



TOWN OF RED ROCK

Forensic Audit Report

October 1, 2024

Cindy Byrd, CPA
State Auditor & Inspector

Town of Red Rock
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TO THE HONORABLE BRIAN HERMANSON DISTRICT ATTORNEY, DISTRICT 8

Presented herein is the forensic audit report of the Town of Red Rock. The goal of the State Auditor and Inspector is to promote accountability and fiscal integrity in state and local government. Maintaining our independence as we provide this service to the taxpayers of Oklahoma is of utmost importance.

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

This report is addressed to, and is for the information and use of, the District Attorney as provided by statute. This report is also a public document pursuant to the Oklahoma Open Records Act, in accordance with 51 O.S. §§ 24A.1, *et seq.*

Sincerely,

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR



Town of Red Rock Forensic Audit Report

Why We Performed This Audit

District Attorney Brian Hermanson requested a forensic audit of the Town of Red Rock (Town) in accordance with 74 O.S. § 212(H). Citizens were concerned about potential wrongdoing and the lack of Town audits over the course of several years.

In Summary

Between January 1, 2019, and December 31, 2023, Jolavon Childs, the former Town clerk/treasurer, misappropriated \$241,752.37 involving 368 transactions. These transactions included checks written to herself, checks made out to "Cash," checks issued to the "Town of Red Rock," and cash withdrawals from the bank. This total also included undeposited utility revenue. Additionally, during this period, Roy Childs, Jolavon's spouse, received \$42,595.00 in unlawful payments.

Between January 1, 2019, and May 30, 2024, Town board members received \$46,121.98 more than their allowable board pay, and former Town clerk Michelle Cline-Cameron received \$5,700.00 in excess of her allowable pay.

In total, \$336,169.35 was misappropriated from the Town and the Public Works Authority (PWA).

The Town, with a reported population of 249 in 2022, depends primarily on state and county taxes, and utility payments for its revenue. Between January 1, 2019, and May 31, 2024, the Town expended a total of \$1,289,109 from its General and PWA bank accounts. Of this total, \$496,934, or 39% of all disbursements, were paid to Childs, Roy Childs, the board members, and to Cline-Cameron. Notably, the \$336,169 in questionable payments documented in this report represents 26% of the total expenditures from the General and PWA bank accounts over a five-year period.

Details on What We Found

Disbursements - Jolavon Childs

Jolavon Childs served as the Town's elected clerk/treasurer and the PWA utility clerk for over 20 years before resigning in November 2023. Childs managed the payment of Town and PWA expenses, administered payroll, and handled the billing, collection, and deposits of utility revenue. Her duties also included maintaining board minutes and signing checks.

Finding Between January 1, 2019, and December 31, 2023, Childs misappropriated¹ \$240,473.24. This amount includes checks written to herself, checks made out to “Cash,” checks issued to the “Town of Red Rock,” and cash withdrawals from the bank. All of the documents associated with the misappropriations were signed, endorsed, or cashed by Childs.

Childs was unable to provide a satisfactory explanation for the excessive number of payments she received. She claimed that, on some occasions, she paid herself additional amounts without realizing she had already issued paychecks for the month. Additionally, Childs asserted that some extra payments were for expenses and mileage reimbursements. Childs was credited \$4,513.20 for personal checks she deposited into the Town’s bank accounts and \$1,911.33 for receipts she provided as evidence for reimbursable expenses.

Summary of Payments to Jolavon Childs					
Payment Type	No. of Transactions	Year	Amount	Credited as allowable Salary	Total
Checks to Jolavon Childs	94	2019	\$80,120.79	\$31,513.25	\$48,607.54
Checks to Jolavon Childs	64	2020	\$64,097.87	\$31,734.89	\$32,362.98
Checks to Jolavon Childs	69	2021	\$58,648.25	\$25,742.34	\$32,905.91
Checks to Jolavon Childs	64	2022	\$83,357.21	\$26,934.14	\$56,423.07
Checks to Jolavon Childs	45	2023	\$63,167.25	\$20,845.00	\$42,322.25
Checks to “Cash”	22	Various	\$22,978.23	-	\$22,978.23
Cash Withdrawals	6	Various	\$7,477.79	-	\$7,477.79
Checks to “Town of Red Rock”	4	Various	\$3,820.00	-	\$3,820.00
Total	368		\$383,667.39	\$136,769.62	\$246,897.77
Less:					
Personal Checks Deposited					(\$4,513.20)
Receipts Provided					(\$1,911.33)
Total Misappropriations					\$240,473.24

As an elected official, Childs compensation was required to be documented by ordinance.² Board approved ordinances defining Child’s pay for the years 2019 through 2023 could not be located. In the absence of ordinances, Internal Revenue Service (IRS) W-2 forms were used to define the payments credited as allowable wages to Childs. For 2023, Childs was not issued a W-2, so her wages were calculated based on verbal statements, available board minutes, and one Town ordinance from 2007.

