

DISTRICT ATTORNEY REQUEST

CITY OF CLEVELAND

June 27, 2017



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

CITY OF CLEVELAND
PAWNEE COUNTY, OKLAHOMA
DISTRICT ATTORNEY REQUEST
RELEASE DATE - JUNE 27, 2017



Report Highlights

WHY WE CONDUCTED THIS AUDIT

We performed an investigative audit in response to a request by the Pawnee County District Attorney in accordance with **74 O.S. § 212(H)**. The objective of the audit was to investigate the City of Cleveland Court Clerk's Office.

KEY FINDINGS

- Receipt records were deleted from the City's GFC receipting program creating a significant weakness in the internal control over the accountability of receipts. (Pg. 3)
- Receipt records were edited, overwritten, and manipulated to conceal a possible misappropriation of court funds. For the period June 1, 2012 through December 31, 2013, we noted \$13,381.50 recorded in the court program that could not be traced to deposits. (Pg. 4)
- A handwritten receipt in the amount of \$542, that reflected the signature of Sherri Herring, former deputy court clerk, could not be traced to a deposit. (Pg. 7)



Oklahoma State Auditor & Inspector

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June 27, 2017

The Honorable Rex Duncan
District Attorney, District 10
628 ½ Kihekah, 3rd Floor
Pawhuska, OK 74056

District Attorney Duncan:

Pursuant to your request and in accordance with the requirements of **74 O.S. § 212(H)**, we performed an investigative audit of the City of Cleveland for the period January 1, 2012 through December 31, 2013.

The objective of our audit primarily included, but was not limited to the concern noted in your request. The results of this audit, related to the objective, is presented in the accompanying report.

Because the procedures of an investigative audit do not constitute an audit conducted in accordance with generally accepted auditing standards, we do not express an opinion on the account balances or financial statements of the City of Cleveland for the period January 1, 2012 through December 31, 2013.

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

This document is a public document pursuant to the Oklahoma Open Records Act, in accordance with **51 O.S. §§ 24A.1, et seq.**

Sincerely,

A handwritten signature in blue ink that reads "Gary A. Jones".

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

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TOWN OFFICIALS
(As of December 31, 2013)

Ron Shipman Mayor
Dale Norrid..... Vice-Mayor
Donna Davis Council Member
Bob Henderson Council Member
Dan Reeves Council Member
Annetta Franks City Clerk
Elzie Smith City Manager

INTRODUCTION

In accordance with the provisions of **11 O.S. § 13-101** the City of Cleveland (“City”) located in Pawnee County, Oklahoma, operates under a ‘Charter’ which provides for a “council-manager government”. The Charter provides, in part:

The city shall have all powers, functions, rights, privileges, franchise and immunities granted to cities by the state constitution and law, and all the implied powers necessary to carry into execution all the powers granted.

Under Section 4-1 of the Charter the office of city clerk is assigned the duty of collecting and receiving revenue and other money for the City and depositing the same with the city treasurer or for the city treasurer in accounts maintained by the City.

While reviewing court case files, a deputy clerk of the City detected discrepancies in the receipting and depositing of funds in the city clerk’s office. This activity was reported to the appropriate authorities and as a result, District Attorney Rex Duncan requested the State Auditor and Inspector’s Office to conduct an investigation of the City of Cleveland.

Our investigation was conducted under the authority of **74 O.S. § 212(H)** and the results are contained in the following report.

Objective	Determine If Court Funds Were Misappropriated
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Background The City uses a software program provided by GFC Data Systems (GFC) for the receipting of payments made by customers. The City also uses a second software program provided by Jayhawk for recording transactions in their court system.

Receipting The GFC receipting program does not electronically transfer information into the Jayhawk court program. Payments received for court and traffic citations were manually entered into the GFC receipting program and then manually re-entered into the Jayhawk court program¹. The receipting program and the court program were independent of one another and the data was not integrated.

According to City personnel, the GFC receipting program allowed users to remove, edit, and delete receipts. The instruction manual for the GFC program recommended that receipts be removed or deleted on a “regular basis” and defined the process.

REMOVE RECEIPTS

On some sort of regular basis (daily or weekly or monthly) transferred receipts should be deleted (removed). Otherwise the receipts file will become very large and extra time will be needed to process current receipts. To delete receipts use the “Remove” command. If all receipts can be deleted leave the range of dates as 00/00/00 and 99/99/99.

In addition, the GFC software manual provided users with step-by-step instructions on how to edit and delete receipts.

Edit

To edit a receipt user must first access a record as described under “Receipt Entry”. Once a receipt displays user may select “Edit” (Alt-E) to make changes. User would normally “point and click” to access the field to be changed. When making changes notice that when you enter a value in a field that already has a value the field may be cleared. If you do not want to clear the entire field but only change a portion of it then arrow over to the area to be changed and then enter the correction. The Esc key (or Cancel command) may be used to start the edit over. The “Save” command will rewrite the revised data thereby making it permanent. If after saving you would like to print the revised receipt, select the printer icon at top of screen or select “Print” and then “Rcpt on Screen”.

