

**TOWN OF
DEPEW**

CREEK COUNTY

**JANUARY 1, 2001 THROUGH
JUNE 30, 2006**

SPECIAL AUDIT



Oklahoma State Auditor
& Inspector

TOWN OF DEPEW
CREEK COUNTY
SPECIAL AUDIT REPORT
JANUARY 1, 2001 THROUGH JUNE 30, 2006

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. Thirty-five copies have been prepared and distributed at a cost of \$33.00. Copies have been deposited with the Publications Clearinghouse of the Oklahoma Department of Libraries.



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

Steve Burrage, CPA
State Auditor and Inspector

September 17, 2008

Mr. Robert Talley, Acting Mayor
Town of Depew
P.O. Box 357
Depew, Oklahoma 74028

Transmitted herewith is the Special Audit Report of the Office of the Town of Depew. We performed our special audit in accordance with the requirements of **74 O.S. § 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,

STEVE BURRAGE, CPA
STATE AUDITOR & INSPECTOR

MICHELLE R. DAY, ESQ.
DEPUTY STATE AUDITOR & INSPECTOR

TABLE OF CONTENTS

	PAGE
BOARD OF TRUSTEES	4
STATE AUDITOR AND INSPECTOR'S REPORT	5
INTRODUCTION	6
OBJECTIVES, FINDINGS, AND RECOMMENDATIONS	7

BOARD OF TRUSTEES

Dionna Marker Mayor
Resigned May 2008

Robert Talley Acting Mayor

Ronnie Noe Trustee
Resigned February 2008

Mylora Tuttle Appointed and Sworn in February 2008

Linda Sellers Clerk/Treasurer

Jeanie Fisher Former Clerk/Treasurer

Jason Tinsley Former Public Works Director/Fire Chief



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

Steve Burrage, CPA
State Auditor and Inspector

Mr. Robert Talley, Acting Mayor
Board of Trustees
Town of Depew
P.O. Box 357
Depew, Oklahoma 74028

Dear Mr. Talley:

Pursuant to the Town Board of Trustees' request and in accordance with the requirements of **74 O.S. § 227.8**, we performed a special audit with respect to the Town of Depew, Creek County, for the period January 1, 2001 through June 30, 2006.

The objectives of our special audit primarily included, but were not limited to, the objectives expressed by the Board of Trustees. Our findings and recommendations 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 Town of Depew. 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 Town.

This report is intended solely for the information and use of the Town Board of Trustees, the District Attorney and the Administration of the Town 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,

STEVE BURRAGE, CPA
STATE AUDITOR & INSPECTOR

MICHELLE R. DAY, ESQ.
DEPUTY STATE AUDITOR & INSPECTOR

April 22, 2008

INTRODUCTION

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

11 O.S. § 12-101, states:

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

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

Pursuant to the Town Board of Trustees' (Board) request, the Oklahoma State Auditor and Inspector (OSAI) conducted a special audit of the records of the Town of Depew, primarily those records relating to the objectives expressed by the Board. The results of the special audit are in the following report.

OBJECTIVES, FINDINGS AND RECOMMENDATIONS

OBJECTIVE	Audit the expenditures from Town credit card accounts for the entire period that same were utilized.
------------------	---

FINDING OSAI reviewed the Town's Wal-Mart and Visa cards for the period January 1, 2001 through June 30, 2006. The credit cards were used for expenditures of the General fund and the Public Works Authority. The following is a summary of questionable expenditures for each of the credit cards.

Wal-Mart It appears there were four (4) credit cards issued to the Town of Depew. Itemized invoices indicated the buyer as 1, 2, 3, or 4. The Town was unable to identify which employee was assigned a number to determine the purchaser. Most of the monthly expenditures were in small amounts for office supplies; however, OSAI noted many expenditures for food, candy, beverages, etc. Some receipts that should have been available to support some of the credit card purchases were missing. The monthly statements did not provide a description of the items purchased. The Creek County District Attorney's Office subpoenaed these records from Wal-Mart; however, the vendor could not provide the descriptions due to the amount of time which had elapsed since these invoices were submitted for payment. From the Town's General and Public Works Authority funds, the following schedule is a summary of expenses OSAI questioned when reviewing invoices for Wal-Mart.