Twenty-three of the 26 checks made out to “Cash” or the “Town of Red Rock” and cashed by Childs were signed and approved by her alone.

The following four examples illustrate the types of transactions involved in Child’s misappropriation of funds.

Example 1

These two checks payable to Childs are representative of a total of 336 checks issued over a five-year period totaling **\$212,621.75**. None of these checks had a recorded Town purpose and could not be determined to be payments for Child’s employment as the clerk/treasurer. No supporting documentation could be provided.

¹ 21 O.S. § 341

² 11 O.S. § 12-113

TOWN OF RED ROCK P.O. Box 10 Red Rock, OK 74601-0010 005508 January 6 2023 PAY Three Thousand Seven Hundred Forty Seven and 13/100*** DOLLARS \$3,747.13 TO THE ORDER OF Jolavon B. Childs <i>Lachita Atkins</i> <i>Jolavon B. Childs</i>	TOWN OF RED ROCK P.O. Box 10 Red Rock, OK 74601-0010 004987 October 2 2023 PAY Two Thousand One Hundred Sixty Eight and 84/100***** DOLLARS \$2,168.84 TO THE ORDER OF Jolavon Childs <i>Lachita Atkins</i> <i>Jolavon B. Childs</i>
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Example 2

The following transaction for \$1,500.00 is one of 22 counter checks totaling **\$22,978.23** that were made payable to "Cash," and was endorsed and cashed by Childs. There is no evidence indicating a Town purpose for these 22 transactions, nor could the cash be traced to deposit in any of the Town's bank accounts.

NAME <u>Town of Red Rock</u> DATE <u>2/19/23</u> PAY TO THE ORDER OF <u>Cash</u> \$ <u>1500.00</u> <u>fifteen hundred & 00/100</u> DOLLARS FIRST NATIONAL BANK ACCOUNT NUMBER <u>8003296</u> MICR <u>1031012041</u> <i>Jolavon B. Childs</i>	ENDORSE HERE: <i>Jolavon B. Childs</i> <input type="checkbox"/> CHECK HERE IF MOBILE DEPOSIT
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Endorsement

Example 3

This \$1,500.00 checking withdrawal is one of six withdrawals totaling **\$7,477.79** made by Childs from the Town's General Fund checking account. There is no evidence supporting the purpose of the six withdrawals, and no corresponding deposits into any Town bank account could be found.

BLUE SKY BANK DATE <u>10/12/23</u> NAME <u>Town of Red Rock</u> ACCOUNT NUMBER <u>8003296</u>	CHECKING WITHDRAWAL <i>Jolavon B. Childs</i> SIGN HERE FOR CASH RECEIVED TOTAL WITHDRAWAL \$ <u>1500.00</u>
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Example 4

This \$1,000.00 check is one of four checks issued to the "Town of Red Rock" that was endorsed and cashed by Childs. There is no evidence indicating a Town purpose for these checks and no corresponding cash deposits were found in any of the Town's bank accounts. In total, Child's cashed **\$3,820.00** in checks payable to the "Town of Red Rock."

NAME Jolavon Childs DATE 5-25-2021

PAY TO THE ORDER OF Town of Red Rock \$ 1,000.00

one thousand + 00/100

FIRST NATIONAL BANK & TRUST CO.
CITY OF WEST MINNAPOLIS
401 W 4TH AVE
MINNEAPOLIS, MN 55401

MEMO 8003296

ENDORSE HERE: Jolavon Childs

☐ CHECK HERE IF MOBILE DEPOSIT

Utility Billing – Jolavon Childs

In her role as Utility Billing Clerk, Childs was responsible for receiving, receipting, posting, and depositing utility payments. The Town provides water, sewer, and trash services to approximately 100 utility customers.