¹ Payments are entered into the Jayhawk court program for the purpose of tracking court related payments of citations and fines.

Delete

To delete a receipt user must first access a record as described under "Receipt Entry". Once a receipt is found user may select "Delete" (Alt-D) if the receipt should be deleted. After selecting "Delete" the system will sound an audible alarm asking user whether the receipt should be deleted. Select "Yes" to delete or "No" to not.

The ability to edit, delete, and overwrite receipts provides a GFC user with the means and opportunity to conceal a misappropriation of funds.

For the period January 2012 through December 2013, we compared receipts recorded in the receipting program to receipts posted in the court program. We identified several cases in which there were discrepancies between the two programs. The receipts with discrepancies were then traced to the corresponding amounts deposited.

Depositing

The City deposited court funds into a separate court bank account until August 15, 2012. At that time the court bank account was closed and court deposits were combined with general fund deposits. In both the court fund bank account and the general fund account deposit slips were generally vague and contained insufficient information to identify specific deposits related to court.

The process of determining the amount deposited for court required the review of daily packets containing receipt journals that reconciled to deposit slips. The information in the daily packets provided the ability to determine the specific receipts that comprised the deposit for each day.

For the period June 2012² through December 2013 we compared court collections and receipts to deposits for each day utilizing bank deposit slips and the daily packets.

Finding

Receipt records were deleted from the City's GFC receipting program creating a significant weakness in the internal control over the accountability of receipts.

As previously discussed, the GFC receipting program provided users the ability to edit, delete, and overwrite receipts. After a receipt was entered into the receipting program and printed, a user could re-enter the system and change the receipt number, payee name and/or the amount received, or even delete the receipt entirely.

² The City was unable to provide daily packets prior to June 2012

According to city personnel, prior to 2014, employees routinely deleted receipts and utilized the edit function to change or overwrite a receipt instead of voiding the receipt. Employees overwrote and deleted receipts as a practice, not necessarily for the purpose of misappropriation.

While reconciling receipts to deposits we also noted numerous cases in which receipts for court collections were deposited but the receipts were not recorded in the receipting program or the court program, indicating the receipt had been deleted.

Even when no misappropriation is present, the practice of editing, overwriting, and deleting receipts creates a significant deficiency in internal controls over the accountability of received payments.

The practice of deleting computerized receipts could be equated to disposing of manual receipt books. Such practice would be a violation of State statutes which requires records be kept and maintained. Title **51 O.S. § 24A.4** states, in relevant part:

...every public body and public official has a specific duty to keep and maintain complete records of the receipt and expenditure of any public funds reflecting all financial and business transactions relating thereto...

Finding

Receipt records were edited, overwritten, and manipulated to conceal a possible misappropriation of court funds. For the period June 1, 2012 through December 31, 2013, we noted \$13,381.50 recorded in the court program that could not be traced to deposits.

At any given time there were up to three clerks collecting customer payments. Each clerk was to record all customer payments into the GFC receipting program. The program would then generate a receipt in which one copy was provided to the customer and one copy was maintained by the clerk for posting and reconciliation to deposits.

When the collection involved a court related payment a third copy of the receipt was to be printed and given to the deputy court clerk for recording information into the Jayhawk court program. Once the original receipt amount was entered into the court program this copy was no longer accounted for or maintained.

When we compared receipts recorded in the court program to court deposits, we found cases in which receipt amounts had been edited or receipts had been completely overwritten.

It appears that once a receipt was posted to the court system, the receipting system was re-accessed and some receipt amounts were edited, deleted, or the receipt transaction was overwritten with a subsequent customer transaction.

Below are some examples in which receipt amounts were *edited*.

- On March 28, 2013, the court program reflected receipt #25863 was issued for \$314 to Payee Smith. This amount was posted to the court records of Smith. On the same day, the receipting program showed receipt #25863 was issued to Smith for \$100 and the deposit slip showed a deposit of \$100.

It appears the original receipt amount of \$314 was posted to Smith's account and then edited to reflect a \$100 collection, resulting in a possible misappropriation of \$214.

- On September 12, 2013, the court program reflected receipt #35534 was issued for \$300 to Payee Brewer. This amount was posted to the court records of Brewer. On the same day, the receipting program and the deposit showed receipt #35534 was issued to Brewer in the amount of \$75.

It appears the original receipt amount of \$300 was posted to Brewer's account and then edited to reflect a \$75 collection amount, resulting in a possible misappropriation of \$225.

Following are examples of receipts which appear to have been *overwritten*.