<u>Billing</u>	<u>Amount</u>	<u>Purpose</u>
07-12-01	\$ 118.33	Items were not described. No Receipt.
01-14-02	49.29	Pepsi, Mountain Dew, Coke, Dr. Pepper, Popcorn, Hot Chocolate, Peanut Oil
02-11-02	10.35	Jolly Ranchers, Lifesavers, Suckers, Hershey kisses, Chocolate Hearts
03-11-02	38.00	Soda
05-13-02	111.79	Items were not described. No Receipt,
06-10-02	34.65	Soda, Kiddie Mix, Chewy Mix, Muffins, Marshmallows, Cereal
08-12-02	10.75	Party Mix, Kiddie Mix, Soda
10-14-02	7.14	Kiddie Mix, Salt Water Taffy
11-11-02	87.09	Candy, Kiddie Mix, Soda, Apple/Cherry Turnovers, Country Gravy, Cookies, Honey Buns, Water, Taffy
12-09-02	10.96	Candy, Popcorn, Search-a-Word, Variety Word Find
01-13-03	60.18	Candy, Popcorn, Mixed Nuts, Chocolate Santas
04-14-03	10.01	Toy, Popcorn, Candy, Party Mix
05-12-03	26.05	Candy, Popcorn, Cereal, Powdered Beverage
06-09-03	3.61	Ice Cream, Candy

**TOWN OF DEPEW
CREEK COUNTY
SPECIAL AUDIT REPORT
JANUARY 1, 2001 THROUGH JUNE 30, 2006**

07-17-03	64.87	Popcorn, Cake Mixes, Icing, Powered Beverages, Potato Salad, Eggs, Pies, Pickles, Potato Chips, Dips
08-17-03	4.47	Hershey Kisses, Laffy Taffy
10-17-03	3.84	Kiddie Mix
11-17-03	20.02	Candy
12-17-03	178.80	Items were not described. No Receipt.
01-17-04	103.55	January Statement Missing.
02-17-04	155.14	Items were not described. No Receipt
03-17-04	58.62	Items were not described. No Receipt
04-22-04	<u>55.15</u>	Items were not described. No Receipt
	<u>\$1,222.66</u>	
*12-12-05	27.38	Candy for Fire Department Halloween
*01-09-05	124.43	Cutlery, plates, napkins, etc. for Christmas Dinner

* Purchase made by current Town Clerk, Linda Sellers

Actual receipts for these items were not maintained with the purchase orders or the attached invoices in order to verify the employee signing for the above purchases.

The former Clerk was the encumbering officer for the audit period until June 2004. Her responsibility was to ensure that all supporting documentation was attached to all purchase orders prior to Board approval and payment.

In addition, OSAI noted that sales tax was paid on some Wal-Mart invoices. This appears to be in conflict with **68 O.S. § 1356** which provides a sales tax exemption to governmental entities.

Visa

OSAI noted two (2) Visa cards belonging to the Town of Depew. The credit cards were used for the General and Public Works Authority funds. The Town was unable to provide the documentation or approval of which card was issued to which employee when used. The following schedule is a summary of questionable expenses for both accounts.

<u>Billing</u>	<u>Amount</u>	<u>Vendor</u>
04-08-02	\$ 17.21	Hillside Restaurant, Bristow, OK
06-10-02	25.14	Hillside Restaurant, Bristow, OK
06-10-02	10.53	Hillside Restaurant, Bristow, OK
09-09-02	19.11	Hillside Restaurant, Bristow, OK
10-14-02	19.81	Hillside Restaurant, Bristow, OK
11-01-02	10.42	Hillside Restaurant, Bristow, OK
12-09-02	23.27	Stroud IGA, Stroud, OK
01-13-03	20.53	Hillside Restaurant, Bristow, OK
01-13-03	21.52	Hillside Restaurant, Bristow, OK
02-10-03	15.07	Tally's Good Food, Tulsa, OK
05-12-03	29.32	Tally's Good Food, Tulsa OK **
06-09-03	10.05	Ralson's PDQ, Depew, OK

