

**GRADY COUNTY  
CRIMINAL  
JUSTICE  
AUTHORITY**

**JANUARY 2005 THROUGH  
NOVEMBER 2008**



**SPECIAL  
AUDIT**



Oklahoma State Auditor  
& Inspector

**GRADY COUNTY CRIMINAL JUSTICE AUTHORITY**  
**GRADY COUNTY**  
**SPECIAL AUDIT REPORT**  
**JANUARY 2005 THROUGH NOVEMBER 2008**

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# STATE AUDITOR AND INSPECTOR

STEVE BURRAGE, CPA  
State Auditor

MICHELLE R. DAY, ESQ.  
Chief Deputy



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March 1, 2010

Honorable Brett Burns  
District Attorney – District No. 6  
217 North 3<sup>rd</sup> Street  
Chickasha, Oklahoma 73018

Transmitted herewith is the Special Audit Report of the Grady County Criminal Justice Authority, Grady County, Oklahoma. We performed our special audit in accordance with the requirements of **74 O.S. 2001, § 212(H)**.

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

The Office of the State Auditor and Inspector is committed to serve the public interest by providing independent oversight and by issuing reports that serve as a management tool to the State. Our goal is to ensure a government, which is accountable to the people of the State of Oklahoma.

We wish to take this opportunity to express our appreciation for the assistance and cooperation extended to our Office during the course of our special audit.

Sincerely,

A handwritten signature in blue ink that reads "Steve Burrage".

STEVE BURRAGE, CPA  
STATE AUDITOR & INSPECTOR

**GRADY COUNTY CRIMINAL JUSTICE AUTHORITY  
GRADY COUNTY  
SPECIAL AUDIT REPORT  
JANUARY 2005 THROUGH NOVEMBER 2008**

---

**TABLE OF CONTENTS**

Trustees of Grady County Criminal Justice Authority ..... ii

Trustees of Grady County Industrial Authority ..... ii

Grady County Jail Administrators ..... iii

State Auditor and Inspector's Report ..... 1

Introduction ..... 2

Objectives, Findings, and Recommendations ..... 3

**INDEX OF OBJECTIVES**

I. Determine what person or entity is operating and managing the Grady County Jail. .... 3

II. Determine if GCCJA and GCIA acted properly and with proper authority concerning operation of Jail ..... 5

III. Determine if annual audits of GCCJA are being conducted ..... 6

IV. Determine if irregularities exist in hiring practices ..... 7

V. Determine if irregularities exist in overtime pay ..... 10

VI. Determine if irregularities exist in longevity pay ..... 12

VII. Determine if irregularities exist in employee hospital pay ..... 14

VIII. Determine if irregularities exist in the Inmate Trust Fund. .... 15

IX. Determine if irregularities exist in purchasing food for inmates ..... 18

X. Determine if GCCJA was using Inmate Trust Funds for GCCJA expenses ..... 18

XI. Determine if there are irregularities in payments to vendors ..... 19

**GRADY COUNTY CRIMINAL JUSTICE AUTHORITY  
GRADY COUNTY  
SPECIAL AUDIT REPORT  
JANUARY 2005 THROUGH NOVEMBER 2008**

---

**CRIMINAL JUSTICE AUTHORITY TRUSTEES**

Jack Porter..... Chairman  
Bill Caveny ..... Trustee  
John Baker ..... Trustee  
Open since February 7, 2007 (Dist. 2)..... Trustee  
Art Kell (not currently sworn in as a trustee)..... Current Sheriff / Trustee  
November 20, 2008  
Larry Crabb..... Former Sheriff / Trustee  
October 20, 2008 through November 20, 2008  
Kieran McMullen..... Former Sheriff / Trustee  
March 31, 2003 through October 2, 2008

**INDUSTRIAL AUTHORITY TRUSTEES  
As of November 2008**

John Mosley ..... Chairman  
Fred Yaeger..... Member  
David Dacus..... Member  
Kirk Black..... Member  
Rick Johnston..... Member  
Weldon Foster..... Member  
Steve Grodecki..... Member  
J.C. Williams..... Member

**GRADY COUNTY CRIMINAL JUSTICE AUTHORITY  
GRADY COUNTY  
SPECIAL AUDIT REPORT  
JANUARY 2005 THROUGH NOVEMBER 2008**

---

**JAIL ADMINISTRATORS**

Kevin Whitener ..... August 2004 through November 2005  
Rachelle McConnell.....November 2005 through February 2007  
Shane Wyatt..... February 2007 through Current

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Honorable Jack Porter, Chairman  
Grady County Criminal Justice Authority  
215 N. 3<sup>rd</sup> Street  
Chickasha, Oklahoma 73018

Dear Mr. Porter:

Pursuant to the District Attorney's request and in accordance with the requirements of **74 O.S. 2001, § 212(H)**, we performed a special audit with respect to the Grady County Criminal Justice Authority, Grady County, Oklahoma for the period January 1, 2005 through November 1, 2008.

The objectives of our special audit primarily included, but were not limited to, the index objectives noted in the table of contents. Our findings related to these procedures are presented in the accompanying report.

