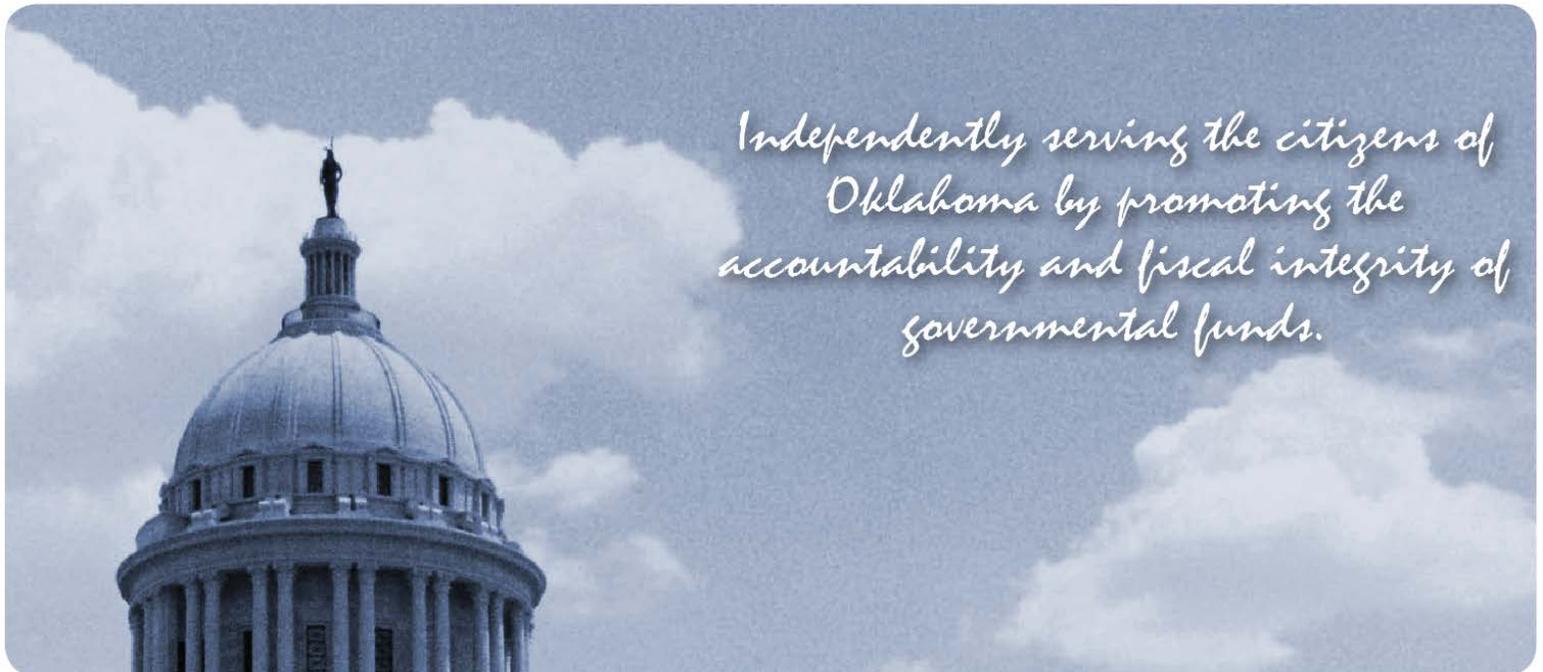


BOARD REQUEST

TOWN OF COYLE

February 1, 2018



*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 COYLE
LOGAN COUNTY, OKLAHOMA
BOARD REQUEST
FEBRUARY 1, 2018

This publication, issued by the Oklahoma State Auditor & Inspector's Office as authorized by **74 O.S. § 227.8**, has not been printed, but is available on the agency's website (www.sai.ok.gov) and in the Oklahoma Department of Libraries' Publications Clearinghouse Digital Collection (digitalprairie.ok.gov/cdm/search/collection/audits) pursuant to **65 O.S. § 3-114**.



Executive
Summary

WHY WE CONDUCTED THE AUDIT

Our audit was performed in response to a request by the Town Board of Trustees, as allowed by **74 O.S. § 227.8**. The objectives of the audit included a review of payroll, the sale of Town assets, possible misuse of debit cards, and possible mismanagement of petty cash. The scope of the audit was July 1, 2014 to July 31, 2016. However, when the examination warranted, this scope was expanded.

KEY FINDINGS

Payroll (Page 3)

- Clerk-Treasurer Kelli Evans received \$1,727.90 in improper compensation by way of two extra payroll checks.
- Payroll taxes were not withheld from payroll checks during a two-month period, which resulted in Clerk-Treasurer Kelli Evans and Mayor Kristi Schroeder receiving extra compensation of \$285.08 and \$11.48, respectively.
- Between July 2014 and July 2016, the paychecks of Clerk-Treasurer Kelli Evans and water operators Chris Neilson and Israel Cummings were issued from one day to 21 days early.
- Israel Cummings, the water operator, was paid \$419.40 for accrued leave not allowed under the Town's Personnel Policies and Procedures.
- A change of pay periods for employees, from twice per month to bi-weekly, resulted in extra compensation for Clerk-Treasurer Kelli Evans and Water Operator Chris Neilson, of approximately \$175 and \$180, respectively.

Town Assets (Page 10)

- John Schroeder, Mayor Kristi Schroeder's husband, was awarded the bid for the sale of a "Police Unit" for \$20. The ownership and title of the vehicle were then transferred directly from the Town to a third party for \$1,300.
- Chris Neilson, the Town's/CPWA's water operator, co-purchased a truck from the Town, in violation of state law.
- Bid documents were not kept on file for the sale of four Town vehicles, as required by law.



Executive
Summary
(continued)

Debit Cards (Page 14)

- Receipts were not maintained for 72 of 118 debit card transactions totaling \$9,420.98.
- The Fire Department paid \$958 for a December 2015 holiday party.
- The Fire Department expended \$738.54 for food and drink items with no documentation of a municipal purpose.
- Eighteen of 25 debit card transactions reviewed were not supported by purchase orders.
- Trustees occasionally signed or initialed blank purchase orders and checks.

Petty Cash (Page 18)

- The petty cash fund and the change drawer were comingled, and transaction and receipt documentation was not maintained, resulting in an inability to properly account for petty cash. Of the \$2,252.50 of petty cash reimbursements between September 2014 and April 2016, supporting documentation could not be provided for \$2,115.57.

Other Issues (Page 20)

- The Town Board appears to have committed an act of nepotism by hiring Christie Calvert, sister-in-law of Trustee Grant Cummings, as the town clerk-treasurer.
- Thirteen of 25 payments made to Whitnah Excavating, the vendor for water/wastewater services and mowing/landscaping services, were issued before the dates on the respective invoices.
- Instead of issuing purchase orders for each individual purchase, the Town encumbered blanket purchase orders for the total amount of each category defined in the Town's annual budget.
- The Fire Department maintains a bank account outside of the authority of the Town, and not all financial activity of the Department was reported to, or approved by, the Board.



Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

February 1, 2018

To the Board of Trustees and the Citizens of the Town of Coyle:

Pursuant to your request and in accordance with **74 O.S. § 227.8**, we performed a special investigation of the Town of Coyle for the period of July 1, 2014 to July 31, 2016. However, when the examination warranted, this scope was expanded.

The objectives of our investigation primarily included, but were not limited to, the concerns noted in your request letter. The results of our investigation, related to these objectives, are presented in the accompanying report.

Because our procedures did 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 Coyle.

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

This report is addressed to, and is for the information and use of, the town officials and the citizens of the Town of Coyle. This report is also a public document pursuant to the Oklahoma Open Records Act, **51 O.S. §§ 24A.1, et seq.**

Sincerely,

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

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

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TOWN OFFICIALS
(as of June 30, 2016)

Kristie SchroederTrustee / Mayor
Grant CummingsTrustee
Carl LongTrustee
Kelli Evans Clerk-Treasurer

INTRODUCTION

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

The Town Board of Trustees (Board) consists of three trustees, who are elected at large. The Town's Code of Ordinances specifies that the town trustees are elected according to the provisions of **§§ 12-101, et seq.**, but the Town's practice has been to elect them at public town meetings, as outlined in **§§ 16-301, et seq.** The Board needs to correct either its ordinances or its practice, of which the SA&I has informed the Board.

The Coyle Public Works Authority (CPWA) is a public trust established under **60 O.S. §§ 176, et seq.** The town trustees serve as the CPWA trustees. The CPWA operates services which provide water and sewer, and contracts garbage service, for the residents of the Town.

The Coyle Educational Facilities Authority (CEFA) is a public trust established under **60 O.S. §§ 176, et seq.** The town trustees serve as the CEFA trustees. Upon its creation in December 2011, CEFA issued \$3,670,000 in bonds for the benefit of the Coyle Public Schools District.

The Coyle Volunteer Fire Department is a department of the Town under the authority of the Board, as outlined in **11 O.S. §§ 29-201, et seq.** The fire chief and the assistant fire chief answer directly to the Board and are responsible for carrying out the Board's directives.

BACKGROUND

On July 27, 2016, the Board¹ voted to request an “investigation of financial records of the Town of Coyle” by the Office of State Auditor and Inspector (SA&I).

Based on the Town’s official request, and through follow-up discussions and interviews with town officials, SA&I defined the following as the objectives of the audit:

- I. Determine if improper payroll transactions occurred.
- II. Determine if town officials improperly purchased town assets.
- III. Evaluate potential misuse of debit cards.
- IV. Evaluate possible mismanagement of petty cash.

In addition to these objectives, other areas that came to SA&I’s attention during the investigation are addressed under “Other Issues”.

¹ At the time of the vote, the Board consisted of only two members, Grant Cummings and Carl Long.

OBJECTIVE I Determine if improper payroll transactions occurred.

Summary of Findings:

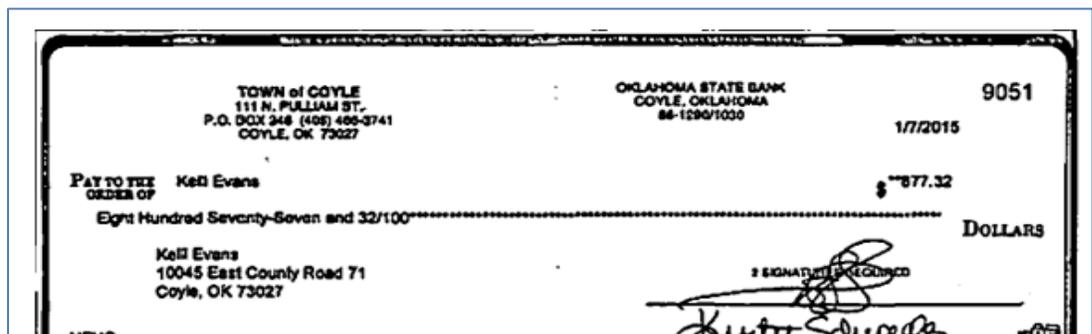
- Clerk-Treasurer Kelli Evans received \$1,727.90 in improper compensation by way of two extra payroll checks.
- Payroll taxes were not withheld from payroll checks during a two-month period, which resulted in Clerk-Treasurer Kelli Evans and Mayor Kristi Schroeder receiving extra compensation in the amounts of \$285.08 and \$11.48, respectively.
- Between July 2014 and July 2016, the paychecks for Clerk-Treasurer Kelli Evans and water operators Chris Neilson and Israel Cummings, were issued from one day to 21 days early.
- Israel Cummings, the water operator, was paid \$419.40 for accrued leave not allowed under the Town's Personnel Policies and Procedures.
- A change of pay periods for employees, from twice per month to bi-weekly, resulted in extra compensation for Clerk-Treasurer Kelli Evans and Water Operator Chris Neilson, of approximately \$175 and \$180, respectively.

Finding

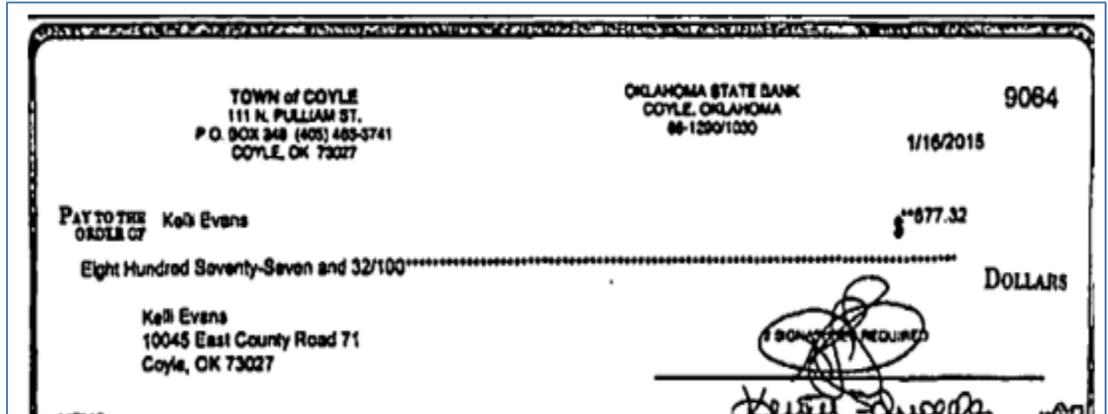
Clerk-Treasurer Kelli Evans received \$1,727.90 in improper compensation by way of two extra payroll checks.

First Check

Kelli Evans received check 9051, in the amount of \$877.32, dated January 7, 2015. The check was noted as being pay for pay period 01/01/2015 - 01/16/2015. According to Evans this check was an advance on her regular payroll.



The dates of check 9051 did not correspond with the regular pay period, and Evans was subsequently paid \$877.32 by way of check 9064, dated January 16, 2015, for the regular pay period of 1/3/2015 - 1/16/2015. Based on these payments and dates, check 9051 appears to not be an “advance” but an extra, improper payroll payment.