**TOWN OF DEPEW
CREEK COUNTY
SPECIAL AUDIT REPORT
JANUARY 1, 2001 THROUGH JUNE 30, 2006**

06-09-03	68.19	Rus Ribs, Bristow, OK ***
	23.55	Freddies Bar B Que, Sapulpa, OK ***
	105.04	Super H #4, Bristow, Ok ***
07-24-03	24.61	K's Hillside, Bristow, OK
11-24-03	23.04	Coach's Corner Café, Depew, OK
12-24-03	172.84	Super H #4 Bristow, OK
02-24-04	36.41	Coach's Corner Café, Depew, OK
02-24-04	35.37	Coach's Corner Café, Depew, OK
	22.87	Cracker Barrel, Edmond, OK
04-24-04	46.56	Coach's Corner Café, Depew, OK
05-20-04	<u>17.28</u>	Ryan's Family Steak House, Tulsa, OK
	<u>\$ 797.74</u>	

** Purchase Order number 1854W indicated that this expenditure was for "Visa dues", when in fact, it was for charges to Talley's Good Food.

*** Purchase Order number 2566 denoted "Street & Siren" when in fact, these charges were made at restaurants and a convenience store.

The invoices and purchase orders provided by the Town of Depew did not have receipts attached to describe the items purchased. Several purchase orders were missing, and the documents OSAI did find were scattered within a box. The former Clerk signed all of the purchase orders.

During the review, OSAI noted the Town had recently established internal controls pertaining to their credit card accounts. The current Town Clerk does not approve payment for purchases unless the actual receipt is remitted to her by the purchaser to support the expense.

RECOMMENDATION

OSAI recommends the Town continue its strict internal controls for the use of the Town credit cards. OSAI recommends all household and food/consumable items be donated to the Town through voluntary employee contributions for special events such as holidays, parties, etc., unless otherwise approved by the Board of Trustees.

OSAI recommends the Town review the terms of the credit card agreement with their legal counsel to determine that such terms are in compliance with Oklahoma statutory and constitutional requirements. OSAI further recommends that the statutory encumbrance requirements be adhered to regarding the credit card purchases.

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

OBJECTIVE Audit the income/expenditures from the Fire Department account for the entire period wherein both were utilized.

FINDING

The Town provided the Fire Department's Special Fund bank documents and records. These documents were not originally kept in Town offices. The account was not approved by the Board of Trustees or maintained by the Town Clerk/Treasurer. The special account was created separately from Town funds. The Fire Department Special fund documents were given to the Town by the Creek County District Attorney. The District Attorney obtained the records from the former Fire Chief/Public Works Authority Manager who was in charge of the account. The source of revenue for this account was donations.

On November 8, 1999, the former Clerk opened a savings account for the Depew Fire Department. Among the records obtained for this account, OSAI noted a handwritten deposit/withdrawal ledger maintained by the former Fire Chief/Public Works Authority Manager. OSAI attempted to trace each entry to the Fire Department's special savings account bank statement and supporting invoices/documentation. A receipt book for donations was not maintained. OSAI traced donations to the Fire Department account from the bank statements which were traced to the handwritten ledger.

Through a Creek County District Attorney's subpoena, nine (9) quarterly bank statements that were missing were obtained and provided to OSAI. OSAI noted a \$40.00 withdrawal and a \$10.00 deposit that was not traced to the handwritten ledger. The \$40.00 withdrawal was to purchase a money order payable to "Coach's Corner Café". OSAI did not determine a purpose for this expenditure. The \$10.00 deposit was a cash deposit with no source of origin noted. From our review of the records provided, most of the expenditures appeared to be Fire Department related vendors such as MACCO (hats, t-shirts etc), Affordable Fire, Gall's (for badges), and Crowder Communications.

On August 4, 2006, the amount of \$3,050.30 was transferred to the Town's General fund, closing the Fire Department's Special Fund.

The creation of a separate fund, whose revenue is derived "under the color" of the Town and is not maintained by the Town Clerk/Treasurer or approved by the Board of Trustees, appears to be in violation of **11 O.S. § 12-110** which states in part,

Town treasurer—Creation and duties—Compensation

The town treasurer shall be an officer of the town. The town treasurer shall:

1. maintain accounts and books to show where and from what source all monies paid to him have been derived and to whom and when any monies have been paid; and
2. deposit daily funds received for the town in depositories as the board of trustees may designate.

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

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

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



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

WWW.SAI.STATE.OK.US