Because the above procedures do not constitute an audit in accordance with generally accepted auditing standards, we do not express an opinion on the account balances or financial statements of the Grady County Criminal Justice Authority for the period January 1, 2005 through November 1, 2008. 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 Authority.

This report is intended solely for the information and use of the District Attorney, the Authority Trustees and its administration and should not be used for any other purpose. This report is also a public document pursuant to the **Oklahoma Open Records Act (51 O.S. § 24A.1 et seq.)** and shall be open to any person for inspection and copying.

Sincerely,

A handwritten signature in blue ink that reads "Steve Burrage".

STEVE BURRAGE, CPA  
STATE AUDITOR & INSPECTOR

March 1, 2010

**GRADY COUNTY CRIMINAL JUSTICE AUTHORITY  
GRADY COUNTY  
SPECIAL AUDIT REPORT  
JANUARY 2005 THROUGH NOVEMBER 2008**

---

**INTRODUCTION**

The Grady County Criminal Justice Authority is a beneficial public trust created on August 12, 2002, under the authority of and pursuant to the provisions of Title 60, Oklahoma Statutes 2001, Sections 176 - 180.3, as amended, and the Oklahoma Trust Act, for the use and benefit of Grady County, Oklahoma (Beneficiary). The stated purpose of the Authority is to operate and maintain buildings and facilities for public use or benefit, including jail facilities.

The Oklahoma State Auditor and Inspector (OSAI) conducted a special audit of the records of the Authority, primarily those records relating to the objectives expressed by the District Attorney. The results of the special audit are in the following report.



**GRADY COUNTY CRIMINAL JUSTICE AUTHORITY  
GRADY COUNTY  
SPECIAL AUDIT REPORT  
JANUARY 2005 THROUGH NOVEMBER 2008**

---

**OBJECTIVE:** Determine what person or entity is operating and managing the Grady County Jail.

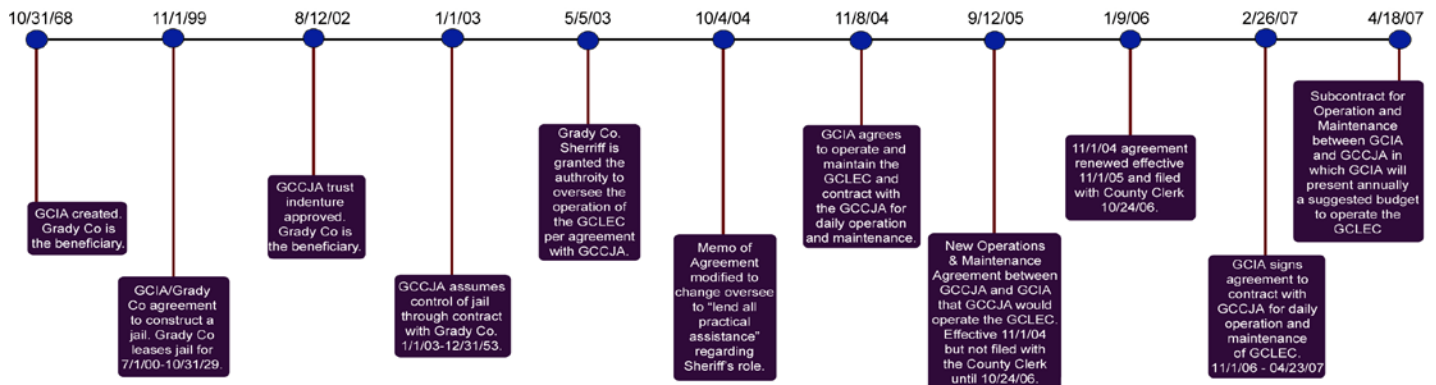
**FINDING** In order to determine who had authority to operate the Grady County Jail, the following contracts, agreements, and trust indentures were noted:

- October 31, 1968, the trust indenture was approved to create the Grady County Industrial Authority (GCIA). Grady County is the beneficiary of the GCIA. The trust indenture was approved for amendment by the Grady County Commissioners on June 8, 1981.
- November 1, 1999, GCIA entered into an agreement with Grady County to construct a jail on Grady County owned property. Grady County then entered into a lease, for the Grady County Jail, with the GCIA for the period of July 1, 2000 to October 31, 2029.
- August 12, 2002, the trust indenture was approved to create the Grady County Criminal Justice Authority (GCCJA). Grady County is the beneficiary of the GCCJA.
- January 1, 2003, the GCCJA and Grady County enter into an “Operation and Maintenance Contract” by which the GCCJA assumes control of the operations of the Grady County Jail. The contract is for the period of January 1, 2003 to December 31, 2053.
- May 5, 2003, a memorandum of agreement between the Grady County Sheriff’s Office and the GCCJA, granting authority to oversee the operation of the Grady County Law Enforcement Center (GCLEC) to Sheriff Kieran McMullen.
- October 4, 2004, a memorandum of agreement was approved modifying the terms of the May 5, 2003, agreement. Modification provides that the Sheriff will “lend all practical assistance” to the GCCJA rather than “overseeing operation” of the GCLEC.
- November 8, 2004, the Board of County Commissioners approved the “Operations and Maintenance Agreement” to be effective November 1, 2004, which states that the GCIA agrees to operate and maintain the Grady County Jail and to contract with the GCCJA for daily operation and maintenance of the County Jail.