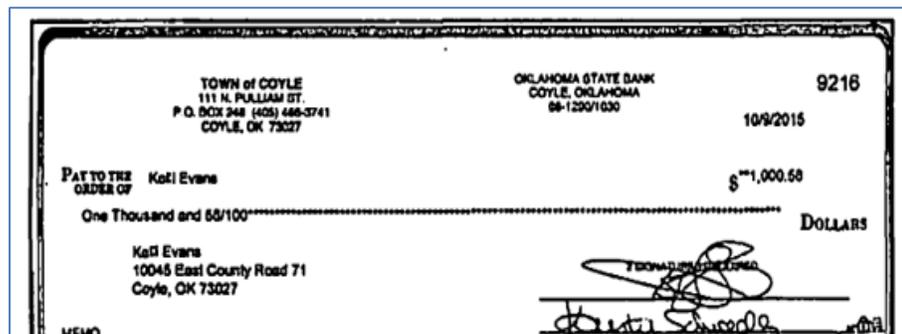


According to Evans, she paid back check 9051 as an “advance”, but town records reflected that only \$150² of the \$877.32 was repaid, resulting in improper extra compensation of \$727.32.

The January 2015 payroll for Evans was encumbered on Purchase Order 20544 dated January 7, 2015. The purchase order reflected alterations and corrections, which according to both Trustee Carl Long and Grant Cummings were added after their approval.³

Second Check

Evans received check 9216, in the amount of \$1,000.58, dated October 9, 2015, as pay for pay period 10/10/2015 - 10/23/2015. However, on October 23, 2015, check 9218 was also issued to Evans for “Pay Period: 10/10/2015 - 10/23/2015”.



² \$50 was deducted from three subsequent paychecks.
³ See Purchase Order 20544 at Exhibit 1

A paystub for check 9216 was located at Town Hall, but was not attached to any corresponding time card and had “void” handwritten on it. The paystub reflected 10/10/2015 - 10/23/2015 as the pay period.

TOWN of COYLE		SSN	Status (Fed/State)	Allowances/Extra
Employee Kelli Evans, 10045 East County Road 71, Coyle, OK 73027		***-**-8328	Don't Withhold/Exempt	Fed-0/0/OK-0
Earnings and Hours		Qty	Rate	Current
Salary				YTD Amount
Hourly Vacation				
Payroll Advance				
Treasurer Stipend				
Taxes		Current	YTD Amount	
Medicare Employee Addl Tax				
Federal Withholding				
Social Security Employee				
Medicare Employee				
OK - Withholding				
Adjustments to Net Pay		Current	YTD Amount	
Advance Repay General				
Mileage Reimbursement				
Net Pay				

9216

TOWN OF COYLE, PO BOX 248, COYLE, OK 73027, PHONE (405) 466-3741

Powered by Intuit Payroll

Check 9218 reflected the same pay period as check 9216: however, an accompanying time card and paystub were located in support of check 9218.

TOWN of COYLE		SSN	Status (Fed/State)	Allowances/Extra
Employee Kelli Evans, 10045 East County Road 71, Coyle, OK 73027		***-**-8328	Don't Withhold/Exempt	Fed-0/0/OK-0
Earnings and Hours		Qty	Rate	Current
Salary				YTD Amount
Hourly Vacation				
Payroll Advance				
Treasurer Stipend				
Taxes		Current	YTD Amount	
Medicare Employee Addl Tax				
Federal Withholding				
Social Security Employee				
Medicare Employee				
OK - Withholding				
Adjustments to Net Pay		Current	YTD Amount	
Advance Repay General				
Mileage Reimbursement				
Net Pay				

9218

TOWN OF COYLE, PO BOX 248, COYLE, OK 73027, PHONE (405) 466-3741

Powered by Intuit Payroll

TOWN OF COYLE **OKLAHOMA STATE BANK** **9218**

111 N. PULLIAM ST. COYLE, OKLAHOMA 10/23/2015

P.O. BOX 248 (405) 466-3741 86.82

COYLE, OK 73027 43.05

PAY TO THE ORDER OF Kelli Evans \$1,000.57

One Thousand and 57/100..... DOLLARS

Kelli Evans 09.87

10045 East County Road 71 50.06

Coyle, OK 73027 23.58

MEMO 26.42

22.06

UPUNCH EMPLOYEE TIME CARD

NAME **KELLI EVANS**

PAYROLL ID PAY PERIOD

REG. OT1 OT2 PAY RATE 1 GROSS

10-12-10-23

Evans could not explain the extra payment. SA&I found no evidence of any attempt to repay the \$1,000.58. It appears that check 9216 resulted in \$1,000.58 of improper compensation to Evans.

Summary

Check 9051, which resulted in extra compensation of \$727.32⁴, and check 9216 for \$1,000.58 appeared to be improper compensation paid to Evans, in apparent violation of **19 O.S. § 641**, which states in relevant part:

If any...officer or person charged with the collection, receipt, safekeeping, transfer or disbursement of the public money, or any part thereof, belonging to...any town...of the state shall convert to the officer's or person's own use or to the use of any other person...body corporate or other association, in any way whatever, any of such public money, or any other funds, property, bonds, securities, assets or effects of any kind received, controlled or held by such officer or person by virtue of such office or public trust for safekeeping, transfer or disbursement, or in any other way or manner, or for any other purpose...or if any person shall advise, aid, or in any manner knowingly participate in such act, such...officer or person shall be guilty of an embezzlement.

Finding

Payroll taxes were not withheld from payroll checks during a two-month period, which resulted in Clerk-Treasurer Kelli Evans and Mayor Kristi Schroeder receiving extra compensation in the amounts of \$285.08 and \$11.48, respectively.

From April 2016 through June 2016, payroll taxes were not withheld from six of Evans' payroll checks and two of each of the town trustees' checks.

According to Evans, the Town's computer software subscription expired in April, and taxes were no longer automatically withheld from the payroll checks, resulting in the withholding errors.

Extra taxes were withheld from Evans' check on July 15, 2016, which appears to have corrected a portion of the taxes not previously withheld, leaving \$285.08 in extra income.

Kristie Schroeder did not receive a paycheck for June because she was no longer a town official. As such, it appears that she was overpaid by the total of the taxes that were not withheld for April and May 2016, totaling \$11.48.

Extra taxes were withheld from Trustee Grant Cummings' and Trustee Carl Long's checks in July, which corrected the taxes not withheld the prior two months.

⁴ Check 9051 was for \$877.32 but Evans repaid \$150 for a remaining extra compensation of \$727.32.

Finding

Between July 2014 and July 2016, the paychecks for Clerk-Treasurer Kelli Evans and water operators Chris Neilson and Israel Cummings, were issued from one day to 21 days early.

Evans received 55⁵ paychecks between July 2014 and July 2016. Of those, 42 were issued early, or prior to the end of the respective pay periods.

Following are the dates of the 55 paychecks that Evans received, with those issued early highlighted in blue and those issued improperly highlighted in gold.