- On June 11, 2012, the court program reflected receipt #10193 was issued in the amount of \$419 to Payee Plumb. This amount was posted to the court records of Plumb. On the same day, the receipting program and the deposit showed receipt #10193 was for a utility payment from Spess Operations in the amount of \$96.88. The court receipt of \$419 for Plumb could not be traced to a deposit.
- On January 30, 2013, the court program reflected receipt #22601 was issued to Payee Powell in the amount of \$200. On the same day, the receipting program and the deposit indicated receipt #22601 was issued to Payee Van for a utility payment in the amount of \$182.33. The court receipt of \$200 for Powell could not be traced to a deposit.

Funds collected from receipts that were edited or overwritten would not have to be accounted for in a deposit or reconciliation, increasing the opportunity for those funds to be misappropriated.

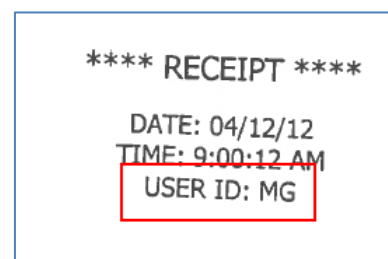
The table below represents the total of the monthly shortages between the receipt amounts recorded in the court program and the deposits made for court.

MONTH	DEPOSIT SHORTAGE	MONTH	DEPOSIT SHORTAGE
June 2012	\$841.00	April 2013	\$700.00
July 2012	\$500.00	May 2013	\$887.50
August 2012	\$331.00	June 2013	\$719.50
September 2012	\$1,048.00	July 2013	\$313.00
October 2012	\$1,269.00	August 2013	\$507.00
November 2012	\$342.00	September 2013	\$287.00
December 2012	\$270.00	October 2013	\$0.00
January 2013	\$1,206.00	November 2013	\$0.00
February 2013	\$1,764.00	December 2013	\$0.00
March 2013	\$2,396.50	Total All Months	\$13,381.50

Accountability

Generally in an effort to determine accountability and responsibility for receipted transactions we would look to the employee’s signature or initials on the receipt. If an employee signed or initialed a receipt, the responsibility for the collection of those funds would normally be assigned to that individual.

The computerized receipts from the GFC receipting program contained a “User ID” followed by the initials of the employee that presumably collected the monies and issued the receipt. According to city personnel, no login or password requirements were used with the GFC receipting system. Employee initials were manually entered on each receipt and there were no additional internal controls or checks in the use of the receipting program. As a result, the “User ID” initials cannot be completely relied upon given that nothing precluded an employee from entering another employee’s initials.



The original receipts, those issued prior to any edits or overwrites, were not maintained. With no record of these receipts, and without full accountability of system use, we could not definitively determine which employee actually receipted the monies collected.

If the employee initials were presumed correct, the breakdown of the \$13,381.50 deposit shortages as shown in the table above would be accountable to the following employees.

Employee	Amount
Sherri Herring	\$11,238.50
Mona Greenwood	\$1,180.00
Jolene Cruzin	\$963.00
Total	\$13,381.50

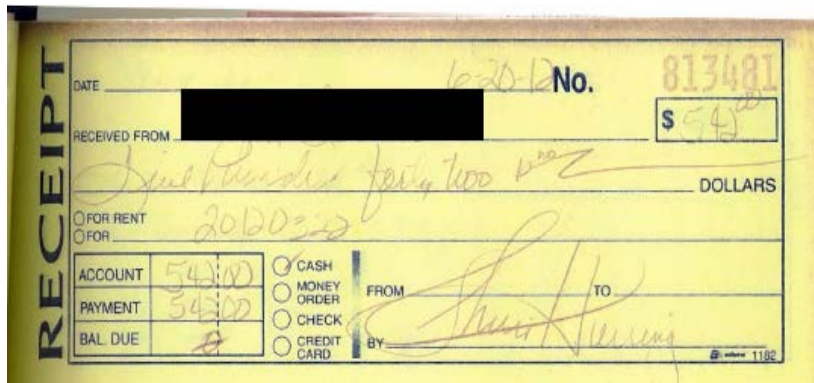
It should also be noted that deputy court clerk, Sherri Herring, separated from employment with the City in September 2013 and, as shown in the table on page six, for the three months subsequent to her employment there were no shortages found in our reconciliation of court records to deposits.

Finding

A handwritten receipt in the amount of \$542, that reflected the signature of Sherri Herring, former deputy court clerk, could not be traced to a deposit.

The City discontinued the practice of issuing manual receipts when the GFC receipting software program was implemented beginning in 2012. Per a deputy clerk, after the implementation of the program all collections were to be receipted in the receipting program. However, we did locate one carbon copy pre-numbered receipt book that was used during our audit period.

In our review of the one receipt book available, we identified only one court receipt which reflected \$542 in cash received by Sherri Herring on June 20, 2012. Receipt #813481 included a notation of “20120322” on the receipt which was verified as a court docket number, indicating it was for a court related payment. We were unable to trace the \$542 in cash received to a corresponding deposit.



DISCLAIMER

In this report there may be references to state statutes and 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.



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