**GRADY COUNTY CRIMINAL JUSTICE AUTHORITY  
GRADY COUNTY  
SPECIAL AUDIT REPORT  
JANUARY 2005 THROUGH NOVEMBER 2008**

---

- September 12, 2005, an “Operations and Maintenance Agreement” between the GCIA and the GCCJA was signed to have the GCCJA operate the GCLEC. This agreement states, “It is agreed by the parties the GCCJA will operate the Facility in accordance with the budget and fee schedule set by GCIA.” This agreement was effective beginning November 1, 2004, but was not filed with the County Clerk until October 24, 2006.
- January 9, 2006, the November 1, 2004, “Operations and Maintenance Agreement” was renewed by the GCIA and the GCCJA. This agreement was effective November 1, 2005, and was filed with the County Clerk on October 24, 2006. This agreement states, “It is agreed by the parties that the GCCJA will operate the facility in accordance with the budget and fee schedule set by GCIA.”
- February 26, 2007, an “Operations and Maintenance Contract” was signed by the GCIA and the Chairman of Grady County Commissioners which states, “GCIA agrees to operate and maintain the Grady County Jail and to contract with GCCJA for daily operation and maintenance of the County Jail.” This contract was effective beginning November 1, 2006, and was not filed with the County Clerk until April 23, 2007.
- April 18, 2007, a “Subcontract for Operation and Maintenance” was signed by the GCIA and GCCJA which states, “GCCJA agrees to operate and maintain the Grady County Law Enforcement Center on behalf of the GCIA and annually present to GCIA a suggested budget reflecting reasonable expectations of receipts and expenditure costs for the operation of the LEC and given to GCIA so it can be approved in their June meeting each year.”



**GRADY COUNTY CRIMINAL JUSTICE AUTHORITY  
GRADY COUNTY  
SPECIAL AUDIT REPORT  
JANUARY 2005 THROUGH NOVEMBER 2008**

---

OSAI noted that there were multiple operation and maintenance contracts and agreements between Grady County, the GCCJA, and the GCIA. Each of these contracts and agreements granted the authority and responsibility to operate and maintain the County Jail.

OSAI was informed by Jack Porter GCCJA, John Mosley GCIA, and Rick Johnston GCIA that all of the agreements were designed to help obtain funding to complete the fourth floor of the County Jail. After interviewing these trustees, the existence of confusion regarding authority for decision making and approving day-to-day operations and hiring practices of GCCJA was apparent.

The Grady County Grand Jury has also reviewed the management of the jail facilities. The Grand Jury's findings stated in part under the heading "Control and Operation of the County Jail Facility" dated July 31, 2003, the following:

"The Grand Jury would recommend that a very clear and concise chain of command be established for the operation and control of the Grady County Jail Facility. A public trust was created to assist the Sheriff in the operation of the jail. This attempt to offer assistance to the Sheriff has created some confusion and conflict in determining who is responsible for the operation of the jail.

The Grand Jury would recommend that Grady County Jail Trust Authority be abolished and the responsibility of the operation of the Grady County Jail Facilities be placed back upon the Grady County Sheriff."

**RECOMMENDATION**

OSAI agrees that the responsibility for operating the jail facilities should be clear and concise. OSAI also recommends clearly defining authority by canceling prior agreements or making it clear the new agreement supersedes any prior agreements. Oversight boards need to ensure that it's understood that authority to act or manage the jail can be transferred but not the responsibility.

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

**OBJECTIVE:**

**Determine if GCCJA and GCIA acted properly and with proper authority concerning operation of the Jail.**

**FINDING**

OSAI determined that GCCJA trustees scheduled and held meetings as follows:

- 15 of the 20 scheduled meetings during 2005
- 8 of the 15 scheduled meetings during 2006

**GRADY COUNTY CRIMINAL JUSTICE AUTHORITY  
GRADY COUNTY  
SPECIAL AUDIT REPORT  
JANUARY 2005 THROUGH NOVEMBER 2008**

---

- 5 of the 7 scheduled meetings during 2007
- 4 of the 5 scheduled meetings during 2008

One GCCJA trustee position has been vacant since February 7, 2007.

Minutes reflect that GCCJA was very involved in the operation of the Jail during 2005 and 2006. GCCJA minutes reflect on January 9, 2006, “It was the consensus that beginning in 2006, a copy of the financial report and monthly minutes should be furnished to the Grady County Industrial Authority.”

The GCCJA financial reports were provided for the GCIA meeting on January 9, 2006, with GCIA trustees taking no action regarding approval of said reports. August 7, 2006 minutes are the first to reflect that GCIA trustees approved the Jail operation reports presented to them by GCCJA employees. OSAI determined from the “Operations and Maintenance Contract” effective November 1, 2004, that GCIA had “superintending power to operate and maintain the County Jail...” However, the GCIA only initiated review of financial reports of the operation of the Jail in 2006. There was no documentation that the GCIA had provided adequate oversight to operate and maintain the jail facility operations.