Finding Childs failed to deposit at least \$1,279.13 in utility cash collections.

In January and February 2023, Childs receipted and/or posted \$6,119.32 in cash utility payments. However, bank statements for this period showed only \$192.13 in cash deposits, leaving \$5,927.19 in cash unaccounted for. During the same period, Childs deposited 18 checks totaling \$4,648.06 from her personal bank account into the Town's utility bank account.

Instead of making daily deposits as required by law,³ Childs removed cash from daily utility collections and replaced some of it with personal checks. For the two months tested, it was determined that at least \$1,279.13 in cash utility collections were misappropriated.

Taxes and Records – Jolavon Childs

Taxes

Finding The Town failed to calculate and withhold payroll taxes from board members and employees' wages.

During calendar years 2019 through 2022, wage and withholding information for Childs and one PWA employee were provided to the Town's accountant at year-end. The accountant prepared W-2 forms and calculated and paid the payroll taxes, along with penalties and interest. In 2023, no payroll taxes were withheld for Town employees, no information was sent to the accountant, and no W-2's were filed with the IRS. We found no evidence that IRS Form 1099's was provided to board members for their pay.

Records

As Town Clerk, Childs was responsible for recording and maintaining board agendas and minutes, documenting all Town ordinances, and maintaining custody of documents, records, and archives.⁴ For the five-year audit period, only one board agenda was located, and no

³ 11 O.S. § 12-110, 62 O.S. § 517.3

⁴ 11 O.S. § 12-109

board minutes were found. Childs stated that she did not print and file board minutes but kept them on her computer, yet none could be located.

Town records were poorly maintained. Many documents were haphazardly filed in boxes, cabinets, or stacked on shelves and desks. Records from multiple years were intermingled, making it difficult to locate support for specific Town transactions.

Disbursements - Roy Childs

Article 10 § 11 of the state constitution prohibits any elected town officer from *indirectly* receiving prohibited “interests, profits or perquisites” which includes payments made to the officer’s spouse.⁵ This prohibition applies to the use of public funds and any monies raised for the purpose of the Town. Violations of this provision can lead to disqualification from holding office and “shall be deemed” a felony.

Title 11 O.S. § 8-106 prohibits an elected official from appointing any person related by affinity or consanguinity within the third degree to a governing body member or to themselves, to any position of profit within the municipal government.

Finding Roy Childs, spouse of elected Town clerk/treasurer Jolavon Childs was improperly paid \$42,595.00.

Between January 1, 2019, and December 31, 2023, Roy Childs, the spouse of elected clerk/treasurer Jolavon Childs, received 58 checks totaling \$42,595.00. Of these checks, 38 lacked any supporting documentation. For the remaining 20 checks, carbon copies of the checks and/or check stubs were found indicating that the payments were for “mowing and weed eating” services for Town and/or PWA properties. The documentation mentioned that these services were provided per an agreement, but no such agreement could be located.

If Roy Childs had been employed prior to Jolavon being elected, the employment would have been allowable. There was no evidence he had been employed with the Town prior to Jolavon’s elected service.

The employment and payment of Roy Childs, the spouse of the Town Clerk, resulted in a prohibited indirect gain for Jolavon Childs and violated state law. The Town should not have employed or paid Child’s spouse.

⁵ 2011 OK AG 14, ¶133

TOWN OF RED ROCK
P.O. Box 10
Red Rock, OK 74651-0010

First National Bank
And Trust Company
Morris / Stillwater, OK

005544

June 26 2023

PAY Fourteen Dollars and 00/100***** DOLLARS \$1,400.00

TO THE ORDER OF Roy M. Childs

Laetitia Atkins
NOT NEGOTIABLE

DETACH AND RETAIN THIS STUB
THIS CHECK IS FOR PAYMENT OF ITEMS DESCRIBED BELOW
IF INCORRECT PLEASE NOTIFY US PROMPTLY. NO RECEIPT NECESSARY.

DATE	DESCRIPTION	AMOUNT
6/26/2023	Mowing and Weed Eating per agreement as needed all Town Property \$700.00	
	Mowing and Weed Eating all Public Works Property as needed per agreement \$700.00	1,400.00

Although the "PAY" line was for fourteen dollars, it did clear the bank for \$1,400.00.

Additionally, the Town did not withhold payroll taxes on these payments, nor were any W-2 or Form 1099's filed with the IRS.