Kelli Evans					
Pay Period ending	Paycheck date	Pay Period ending	Paycheck date	Pay Period ending	Paycheck date
7/31/2014	7/30/2014	4/10/2015	4/9/2015	12/4/2015	12/2/2015
8/15/2014	8/14/2014	4/24/2015	4/20/2015	12/18/2015	12/11/2015
8/31/2014	8/29/2014	5/8/2015	5/8/2015	1/1/2016	12/23/2015
9/15/2014	9/13/2014	5/22/2015	5/19/2015	1/15/2016	1/5/2016
9/30/2014	9/26/2014	6/5/2015	6/3/2015	1/29/2016	1/15/2016
10/10/2014	10/10/2014	6/19/2015	6/18/2015	2/12/2016	2/2/2016
10/24/2014	10/24/2014	7/3/2015	6/29/2015	2/26/2016	2/17/2016
11/7/2014	11/7/2014	7/17/2015	7/7/2015	3/11/2016	3/2/2016
11/21/2014	11/21/2014	7/31/2015	7/15/2015	3/25/2016	3/7/2016
12/5/2014	12/5/2014	8/14/2015	8/1/2015	4/8/2016	4/1/2016
12/19/2014	12/18/2014	8/28/2015	8/7/2015	4/22/2016	4/7/2016
1/2/2015	12/31/2014	9/11/2015	9/4/2015	5/6/2016	4/27/2016
(none)	1/7/2015	9/25/2015	9/16/2015	5/20/2016	5/4/2016
1/16/2015	1/16/2015	10/9/2015	10/2/2015	6/3/2016	5/19/2016
1/30/2015	1/28/2015	(none)	10/9/2015	6/17/2016	6/2/2016
2/13/2015	2/13/2015	10/23/2015	10/23/2015	7/1/2016	6/17/2016
2/27/2015	2/24/2015	11/6/2015	11/6/2015	7/15/2016	7/1/2016
3/13/2015	3/13/2015	11/20/2015	11/17/2015	7/29/2016	7/15/2016
3/27/2015	3/24/2015				

During the same time period, Chris Neilson received six of 14 paychecks early and Israel Cummings received six of nine paychecks early.

⁵ Two of the paychecks, issued on the dates highlighted in gold in the table, were not legitimate as discussed in the previous finding.

Chris Neilson	
Pay Period ending	Paycheck date
8/15/2014	8/14/2014
8/31/2014	8/29/2014
9/15/2014	9/13/2014
9/30/2014	9/26/2014
10/10/2014	10/10/2014
10/24/2014	10/24/2014
11/7/2014	11/7/2014
11/21/2014	11/21/2014
12/5/2014	12/5/2014
12/19/2014	12/18/2014
1/2/2015	1/2/2015
1/16/2015	1/16/2015
1/30/2015	1/28/2015
2/13/2015	2/13/2015

Israel Cummings	
Pay Period ending	Paycheck date
2/27/2015	2/27/2015
3/13/2015	3/13/2015
3/27/2015	3/24/2015
4/10/2015	4/9/2015
4/24/2015	4/20/2015
5/8/2015	5/8/2015
5/22/2015	5/19/2015
6/5/2015	6/3/2015
6/19/2015	6/15/2015

The Oklahoma Constitution prohibits towns from paying employees in advance of work performed. Numerous supporting Attorney General Opinions⁶ reflect that the payment of claims prior to the performance of the work performed would be a violation of the Oklahoma Constitution, **Article 10 § 17** which states in part:

The Legislature shall not authorize any...town...to loan its credit to any corporation, association, or individual.

Finding

Israel Cummings, the water operator, was paid \$419.40 for accrued leave not allowed under the Town’s Personnel Policies and Procedures.

According to personnel policies and procedures, each employee earns one-half day of both vacation and sick leave each month during the first year of employment. If an employee completes 12 months of continuous employment, they can be compensated for any unused vacation leave upon separation of employment, but not for unused sick leave.

Israel Cummings worked approximately four months, accumulating 18 hours of vacation leave and 18 hours of sick leave. It appears as part of his final paycheck Cummings was paid \$209.70 for the accrued vacation leave and \$209.70 for the accrued sick leave. Since Cummings had not completed 12 months of continuous employment, neither payment was allowable, resulting in \$419.40 of improper pay.

⁶ 1981 OK AG 323; 1984 OK AG 87; 1997 OK AG 78

Finding

A change of pay periods for employees, from twice per month to bi-weekly, resulted in extra compensation for Clerk-Treasurer Kelli Evans and Water Operator Chris Neilson, of approximately \$175 and \$180, respectively.

The Town's pay period was changed at the end of September 2014, from twice per month to bi-weekly. According to Evans, she and Trustee Kristie Schroeder discussed changing the pay period, and Schroeder agreed that it should be done. However, meeting minutes did not reflect approval or discussion of the change by the Board. Trustees Schroeder, Long, and Cummings did not recall discussing or approving the change in a Board meeting.

Neither the Town's Personnel Policies and Procedures manual nor the Town's Code of Ordinances addressed employee pay periods. Having a bi-weekly pay period instead of a twice per month pay period resulted in employees receiving two extra paychecks in a 12-month period.

During the pay-period changeover, two pay periods overlapped by four days, September 27-30. This overlap resulted in Evans and Neilson being paid approximately \$175 and \$180, respectively, in extra compensation.

OBJECTIVE II Determine if town officials improperly purchased town assets.

Summary of Findings:

- **John Schroeder, Mayor Kristi Schroeder’s husband, was awarded the bid for the sale of a “Police Unit” for \$20. The ownership and title of the vehicle were then transferred directly from the Town to a third party for \$1,300.**
- **Chris Neilson, the Town’s/CPWA’s water operator, co-purchased a truck from the Town, in violation of state law.**
- **Bid documents were not kept on file for the sale of four Town vehicles, as required by law.**

Finding

John Schroeder, Mayor Kristi Schroeder’s husband, was awarded the bid for the sale of a “Police Unit” for \$20. The ownership and title of the vehicle were then transferred directly from the Town to a third party for \$1,300.

On March 13, 2014, the Town Board voted to solicit bids for the sale of two “Police Units”. According to meeting minutes, the cars were to be sold by way of sealed bids. A bid solicitation was advertised in the newspaper on March 18, 2014.

The Board did not specify minimum bids for the police units. Although not required to do so, other vehicles previously sold by the Town through sealed bids did have minimum-bid requirements.

The Board opened bids on April 10, 2014. A 2005 Crown Victoria Police Unit, with 123,000 miles on it, was awarded to the only bidder for \$505. The title to the vehicle was assigned to the buyer on April 11, 2014.

A 2006 Crown Victoria Police Unit, with 114,505 miles on it (shown at right) was awarded to the only bidder, John Schroeder, Mayor Kristie Schroeder’s husband, for \$20.



The 2006 car title was not assigned to John Schroeder. Instead, Kristie Schroeder, in her capacity as mayor, assigned ownership of the car directly to a third party. The assigned title reflected a sales price of \$1,300, the price for which John Schroeder sold the car. He initially advertised the car on Craigslist seeking \$2,000.