**RECOMMENDATION** OSAI recommends that the entity charged with the responsibility to operate the jail should at the minimum be reviewing the financial and operational information of the jail on a routine and timely basis to ensure adequate oversight and management of the jail facility.

**OBJECTIVE:** Determine if annual audits of GCCJA are being conducted.

**FINDING** According to the GCCJA Trust Indenture, “The Trustees shall provide, as required by law, for an independent audit on an annual basis and set a date for the auditor to perform said audit.”

OSAI determined that the GCCJA audit ending June 30, 2005, was dated August 3, 2006, and filed with the State Auditor and Inspector’s Office December 22, 2006.

The GCCJA was audited for June 30, 2006 and June 30, 2007 as a blended component unit of the Grady County Industrial Authority (GCIA). The 2006 audit was dated July 16, 2007, and filed with the State Auditor and Inspector’s Office October 17, 2007. The 2007 audit was dated November 13, 2008. In order to be a blended component unit, the entity should either have been substantively the same governing body or should provide services entirely or

**GRADY COUNTY CRIMINAL JUSTICE AUTHORITY  
GRADY COUNTY  
SPECIAL AUDIT REPORT  
JANUARY 2005 THROUGH NOVEMBER 2008**

---

almost entirely to the primary government. Due to the number of contracts and agreements between Grady County, the GCCJA, and the GCIA, we were unable to determine if the criteria had been met to report the GCCJA as a blended component unit of the GCIA.

In the GCIA audit for the year ended June 30, 2006, Note 6 – Contracts and Agreements of the notes to the financial statements reflects:

2005

On November 1, 2005, GCCJA entered into an Operations and Maintenance Agreement with GCIA wherein GCCJA agrees to operate and maintain the Grady County Law Enforcement Center (LEC) on behalf of the GCIA. Operation and maintenance of the LEC include building maintenance, jail operations, contract monitoring and financial expenditures and reporting. Under this agreement, it is understood that GCIA has superintending control of the operations and maintenance of the LEC and contracting authority over the operation and maintenance of the LEC is vested in the GCIA. Accordingly, as a result of such control, GCCJA is considered a component unit of GCIA for financial reporting purposes, effective November 1, 2005.

**RECOMMENDATION** OSAI recommends that the proper authorities review the Operations and Maintenance Agreements and the trust indenture of the GCCJA to determine if it is allowable for the GCCJA to transfer its control to the GCIA. This determination may change the reporting requirements of the GCCJA and change its reporting status as a Blended Component Unit of the GCIA as set forth by GASB Statements 14 and 39. Management may also request that a combining statement be presented as part of the supplementary information to allow for a separate review of each entity's operation.

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

**OBJECTIVE:** Determine if irregularities exist in hiring practices.

**FINDING** Kevin Whitener was the Jail Warden/Administrator until November 28, 2005, when he resigned, and Rachelle McConnell was hired by GCCJA Board of Trustees during the November 29, 2005 meeting.

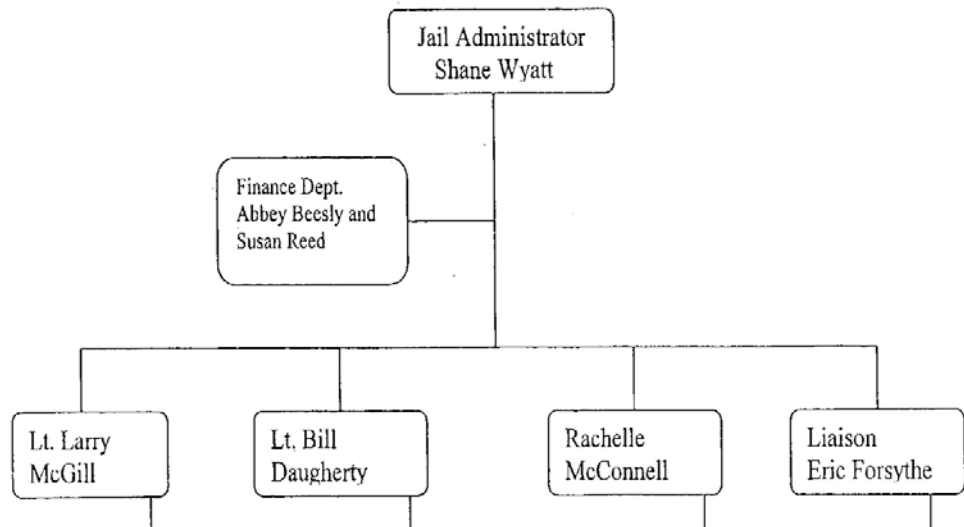
**GRADY COUNTY CRIMINAL JUSTICE AUTHORITY  
GRADY COUNTY  
SPECIAL AUDIT REPORT  
JANUARY 2005 THROUGH NOVEMBER 2008**

---

In February 2007, Rachelle McConnell was demoted to Lieutenant status, and Shane Wyatt was hired as the Jail Warden/Administrator. Rachelle McConnell's demotion did not result in a pay decrease which is a direct violation of the Policy and Procedures Manual, Section 1.03 – Personnel, revised version effective as of August 28, 2006. Section 1.03 states the following:

d. Demotions: Any personnel demoted in rank will also be demoted in pay to the pay of position demoted to. (i.e. a sergeant that is demoted to detention officer will get detention officer pay when demoted and will not receive sergeant pay since they no longer have the responsibility of sergeant.)