Disbursements - Board Members

Under 11 O.S. § 12-113, elective town officers are allowed to receive compensation if "fixed by ordinance." Although no ordinance could be located, board members were paid a monthly stipend of \$75.⁶ However, in addition to the monthly stipend, some board members also received bonuses for holidays such as Martin Luther King Day, Valentine's Day, St. Patrick's Day, Easter, Thanksgiving, and Christmas. Payments were also made to board members for special meetings, work performed for the water department, and in one instance a board member's family was paid \$1,000 in grievance pay.

In some instances, the Board allowed for the monthly stipend to be paid in advance. On October 23, 2023, Rosa Tohee was paid \$1,800.00, an annual advance on her 2024 stipend.

Finding Board members received \$46,122 more than their allowable compensation.

Analysis of Board Pay			
January 1, 2019, through May 31, 2024			
Board Member	Total Received	Allowable Board Pay ⁷	Overpayment
Jim Potter	\$41,097	\$3,150	\$37,947
Laetitia Atkins	\$7,675	\$4,500	\$3,175
Rosa Tohee	\$7,975	\$4,875	\$3,100
Cory DeRoin	\$3,325	\$1,575	\$1,750
Gina Conneywerdy	\$600	\$450	\$150
Total	\$60,672	\$14,550	\$46,122

⁶ This was determined by a historical review of stipends paid and through interviews of board members.

⁷ Per the \$75 noted previously

In early 2023, selected board members stated they had increased their stipend to \$150 per month. There was no documentation verifying the Board voted to approve the pay increase or the effective date of the increase. Without board approved documentation stating an effective date, it could not be determined whether the pay raise was ever approved, and if approved, whether the pay increase was approved prior to a board members election or re-election, as mandated by the state constitution.

Article 23 Section 10 of the constitution states in part, “in no case shall the salary or emoluments of any public official be changed after his election or appointment, or during his term of office.” Bonuses and additional payments made beyond approved pay set by ordinance would be prohibited. Should the Board decide to increase their stipend, it should be properly documented, including each board member’s vote, and should not be enacted during their current term of service.

In addition, none of the board payments and stipends were reported on federally required tax forms.

Disbursements - Michelle Cline-Cameron

Michelle Cline-Cameron was hired to replace Childs as the Town Clerk on December 30, 2023. No official minutes or documentation detailing her hiring or approved pay rate were found. According to board members and Cline-Cameron, she was to be paid \$800 per month for working 16 hours per week. Cline-Cameron resigned on May 28, 2024.

Finding From December 30, 2023, to May 28, 2024, Cline-Cameron received \$5,700 in excess of her allowable pay.

During her five-month employment, Cline-Cameron received a total of \$10,000. Her approved pay for this period was \$4,300,⁸ resulting in a misappropriation of funds totaling \$5,700.

The excess \$5,700 included two checks signed by Laetitia Atkins dated March 12, 2024, and April 9, 2024. Atkins left the Town board in March 2024 and confirmed that she had not signed any checks since December 2023. Atkins admitted that it was common practice before December 2023 to pre-sign blank checks. Below are the two checks pre-signed by Atkins and cashed by Cline-Cameron after December 2023.

TOWN OF RED ROCK
P.O. Box 10
Red Rock, OK 74661-0010

First National Bank
And Trust Company
Muskogee / Silvester, OK

005566

April 9 2024

PAY Eight hundred and 00/100***** DOLLARS \$800.00

TO THE ORDER OF Michelle Cline-Cameron

Laetitia Atkins
Roxa Toluee

#005566# #103101204# #08003295#

05/09/2024 5566 \$800.00

TOWN OF RED ROCK
P.O. Box 10
Red Rock, OK 74661-0010

First National Bank
And Trust Company
Muskogee / Silvester, OK

005568

12 March 2024

PAY Eight hundred and 00/100***** DOLLARS \$800.00

TO THE ORDER OF Michelle Cline-Cameron

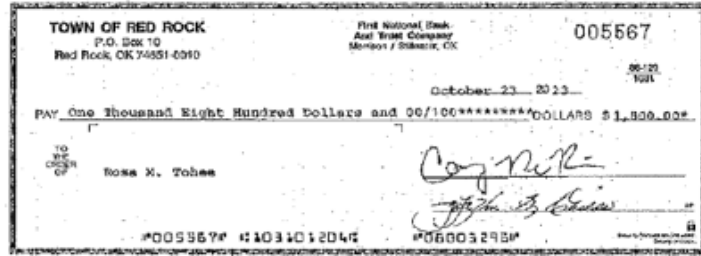
Laetitia Atkins
Roxa Toluee

#005568# #103101204# #08003295#

04/10/2024 5568 \$800.00

⁸ Five months at \$800 a month, \$4,000, plus an approved bonus of \$300.