IF REGISTERED OWNER (SELLER) IS A LICENSED DEALER, PLACE OKLAHOMA MOTOR VEHICLE TAX STAMP HERE

ASSIGNMENT OF TITLE BY REGISTERED OWNER (If Dealer, List License # Here: _____)

I/we hereby assign and warrant ownership of the vehicle described on this certificate to the following, subject only to the liens or encumbrances, if any, properly noted on this certificate.

Purchaser(s) Name (Type or Print): _____

Purchaser(s) Complete Address: _____

Actual Purchase Price of Vehicle: 1300.00 \$

I certify to the best of my knowledge that the ODOMETER READING reflected on the vehicle's odometer and listed below is the ACTUAL MILEAGE of the vehicle UNLESS one of the accompanying statements is checked:

114505 (NO TENTHS) 1 The odometer has exceeded its mechanical limits. 2 The odometer reading is NOT the actual mileage. Warning - Odometer Malfunction

Signature of Seller(s): Kristie Schroeder Printed Name of Seller(s): Kristie Schroeder

Subscribed and Sworn to Before me this 11th Day of April, 2014

Notary Public: Lorraine Mabee Commission Expiration: June 23, 2017

LORRAINE MABEE
Notary Public

The ownership of the car went directly from the Town to a third party, with Schroeder receiving the profit. Title **19 O.S. § 641** prohibits town officers from converting funds or property to their own use or to the use of any other person, or from knowingly participating in such an act.

The statute states in part:

If any officer or person charged with the collection, receipt, safekeeping, transfer or disbursement of the public money, or any part thereof, belonging... to any... town... shall convert to the officer's or person's own use or to the use of any other person, body corporate or other association, in any way whatever, any of such public money, or any other funds, property, bonds, securities, assets or effects of any kind received, controlled or held by such officer or person by virtue of such office or public trust for safekeeping, transfer or disbursement, or in any other way or manner, or for any other purpose;or in any other manner or form whatever; ... or if any person shall advise, aid, or in any manner knowingly participate in such act, such county treasurer, or other officer or person shall be guilty of an embezzlement.

Finding

Chris Neilson, the Town's/CPWA's water operator, co-purchased a truck from the Town, in violation of state law.

On May 8, 2014, the Board voted to solicit bids for the sale of a 1977 Ford two-ton truck, requiring a minimum bid of \$500.

John Schroeder, spouse of Mayor Kristie Schroeder, submitted a bid of \$525 for the truck, which the Board accepted on June 12, 2014. No other bids were received.

Sealed bids: Ford Pickup & Ford 2-ton. truck . One bid on the two ton truck of 525.00 was received by Mr. John Schroeder. No bids on ford pickup.

A deposit into the Town's General Fund account reflected that a \$375 check had been deposited for the truck. There was an additional \$150 cash deposited with no information concerning its source.⁷ The deposit slip lists the \$375 as being from "Schroeder" and "Neilson".

Deposit Ticket	
OKLAHOMA STATE BANK	
Date: 6-16-14	
Please to sure that all items are properly endorsed.	
CURRENCY	DOLLARS CENTS
	150 00
COIN	
CHECKS (SEE BACK)	
ONE	375 00
Sch Schroeder	375 00
Neilson	
77 Ford 2ton	

On June 16, 2014, Kristie Schroeder assigned, on behalf of the Town, the truck's title to John Schroeder "and/or" Chris Neilson. Neilson was the Town/CPWA water operator at the time, hired by the Town in January 2014.

ASSIGNMENT OF TITLE BY REGISTERED OWNER (If Dealer, List License # Here: _____)

IF REGISTERED OWNER (SELLER) IS A LICENSED DEALER, PLACE OKLAHOMA MOTOR VEHICLE TAX STAMP HERE

I/we hereby assign and warrant ownership of the vehicle described on this certificate to the following, subject only to liens or encumbrances, if any, properly noted on this certificate.

Purchaser(s) Name (Type or Print): John Schroeder and or Chris Neilson

Purchaser(s) Complete Address: P.O. Box 391 Coyle 73027

Actual Purchase Price of Vehicle: \$525.00

I certify to the best of my knowledge that the ODOMETER READING reflected on the vehicle's odometer and listed below is the ACTUAL MILEAGE of the vehicle UNLESS one of the accompanying statements is checked:

(NO TENTHS) 1. The odometer has exceeded its mechanical limits

2. The odometer reading is NOT the actual mileage. Warning — Odometer Discrepancy

Signature of Seller(s): Kristie Schroeder Printed Name of Seller(s): Kristie Schroeder

Subscribed and Sworn to Before me this 14th Day of June, 2014

Notary Public: Lorraine McGee Commission Expiration: June 29, 2017

Signature of Buyer(s): John Schroeder Printed Name of Buyer(s): John Schroeder

Notarization required only of seller's signature(s). Affix notary seal/stamp to the right.

LORRAINE MCGEE
Notary Public
09005283

⁷ The \$375 plus the cash of \$150 would equal the \$525 selling price of the truck.

Because Chris Neilson is an employee of the Town, it appears his involvement in the purchase of the Town's truck appears to have violated **11 O.S. § 8-113(A)(1)**, which provides, in relevant part:

Except as otherwise provided by this section, no municipal officer or employee...shall engage in selling, buying, or leasing property, real or personal, to or from the municipality.

Finding

Bid documents were not kept on file for the sale of four Town vehicles, as required by law.

No bid documents were on file at Town Hall pertaining to the sale of a 1977 Chevrolet fire-engine truck, the 2005 Ford Crown Victoria police car, the 2006 Ford Crown Victoria police car, or the 1977 Ford two-ton truck.

Title **11 O.S. § 8-113(D)** requires towns to keep all bid documents on file for at least five years. The statute provides, in relevant part:

All bids, both successful and unsuccessful, and all contracts and required bonds shall be placed on file and maintained in the main office of the awarding municipality for a period of five (5) years from the date of opening of bids or for a period of three (3) years from the date of completion of the contract, whichever is longer, shall be open to public inspection and shall be matters of public record.

As a result of bid documents not being maintained, it could not be determined if fair and proper bidding procedures were performed.

OBJECTIVE III Evaluate potential misuse of debit cards.

Summary of Findings:

- Receipts were not maintained for 72 of 118 debit card transactions totaling \$9,420.98.
- The Fire Department paid \$958 for a December 2015 holiday party.
- The Fire Department expended \$738.54 for food and drink items with no documentation of a municipal purpose.
- Eighteen of 25 debit card transactions reviewed were not supported by purchase orders.
- Trustees occasionally signed or initialed blank purchase orders and checks.

Background

On September 11, 2014, the Town Board approved obtaining debit cards for the General Fund and the CPWA bank accounts “to be used for purchases necessary for carrying out business”. Responsibility for both cards was assigned to Kelli Evans.

Bank Cards

Discussion was conducted regarding the need to have bank debit cards assigned for the Town General and Town CPWA accounts held at Oklahoma State Bank to be used for purchases necessary for carrying out business. After discussion Vice Mayor Long made a motion to approve obtaining debit cards for both accounts and assigning responsibility of both cards to Kelli Evans Clerk/Treasurer.