Rachelle McConnell was a Lieutenant prior to becoming the Jail Warden/Administrator at the pay rate of \$2,085.48 per month. As Warden, she received \$2,361.00 per month. The chain of command chart contained in a memo prepared by Shane Wyatt dated February 20, 2007, shows the demotion of Rachelle McConnell. Payroll records for the months of February and March, 2007, show that Rachelle McConnell continued to receive the \$2,361.00 per month while payroll records for Shane Wyatt shows an increase in salary from \$2,135.48 for the month of January to \$2,361.00 per month for the months of February and March 2007.



OSAI tried to determine the exact date that Shane Wyatt was hired for the position of Warden/Administrator by the GCCJA Board of Trustees, but could not find minutes that reflected the action. The Board of Trustees did not hold a Board meeting for the months of November 2006, December 2006, or January

**GRADY COUNTY CRIMINAL JUSTICE AUTHORITY  
GRADY COUNTY  
SPECIAL AUDIT REPORT  
JANUARY 2005 THROUGH NOVEMBER 2008**

---

2007. Minutes of the February 27, 2007, meeting of GCCJA did not reflect the hiring of Shane Wyatt as Warden/Administrator. Shane Wyatt's memo written on February 20, 2007, contained a chain of command chart for GCCJA, which reflected Shane Wyatt as Jail Administrator (see above) and Rachelle McConnell as demoted.

Minutes of GCIA were also reviewed to ascertain if action was taken by GCIA to hire the new Jail Administrator. No action regarding the hire was noted in the minutes.

OSAI interviewed John Mosley and Rick Johnston, Trustees of Grady County Industrial Authority Board (GCIA), regarding the hiring of Shane Wyatt as Warden/Administrator. They informed OSAI that GCIA is not responsible for hiring or terminating employees of GCCJA.

Jack Porter, Chairman of GCCJA, said that GCCJA hired Shane Wyatt as Warden/Administrator. However, OSAI cannot provide the details of this action because the GCCJA minutes did not reflect a change in the Warden/Administrator.

In February 2007, Shane Wyatt was informed by Sheriff Kieran McMullen that he had decided to replace Rachelle McConnell as the Administrator and Shane would be the new Administrator. In May 2003, Sheriff McMullen had entered into an agreement with GCCJA which made him responsible for hiring employees and operating the Jail through the GCCJA. However, the Agreement was terminated October 4, 2004. Therefore, Sheriff McMullen did not have the authority to independently make the personnel change in Administrators in February 2007. At that point, he was only one Trustee on the GCCJA Board.

OSAI reviewed the Employee Handbook currently in use by GCCJA for all employees. All personnel sign and acknowledge that they have received a copy of the Handbook. The Handbook states:

**NEPOTISM**

An elected official shall not hire or appoint for employment any person who is related by blood or marriage to the third degree.

"Persons related by blood or marriage to the third degree" shall include members of the immediate family plus aunts, uncles, nieces and nephews.

**GRADY COUNTY CRIMINAL JUSTICE AUTHORITY  
GRADY COUNTY  
SPECIAL AUDIT REPORT  
JANUARY 2005 THROUGH NOVEMBER 2008**

---

"Immediate family" shall be defined as a spouse, child, parent, brother, sister, mother-in-law, father-in-law, brother-in-law, sister-in-law, daughter-in-law, son-in-law, grandparents and grandchildren.

Okla. Stat. Ann. tit. 21, §§ 481-187

Rachelle McConnell hired her husband, Charley McConnell, as a detention officer for the period December 1, 2006 to February 2007, while she was acting Warden/Administrator.

Shane Wyatt became Warden/Administrator February, 2007. Shane Wyatt's brother, Darrel Wyatt, and Darrel Wyatt's wife, Charlene Wyatt, were both employed at GCCJA before Shane Wyatt was promoted to Warden/Administrator. Payroll summary reports reflect that Darrel Wyatt received a promotion and pay raise November 2007, and received another pay raise with all employees of GCCJA February 2008. Darrel Wyatt's personnel file did not reflect any of these raises or promotions on his salary information sheet.

Rachelle McConnell and Shane Wyatt were not elected officials; however, current hiring practices provide for potential conflicts in fact and appearance by having policies that allow for an individual to hire or directly supervise a person related by blood or marriage.

**RECOMMENDATION** OSAI recommends GCCJA adopt internal controls sufficient to assure (1) that all newly hired employees are properly screened for possible nepotism, (2) that proper hiring practices are adopted, and (3) employee personnel files are properly maintained to reflect all information pertaining to employees' salary.