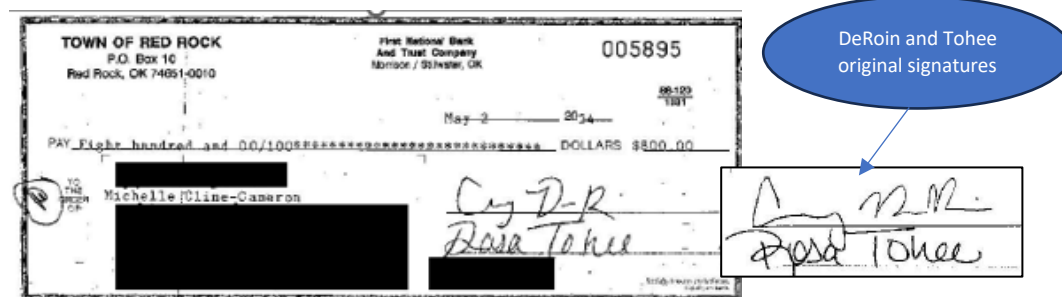
It should be noted that check number #5567, the sequential check between the two checks shown above, checks #5566 and #5568, was dated October 23, 2023, and cleared the bank October 24, 2023.



There were four additional checks paid to Cline-Cameron that cleared the bank in May 2024. Board members Cory DeRoin and Rosa Tohee stated that the signatures on these four checks are not original and appear to be forged.⁹

These checks with allegedly forged signatures are also part of the questionable payroll payments issued to Cline-Cameron, including one final check issued on May 7, 2024, that was a payroll advance for June 2024.

Following is one example of the allegedly forged signature payments.



Other Matters

Except for a few random ordinances that were located at Town hall, we found no evidence that the Town ordinances have been officially updated since 1987. The outdated ordinances contain conflicting information about the roles of town clerk and town treasurer. The 1987 ordinances designate the clerk and treasurer as separate elected positions. However, one ordinance from 2001 was located which combines these roles into a single clerk/treasurer position.

Documentation from the election board shows that Childs was elected as the Town clerk/treasurer in 2023. After Childs resigned in December 2023, Cline-Cameron was hired as Town clerk, with Vanessa Rocha appointed separately as Town treasurer in March 2024.

No board minutes were found to document Cline-Cameron's hiring as Town clerk, Rocha's approval as Town treasurer, or the approval of the separation of the clerk and treasurer positions. Without official minutes, it is unclear whether Child's was compensated appropriately as the Town clerk/treasurer or if Cline-Cameron and Rocha were improperly paid for their separate roles of Town clerk and Town treasurer, respectively.

⁹ Redacted areas on the checks include the Town bank account numbers and Cameron's personal information written on the checks.

Final Thoughts

Although many of the questionable transactions reported here were seemingly being concealed from board oversight, a review of monthly bank statements, or review and approval by the Board of monthly transactions, which should have been a matter of routine, could have detected many of these issues. Furthermore, no audits have been obtained by the Town since at least 2016.

These lapses in oversight and what appears to be a complete lack of adequate administration by the Board could have partially been addressed through proper training.¹⁰ None of the board members participated in training during their tenure in office.¹¹

In a small town where the segregation of duties is challenging, internal control systems are inherently limited. Thus, it is imperative for the Board to exercise vigilant oversight of financial transactions. The Board must actively engage in the internal control process to safeguard town assets and help ensure financial integrity, as it ultimately holds responsibility for the financial welfare of the Town.

¹⁰ 11 O.S. § 8-114(A)

¹¹ One board member has since attended training as of March 2024.

DISCLAIMER

In this report, there are terms used and legal references made which are relevant to the issues reported. However, the legal authority to determine the guilt of any person for any act is the exclusive jurisdiction of law enforcement, prosecutorial, and/or judicial authorities as designated by law.



Cindy Byrd, CPA | State Auditor & Inspector

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