On February 12, 2015, the Board approved acquiring a debit card for the Fire Department account “for miscellaneous purchases”. Responsibility for this card was also assigned to Evans.

Fire Department

Chief Galbraith requested consideration for a debit card to be issued from the Fire Department account and kept with the Treasurer, Kelli Evans for the account held at Payne County Bank. Mayor Schroeder made a motion to allow the debit card to be ordered.

According to Evans, she maintained the Town and CPWA debit cards in a petty cash box at Town Hall and the Fire Department debit card was held by the fire chief and assistant fire chief.

Finding

Receipts were not maintained for 72 of 118 debit card transactions totaling \$9,420.98.

Title **51 O.S. § 24A.4** requires that supporting documentation for the expenditure of public funds be maintained. The statute provides:

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

Between October 2014 and September 2016, 23 of the 25 debit card transactions reviewed from the General Fund and CPWA bank accounts, and 49 of the 93 debit card transactions reviewed from the Fire Department bank account, were not supported by receipts. The undocumented transactions totaled \$9,420.98.

These expenditures included transactions with Sam’s Club, Lowe’s, Best Buy, Walmart, Dominoes, Party Galaxy, and Dollar Tree.

Without proper supporting documentation, the municipal purpose and validity of the items purchased could not be determined.

Finding

The Fire Department paid \$958 for a December 2015 holiday party.

The cost of a December 2015 holiday party held by the Fire Department included \$708.00 paid to Stables Café for food as well as \$200.00 paid to Academy Sports & Outdoors and \$50.00 paid to Bath & Body Works for ten \$25 gift cards.

According to the December 10, 2015, meeting minutes, the town trustees also planned to attend the party:

Holiday Party	Due to the late timing, the Board will not hold a holiday party this year, but instead will attend the Fire Department party on December 17.
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Based on 2001 OK AG 30, the expenditure of funds for “meals and refreshments” from public funds may be allowable if such purpose is a “public purpose”. The Opinion further states:

Public funds can only be appropriated for a public purpose and must be used in furtherance of a governmental function as opposed to benefitting private individuals or groups.

The use of Town funds for a holiday party would appear to be for the benefit of a private group in violation of law.

Trustee Carl Long stated that he believed that funds used for parties were donations. However, no records were found or provided that reflected that any donations were received or used for the holiday party.

If the Town receives donations from individuals for the specific purpose of hosting parties for town employees and officials, records should be maintained that clearly reflect all such donations. Written receipts should be provided to the individual donors that clearly delineate the purpose of the donations.

Finding

The Fire Department expended \$738.54 for food and drink items with no documentation of a municipal purpose.

Fire Department funds totaling \$738.54 were expended for food and/or drink items, which consisted of the following:

- \$515.49 – Sam’s Club
- \$102.53 – Café 33 & Steakhouse
- \$41.05 – Simone’s Café
- \$30.22 – Legends Food & Sport
- \$27.33 – Mama B’s Eatery
- \$21.92 – Walmart

As noted in the previous finding, based on 2001 OK AG 30, the expenditure of funds for “meals and refreshments” from public funds may be allowable if such purpose is for a public purpose. However, without proper supporting documentation as to the purposes of the expenditures, it could not be determined if the costs of the meals, food, and drinks purchased by the Town were for an appropriate municipal purpose.

The Board should define the Town’s policy regarding the expenditure of funds for meals, refreshments, etc., and town employees should document the purposes of expenditures when made for these items, incurring expenses when only for a public purpose.

Finding

Eighteen of 25 debit card transactions reviewed were not supported by purchase orders.

General Fund and CPWA expenditures were made without transactions being properly encumbered on supporting purchase orders.

According to **62 O.S. 310.1(A)**:

Unless otherwise provided by ordinance...designated employees of cities and towns...having authority to purchase or contract against all budget appropriation accounts as authorized by law shall submit all purchase orders and contracts prior to the time the commitment is made...

All transactions should be encumbered prior to the time a purchase is made on a requisition and/or purchase order. Each purchase order should then be properly approved by the Board.

The Town should establish procedures to help insure that all purchases, including debit card transactions, are properly documented, approved, and timely encumbered through a purchase order process.

Finding

Trustees, on occasion, signed or initialed blank purchase orders and checks.

According to Trustee Grant Cummings, trustees routinely signed and/or initialed blank purchase orders and blank checks, leaving them with the clerk to complete the applicable transactions.

Blank documents should never be signed prior to their completion. Documents should only be signed and/or approved after they have been fully completed, and only when all supporting documentation is attached.

OBJECTIVE IV Evaluate possible mismanagement of petty cash.

Summary of Findings:

- **The petty cash fund and the change drawer were comingled, and transaction and receipt documentation was not maintained, resulting in an inability to properly account for petty cash. Of the \$2,252.50 of petty cash reimbursements between September 2014 and April 2016, supporting documentation could not be provided for \$2,115.57.**

Background

A town's petty cash fund should be a small amount of discretionary funds in the form of cash, used for incidental purchases. A town's change drawer should be maintained separately from petty cash, and be used for making change when the town receives cash payments such as utility collections, copying fees, etc.

A change drawer should maintain a consistent amount from day-to-day, while a petty cash fund would need replenished from time-to-time.

Finding

The petty cash fund and the change drawer were comingled, and transaction and receipt documentation was not maintained, resulting in an inability to properly account for petty cash. Of the \$2,252.50 of petty cash reimbursements made between September 2014 and April 2016, supporting documentation could not be provided for \$2,115.57.

Eight reimbursements totaling \$2,252.50 were all noted as petty cash or cash drawer replenishment payments made between September 2014 and April 2016. Receipts could not be provided to support the transactions as petty cash disbursements or as change drawer replenishments.

One vendor receipt was provided for \$18.83, and an additional \$118.10 of internally-created receipts were represented as support for petty cash expenditures, leaving \$2,115.57 of unaccounted for transactions.

Petty cash should be spent for municipal purposes only and reimbursed by properly-itemized receipts, as required by **11 O.S. § 17-102(D)**, which provides in relevant part:

A municipality shall have the authority to establish petty cash accounts in amounts established by the governing body for use in making payments for costs incurred in operating the municipality. The petty cash accounts shall be

reimbursed by utilizing properly itemized invoices or petty cash voucher slips...

Title **51 O.S. § 24A.4** requires records to be maintained for all expenditures, stating in relevant part:

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

When proper supporting documentation is not maintained, it cannot be determined or proven that expenditures were for municipal purposes and made in compliance with law.