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

**OBJECTIVE:** Determine if irregularities exist in overtime pay.

**FINDING** OSAI reviewed a "new hire packet" provided to and signed for by all new employees of GCCJA. The Employee Personnel Policy Handbook 2008 for all Grady County Employees was included in this packet. Also included was a "Code of Ethics" form from the Grady County Sheriff and a "Loyalty Oath" which references "employees of Grady County," Oklahoma. OSAI also reviewed a policy and procedure manual provided to new personnel hired by GCCJA. Contained in the Handbook is the form used by GCCJA defining overtime



**GRADY COUNTY CRIMINAL JUSTICE AUTHORITY  
GRADY COUNTY  
SPECIAL AUDIT REPORT  
JANUARY 2005 THROUGH NOVEMBER 2008**

---

procedures. This form is signed by all employees and retained in their personnel files.

*PLACE SIGNED COPY IN EMPLOYEE'S PERSONNEL FILE  
READ CAREFULLY BEFORE SIGNING BELOW*

**COMPENSATORY TIME OFF FOR OVERTIME AGREEMENT**

I, \_\_\_\_\_ Social Security # \_\_\_\_\_, have read, understand and have in my possession Grady County's Employee Personnel Policy Handbook. I agree as a condition of employment to follow the policies in this handbook, and if there is at any time something that I do not understand, I agree to ask a county representative.

I further understand that overtime for eligible employees pursuant to the Fair Labor Standards Act 29 U.S.C. Section 207 (0)(2) shall be paid as compensatory time off in lieu of cash overtime payment under the guidelines of the Fair Labor Standards Act outlined in the County's Employee Personnel Policy Handbook.

I further understand that this signed statement will be a permanent record in my personnel file.

\_\_\_\_\_  
Employee's Signature

\_\_\_\_\_  
Employer Representative Signature

\_\_\_\_\_  
Date Signed

OSAI determined that the procedure set out in the Compensatory Time Off for Overtime Agreement set out above is not being followed by GCCJA. GCCJA determined that overtime pay for some employees is based on 160 hours per pay period while overtime pay for other employees is based on 171 hours per pay period.

GCCJA made overtime payments to employees rather than awarding compensatory time in direct violation of the Handbook policy adopted by GCCJA and signed by employees. The table below reflects overtime pay for the following periods:

2005	\$ 51,486.74
2006	\$ 55,653.76
2007	\$ 78,495.79
2008	\$ <u>83,547.09</u>
Total Overtime Pay	\$269,183.38

**GRADY COUNTY CRIMINAL JUSTICE AUTHORITY  
GRADY COUNTY  
SPECIAL AUDIT REPORT  
JANUARY 2005 THROUGH NOVEMBER 2008**

---

Included in the amounts above, Rachele McConnell received \$665.27 (2006), and Shane Wyatt received \$9,694.19 (2007 & 2008) while they were in positions that appear to be exempt from overtime under the FLSA. The overtime pay of McConnell and Wyatt was based on a 160 hour pay period used for non-shift workers. All shift workers received overtime pay based on 171 hours per pay period.

**RECOMMENDATION** OSAI recommends the Board of Trustees of GCCJA define and adopt internal controls sufficient to assure that proper employment and payroll practices are followed by the staff of GCCJA, including a determination of employees that should be classified as exempt from overtime requirements under the FLSA. Specifically, the GCCJA Board should (1) provide compensatory time rather than overtime pay for extra time worked as provided in the referenced handbook, or (2) revise the handbook to allow for overtime pay with detailed guidelines for the same.

OSAI also recommends the “new hire packets” be revised to reflect the proper employer, GCCJA, rather than Grady County on all documents contained therein.

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

**OBJECTIVE:** Determine if irregularities exist in longevity pay.

**FINDING** OSAI reviewed the “Employee Personnel Policy Handbook 2008” for explanations of longevity pay and found the following scale:

**GRADY COUNTY CRIMINAL JUSTICE AUTHORITY  
GRADY COUNTY  
SPECIAL AUDIT REPORT  
JANUARY 2005 THROUGH NOVEMBER 2008**

---

LONGEVITY PAY SCHEDULE	
YEARS OF SERVICE	ANNUAL LONGEVITY PAY
0-4	\$-0-
5-8	\$300.00
9-10	\$500.00
11	\$560.00
12	\$620.00
13	\$680.00
14	\$740.00
15	\$800.00
16	\$860.00
17	\$920.00
18	\$980.00
19	\$1,040.00
20 YEARS & OVER	\$1100.00

OSAI also found that four (4) employees were paid longevity pay without any withholdings for taxes.

Date	Check	Name	Amount Paid
2/1/2005	1363	Lester Drake II	\$300.00
3/30/2005	2348	Bill Daugherty	\$680.00
4/28/2005	2425	Rachelle McConnell	\$300.00
4/2/2007	3470	Romauldo Pena	\$300.00

GCCJA made longevity payments to employees with no withholdings being deducted, which is a direct violation of the Employee Handbook that has been adopted by GCCJA, which states:

All withholdings will be deducted from Longevity Pay. Members of Boards and Commissions, all employees of the District Attorney's Offices, and Elected County Officials are excluded from Longevity Payment Plan.

