Collection History report, OSAI traced all utility payments made as to check, cash or money order to a daily deposit slip. This deposit was then traced to the Water and Sewer Trust Revenue account bank statement to verify the deposit.

OSAI noted no irregularities in the City’s deposits of utility payments based on the testwork performed. There were minor variances in some deposits where checks deposited were greater than what was reported and less the same amount of cash. The deputy clerk stated that very rarely they will cash a customer’s check from the till; or in some instances, the wrong payment method will be entered into the system in error.

RECOMMENDATION

OSAI recommends the City discontinue any cashing of customers’ personal checks. Implementation of this internal control will insure that all monies (cash, check, or money order) are accurately reflected in the utility billing system’s daily cash revenue reports when traced to the actual bank deposit.

FINDING

OSAI obtained customer history accounts for the Board of Commissioners, City Managers, City personnel and their businesses and other residences for the audit period. OSAI verified that all had paid their water, gas, and electric deposits to the City of Yale. In addition, OSAI verified that all officials and personnel were not in arrears on their utility payments to the City.

OSAI noted no irregularities in the above accounts.

RECOMMENDATION

A recommendation is not necessary.

DISCLAIMER

Throughout this report there are numerous references to state statutes and legal authorities, which appear to be relevant to issues raised by the City Commissioners 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

**CITY OF YALE
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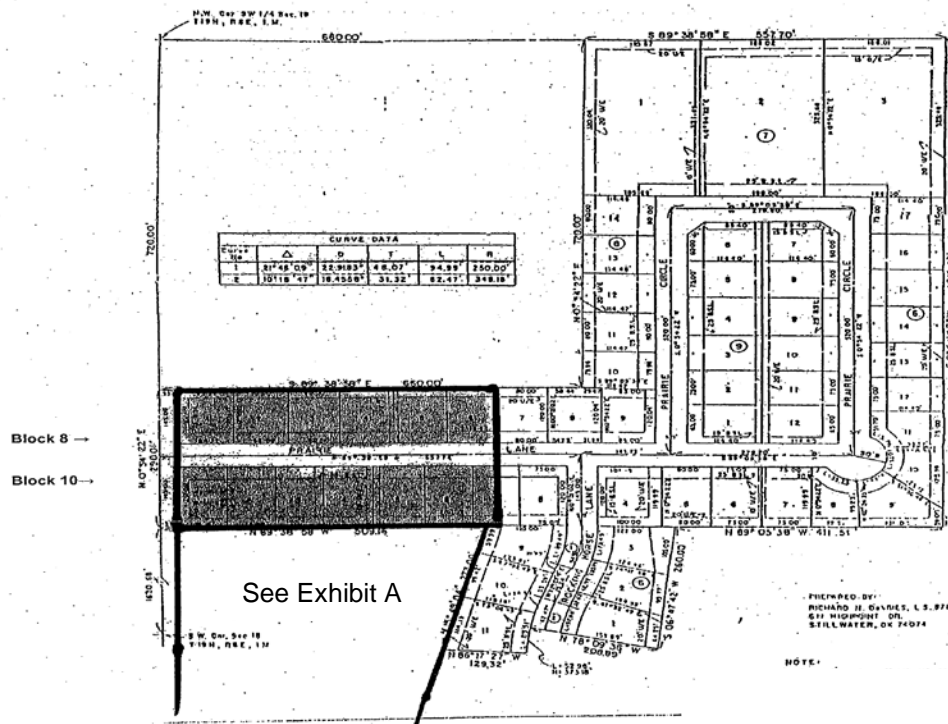
within the exclusive jurisdiction of regulatory, law enforcement, and judicial authorities designated by law.

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 Yale/Trust or any of the individuals named in this report or acting on behalf of the City/Trust have violated any statutory requirements or prohibition imposed by law. All cites and/or references to specific legal provisions are included within this report for the sole purpose of enabling the Administration and other interested parties to review and consider the cited provisions, independently ascertain whether or not the City's/Trust's 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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Exhibit B

WESTERN HEIGHTS
 SECOND SECTION
 A PART OF THE SW/4, SECTION 18, T19N, R6E, 1M.
 CITY OF YALE
 PAYNE COUNTY, OKLAHOMA





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