OBJECTIVE V Other Issues

Summary of Findings:

- **The Town Board appears to have committed an act of nepotism by hiring Christie Calvert, sister-in-law of Trustee Grant Cummings, as the town clerk-treasurer.**
- **Thirteen of 25 payments made to Whitnah Excavating, the vendor for water/wastewater services and mowing/landscaping services, were issued before the dates on the respective invoices.**
- **Instead of issuing purchase orders for each individual purchase, the Town encumbered blanket purchase orders for the total amount of each category defined in the Town’s annual budget.**
- **The Fire Department maintains a bank account outside of the authority of the Town, and not all financial activity of the Department was reported to, or approved by, the Board.**

Nepotism

Finding

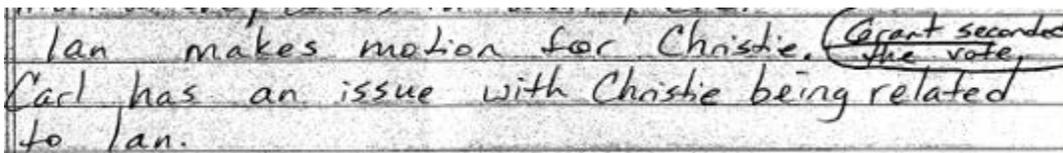
The Town Board appears to have committed an act of nepotism by hiring Christie Calvert, sister-in-law of Trustee Grant Cummings, as the town clerk-treasurer.

Prior to the September 2016 board meeting, the position of clerk-treasurer had been vacated. The minutes of the Board’s September 22, 2016, meeting reflect that the Board voted to hire Christie Calvert, a sister-in-law of Grant Cummings, as the new town clerk-treasurer. Per the official minutes, Trustee Ian King made the motion and Trustee Carl Long “Okayed” the vote for Christie Calvert as town clerk-treasurer.

Ian King makes a motion for Christie Calvert. Grant Cummings is unable to vote due to relation. Carl Long again pointed out issue with Christie being related to Grant. Carl okayed the vote

Long- Okayed
Motion Carried

However, the individual who recorded the handwritten minutes of the meeting, recorded that Long did not vote to hire Calvert. As shown in the handwritten notes below, King made the motion for "Christie" and "Grant [Cummings] seconded the vote."

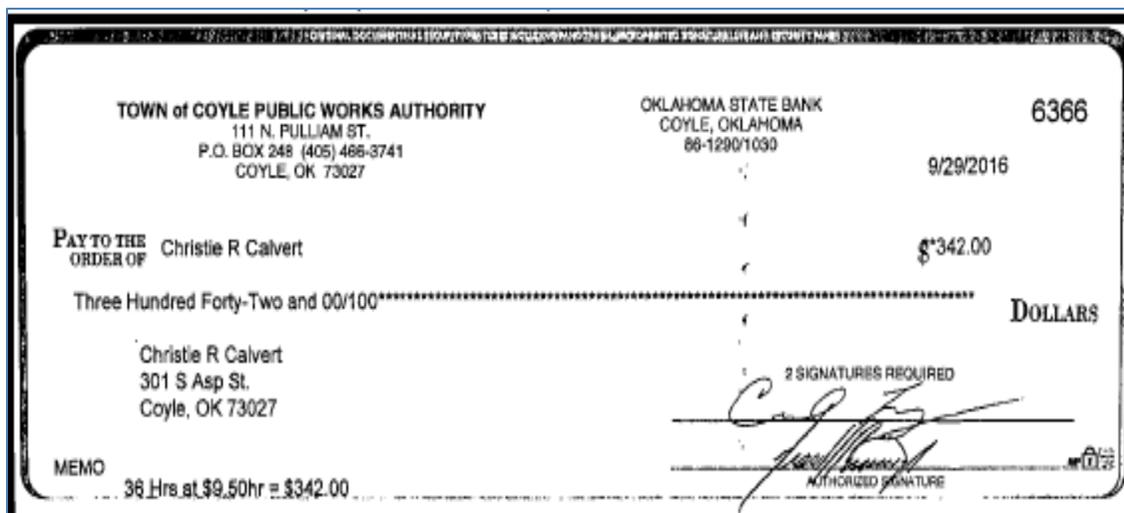


According to the individual taking the minutes, after the board meeting Cummings directed her to change her minutes to reflect that he did not vote to hire Calvert. The official minutes were prepared to reflect that Cummings did not vote for Calvert.

At the October 13, 2016, meeting, the Board voted *not* to approve the minutes from the September 22nd meeting "due to conflict".

**Council declined to approve minutes from September 22, 2016 special session due to conflict
Mayor King - motioned not to approve
Cummings - Seconded
Long - Aye
Motion Carried**

A time card on file reflected that Calvert was employed for five days, September 23 – 29, 2016, and was paid \$342.00 on check 6366.



Since Calvert was related to Cummings, it appears the hiring and paying of Calvert as the clerk-treasurer violated **11 O.S. § 8-106** which specifically defines nepotism for municipal government as follows:

No elected or appointed official or other authority of the municipal government shall appoint or elect any person related by affinity or consanguinity within the third degree to any governing body member or to himself or, in the case of a plural authority, to any one of its members to any office or position of profit in the municipal government.

Contract for Mowing and Water Operator Services

Finding

Thirteen of 25 payments made to Whitnah Excavating, the vendor for water/wastewater and mowing/landscaping services, were issued before the dates on the respective invoices.

Between July 2015 and September 2016, 13 of 25 checks issued to Whitnah Excavating were paid before the dates on the corresponding invoices.

Invoice Amount	Invoice Date	Check Date	Invoice Amount	Invoice Date	Check Date
\$900.00	7/13/2015	7/16/2015	\$1,050.00	5/7/2016	5/2/2016
\$1,115.00	7/23/2015	7/20/2015	\$1,050.00	5/13/2016	5/16/2016
\$1,050.00	8/5/2015	8/5/2015	\$1,050.00	5/27/2016	5/19/2016
\$650.00	8/17/2015	8/12/2015	\$1,115.00	6/10/2016	6/10/2016
\$1,050.00	8/31/2015	8/31/2015	\$260.00	6/9/2016	
\$500.00	9/4/2015	9/8/2015	\$1,050.00	6/23/2016	6/20/2016
\$1,050.00	9/16/2015	9/15/2015	\$1,050.00	7/11/2016	7/11/2016
\$1,180.00	10/5/2015	10/5/2015	\$1,050.00	7/22/2016	7/19/2016
\$1,050.00	11/2/2015	11/1/2015	\$1,100.00	8/5/2016	8/4/2016
\$900.00	12/12/2015	12/11/2015	\$1,603.00	8/15/2016	8/15/2016
\$1,310.00	3/17/2016	3/18/2016	\$1,155.00	8/31/2016	8/26/2016
\$280.00	4/5/2016	3/31/2016	\$1,405.00	8/31/2016	8/26/2016
\$1,180.00	4/18/2016	4/18/2016	\$1,090.00	9/24/2016	9/24/2016

Title **62 O.S. § 310.1(B)** requires that all invoices be examined by the Board **prior** to approving them for payment. Payment should not be made before an invoice is received, reviewed, and verified as to the validity of the goods received. The statute provides in relevant part:

After satisfactory delivery of the merchandise or completion of the contract, the supplier shall deliver an invoice...The appropriate officer shall attach the itemized invoice together with delivery tickets, freight tickets or other supporting information to the original of the purchase order and, after approving and signing said original copy of the purchase order, shall submit the invoices, the purchase order and other supporting data

for consideration for payment by the governing board. All invoices submitted shall be examined by the governing board to determine their legality. The governing board shall approve such invoices for payment in the amount the board determines just and correct.