**RECOMMENDATION** OSAI recommends the Board of Trustees of GCCJA assure that the policies and procedures set out in the Employee Handbook are followed.

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

**GRADY COUNTY CRIMINAL JUSTICE AUTHORITY  
GRADY COUNTY  
SPECIAL AUDIT REPORT  
JANUARY 2005 THROUGH NOVEMBER 2008**

---

**OBJECTIVE:** Determine if irregularities exist in employee hospital pay.

**FINDING**

The GCCJA has an agreement with the U.S. Marshall's Office for the guarding/transportation of Federal prisoners while housed in the Grady County Jail. When a Federal inmate is hospitalized, the GCCJA must assign an employee to guard the prisoner. The agreement is to pay the GCCJA \$16.80 per hour for this service which is referred to as "hospital pay." GCCJA must submit a specified form to the U.S. Marshall's Office documenting guard/transportation hours worked by an employee. The U.S. Marshall's Office will then pay the GCCJA in accordance with the agreement.

OSAI noted that the GCCJA had sixty-six (66) payments to twenty-seven (27) employees totaling \$11,108.48 for hospital pay. OSAI reviewed 100% of Hospital Pay paid to the GCCJA employees during the audit period, and the following exceptions were noted:

1. The employees received "hospital pay" at the hourly rate the U.S. Marshall agreed to pay the GCCJA. This rate was paid to the employee regardless of their normal or overtime hourly wage rate. It was also noted that the separate checks did not have any withholdings deducted.
2. OSAI was unable to obtain or review documentation from the GCCJA that the hospital pay had been reported to the IRS for each employee as wages earned. These payments should have been included on the employees' W-2 forms.
3. OSAI noted that the GCCJA had not submitted the proper documentation to the U.S. Marshall's office for twenty (20) payments made to employees. The amount that had not been billed to the U.S. Marshall's Office in accordance with the agreement was \$3,388.20.
4. OSAI noted that twenty (20) payments were made to ten (10) employees who were paid for hospital pay while simultaneously receiving pay from GCCJA per the Grady County Law Enforcement Employee Time Reports.

**RECOMMENDATION**

OSAI recommends the Board of Trustees for the GCCJA define and adopt internal controls sufficient to assure that proper payroll and bookkeeping practices are followed by the staff of the GCCJA. OSAI also recommends the GCCJA adhere to their personnel policy concerning the payment of overtime, and that the Board withhold the proper taxes from payroll in accordance with IRS guidelines. OSAI further recommends the proper authorities review this finding to determine what action, if any, may be required.

**GRADY COUNTY CRIMINAL JUSTICE AUTHORITY  
GRADY COUNTY  
SPECIAL AUDIT REPORT  
JANUARY 2005 THROUGH NOVEMBER 2008**

---

**OBJECTIVE:** Determine if irregularities exist in the Inmate Trust Fund.

**FINDING**

OSAI reviewed the process of booking inmates into the Jail, including checking personal belongings into GCCJA custody and depositing cash into the Inmate Trust Fund account.

OSAI noted the following concerns regarding the booking process:

- A. Inmate cash was counted in the presence of the inmate by officer 1 and placed inside an envelope. Both inmate and officer 1 signed the envelope; however, the envelope was not sealed. The unsealed envelope was delivered by officer 1 to a window and left with officer 2. Neither inmate nor officer 1 was present when officer 2 was to count the cash, seal the envelope, drop the envelope into a designated “drop box,” and enter the data into the computer system, resulting in no verification of the deposit or input. The following photograph depicts the booking area. Officer 1 would be stationed behind the counter in the foreground. Officer 2 would be stationed behind the glass area in the background.



- B. Personnel from the bookkeeping department retrieve the cash from the “drop box,” prepare a bank deposit slip, verify that the cash in the “drop box” matches the data entered in the computer system, and makes the bank deposit. In the event that the cash in the “drop box” does not agree to the amount reflected in the computer data, bookkeeping personnel change the computer data originally entered by officer 2. An employee stated to OSAI

**GRADY COUNTY CRIMINAL JUSTICE AUTHORITY  
GRADY COUNTY  
SPECIAL AUDIT REPORT  
JANUARY 2005 THROUGH NOVEMBER 2008**

---

that bank deposits are not made daily and are sometimes kept in her desk drawer for one, two, or more days. Various personnel deliver the bank deposits. This task is accomplished by “whoever is going to run errands.”

- C. The same bookkeeping personnel who complete the tasks described above also reconcile the bank statement to the Inmate Trust Fund account. Bank statements and trust fund transactions prior to June 2006 were not organized or stored in any recognized method; therefore, OSAI was unable to review records prior to this date. OSAI did determine that GCCJA failed to timely reconcile bank statements. This task was completed from two to ten months after receipt of bank statements. This practice changed in March 2008 when the reconciliations started being performed in a timely manner.
- D. In January 2008, a deposit of \$2,727.06 was entered into the computer system. This amount never showed as a deposit on the bank statements and remained outstanding until November 2008 when GCCJA employees began to research and attempt to reconcile this difference. This missing deposit is discussed below.