Purchase Orders

Finding

Instead of issuing purchase orders for each individual purchase, the Town encumbered blanket purchase orders for the total amount of each category defined in the Town’s annual budget.

In FY2016, blanket⁸ purchase orders were encumbered for each individual category of the Town’s and the CPWA’s annual budgets. As shown in the example below, the category of “Office Supplies” was budgeted at \$4,000.00. Subsequently, Purchase Order 20880 was encumbered as a blanket purchase order for \$4,000 for “General Fund FY 15-16 Office Supplies”.

Operations	\$128,448.47
Office Supplies	\$ 4,000.00

Town of Coyle, Oklahoma		PURCHASE ORDER	
P. O. Box 248 Coyle, Oklahoma 73027 405/466-3741		No 20880	
THIS NUMBER MUST APPEAR ON ALL CORRESPONDENCE, INVOICES, SHIPPING PAPERS AND PACKAGES			
TO	OPERATIONS FY 15-16 OFFICE SUPPLIES	SHIP TO	GENERAL
DATE ORDERED	DATE WANTED	SHIP VIA	TERMS
7-1-15			
PLEASE ENTER OUR ORDER FOR THE FOLLOWING – TO BE SHIPPED AS DIRECTED:			
QTY. ORDERED	QTY. RECEIVED	DESCRIPTION	UNIT PRICE AMOUNT
			4,000 4000

Also in FY2016, the Street and Alley fund was budgeted at \$5,000, and Purchase Order 20888 was encumbered as a blanket purchase order for the entire annual budget amount of \$5,000.

Street/Alley	\$ 5,000.00
---------------------	--------------------

⁸ Statutes use the term “blanket” purchase order, the Town used the term “master”.

Town of Coyle, Oklahoma P. O. Box 248 Coyle, Oklahoma 73027 405/466-3741			PURCHASE ORDER No 20888		
THIS NUMBER MUST APPEAR ON ALL CORRESPONDENCE, INVOICES, SHIPPING PAPERS AND PACKAGES.					
TO	STREET / ALLEY MASTER FY 15+16			SHIP TO	GENERAL
DATE ORDERED	DATE WANTED	SHIP VIA	TERMS	F.O.B.	
-7-15					
PLEASE ENTER OUR ORDER FOR THE FOLLOWING — TO BE SHIPPED AS DIRECTED:					
QTY. ORDERED	QTY. RECEIVED	DESCRIPTION		UNIT PRICE	AMOUNT
				5000.00	

As defined in **62 O.S. § 310.8**, a Town may issue blanket purchase orders for “recurring purchases of goods or services”, however, purchase orders are to be issued to individual vendors *against* a budgeted amount, not for an entire budget category. All purchases to the encumbered vendor should be recorded against the purchase order reducing the amount owed and encumbered.

If not utilizing blanket purchase orders, the Town should follow purchasing procedures provided in **62 O.S. § 310.1** and **11 O.S. § 17-102**, which directs that every purchase order be submitted prior to the time a commitment is made and recorded as an encumbrance against the applicable budgeted amount.

Volunteer Fire Department

The Town of Coyle has a Volunteer Fire Department. As with any other department within the Town, the Volunteer Fire Department was established by the Board as authorized in **11 O.S. § 29-201**, and the Board is the governing body of the Department.

The *municipal governing body* may procure all necessary equipment for protection and prevention against fire and provide for the organization of a municipal fire department. The governing body may enact such ordinances, resolutions and regulations as may be necessary to establish and operate a fire department... [Emphasis added]

Additionally, under **11 O.S. § 12-106**, the powers of the board of trustees includes the appointment of a volunteer fire chief. Title **11 O.S. § 12-106** states in part:

All powers of a statutory town board of trustees town...shall be vested in the board of trustees. Without limitation of the foregoing, the board may: Appoint and remove, and confirm appointments of, designated town officers and employees as provided by law or ordinance.

Finding

The Fire Department maintains a bank account outside of the authority of the Town, and not all financial activity of the Department was reported to, or approved by, the Board.

As noted above, **11 O.S. § 29-201** charges the Board with the operation of the Fire Department. Fire Department employees should work under the direction of, and answer to, the Board.

However, all Fire Department financial activity was not administered through the Board. The Department maintained a bank account independent of Board oversight and appeared to make decisions concerning the expenditure of funds without Board oversight or approval.

Bank statements for the Fire Department bank account reflected that Chief Michael Galbraith and Assistant Chief Tim Bartram individually signed checks with no additional approval or oversight by the Board.

The Fire Department should not maintain a bank account that is not under the control of the Board. All checks paid with Town funds should be approved by the Board, and require two signatures, with at least one signature being that of a Board member.

Exhibit 1

Town of Coyle, Oklahoma
P. O. Box 248
Coyle, Oklahoma 73027
405/466-3741

PURCHASE ORDER
№ 20544

THIS NUMBER MUST APPEAR ON ALL CORRESPONDENCE, INVOICES, SHIPPING PAPERS AND PACKAGES.

TO: **KEUL EVANS**
~~2015~~ **2015 PAYROLL**
JAN

SHIP TO: **GENERAL**

DATE ORDERED	DATE WANTED	SHIP VIA	TERMS	F.O.B.
1/1/15				

PLEASE ENTER YOUR ORDER FOR THE FOLLOWING - TO BE SHIPPED AS DIRECTED:

QTY. ORDERED	QTY. RECEIVED	DESCRIPTION	UNIT PRICE	AMOUNT
		JAN 8 PAID TO 2015	877.32	
		JAN 15	877.32	
		JAN 30	877.32	

An invoice covering shipment or delivery shall be furnished to the TOWN OF COYLE at the time of delivery.

Department Head or Authorized Signature

It is hereby certified that the amount has been reserved in the above appropriation account for the purpose of meeting the cost of items covered by this Purchase Order.

CITY CLERK

I hereby certify that the amount of this order is within the unencumbered balance of the appropriation against which this order is issued. After reserving for this order there is an unencumbered balance of \$ _____

Date: **1/27**, 20**15**

CITY CLERK

CITY CLERK AUTHORIZED TO APPROVE ORDERS IN BEHALF OF CITY MANAGER

BY: **C2.**

PURCHASING AGENT

263196

CONDITIONS OF PURCHASE: ALL ITEMS ARE SUBJECT TO OUR INSPECTION AND APPROVAL. SHIPMENT WILL BE DELAYED FOR ANY REASON. ADVISE US IMMEDIATELY, STATING ALL THE NECESSARY FACTS, TO MAKE SURE YOUR APPLICATIONS CORRECTLY AND IF UNABLE TO COMPLETE ORDERS AS WRITTEN NOTIFY US PROMPTLY.

FORM 781-C
PRINTED IN U.S.A.

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OFFICE OF THE STATE AUDITOR & INSPECTOR
2300 N. LINCOLN BOULEVARD, ROOM 100
OKLAHOMA CITY, OK 73105-4896

WWW.SAI.OK.GOV