OSAI identified two (2) instances of missing funds.

- 1. An inmate was booked into jail on February 27, 2008, with \$1,105.87 cash. Later that day as the inmate was being transferred to another jail facility, she inquired about her cash. GCCJA personnel were unable to locate the funds. On February 28, 2008, Sheriff McMullen directed Shane Wyatt to have check number 3993, in the amount of \$1,105.87, issued from the GCCJA bank account to the inmate. An investigation, by the Grady County Sheriff’s Office, revealed that the cash was, in fact, counted in the presence of the inmate by officer 1, placed in an envelope and delivered to officer 2. However, officer 2 did not enter receipt of funds into the computer system and did not deposit the cash envelope in the “drop box.” GCCJA video revealed that officer 2 picked up the envelope and moved out of camera range.
- 2. In another instance, a GCCJA employee assigned to make the actual bank deposit of inmate funds, retained these funds in her desk drawer until four (4) separate deposits were accumulated. One of the four, which totaled \$2,727.06, was never deposited in the bank account. The \$2,727.06 included \$1,932.69 cash and \$794.37 in money orders. Upon discovery of the missing deposit, GCCJA employees traced one of the money orders to its issuing bank and verified that it had never cleared. The Inmate Trust Fund was reimbursed \$2,727.06 from the GCIA Jail Account on November 12, 2008.

**GRADY COUNTY CRIMINAL JUSTICE AUTHORITY  
GRADY COUNTY  
SPECIAL AUDIT REPORT  
JANUARY 2005 THROUGH NOVEMBER 2008**

---

Of the two GCCJA employees in charge of making the referenced bank deposits, only one is still a GCCJA employee.

Since GCCJA did not have controls in place to verify (1) the amount of money collected from inmates at book-in, (2) the amount of money given to officer 2, (3) the amount of money deposited to the "drop box," or (4) any changes to amounts officer 2 entered into the computer system if necessary, GCCJA does not have the documentation necessary to reconcile transactions to determine if additional inmate funds are missing.

**RECOMMENDATION** OSAI recommends the GCCJA define and adopt internal controls sufficient to assure that inmate funds are accounted for and deposited correctly, such as:

1. Officer 1 should enter receipt of personal belongings and cash into book-in computer system and print a document (receipt) reflecting this property. The document should be signed and dated by officer 1 and the inmate or another officer verifying the information.
2. When the money is placed in the envelope by officer 1, it should be sealed in the presence of the inmate and signed by officer 1 and the inmate or another officer. Both officer 1 and the inmate should sign the back of the envelope verifying the amount of money. Officer 1 should then immediately place the envelope into a secure drop box in the presence of the inmate or another officer for retrieval by bookkeeping personnel.
3. Bookkeeping personnel should not be allowed to make changes to the computer system in the event the money they count in the envelope does not match the amount entered into the computer system by officer 1. An incident report should be completed and the Warden should review the situation prior to any revisions being made to the computer system data.
4. All funds should be deposited daily. In the event that funds are received after banking hours, they should be secured and deposited the next working day.
5. The employee who reconciles the bank statements to the Inmate Trust Fund account should not be the same employee who completes the deposit slips and should not be the same employee who enters the data information into the computer system. Bank reconciliation should be accomplished immediately after bank statements are received. Any outstanding deposits and checks should be verified to assure they are legitimately outstanding and not be allowed to carry over for more than one month.

**GRADY COUNTY CRIMINAL JUSTICE AUTHORITY  
GRADY COUNTY  
SPECIAL AUDIT REPORT  
JANUARY 2005 THROUGH NOVEMBER 2008**

---

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

**OBJECTIVE:** Determine if irregularities exist in purchasing food for inmates.

**FINDING** An effective internal control system provides for accurate and reliable records. Prior to February 2008, GCCJA purchased and cooked food for inmates. However, complete and accurate inventory records were not maintained.

GCCJA contracted with Compass Canteen Correctional Services Group, beginning February 2008. They develop meal plans, determine the amount of food to be used in preparing meals for inmates, and provide the food for GCCJA to prepare. It appears this process was operating within the terms of the contract since its inception.

**RECOMMENDATION** OSAI recommends the GCCJA develop adequate internal controls for inmate food purchases and consumption. Additional, internal controls should be developed to ensure inventory records are complete, accurate, and periodically reviewed to ensure accountability of inventory. We further recommend the proper authorities review this finding to determine what action, if any, may be required.

**OBJECTIVE:** Determine if GCCJA was using Inmate Trust Funds for GCCJA expenses.

**FINDING** OSAI determined that GCCJA spent \$1,179.49 for check orders and bank fees from funds which were the property of inmates and which were deposited in the Inmate Trust Fund. GCCJA reimbursed the Inmate Trust Fund for all the funds that had been used. \$916.16 of the \$1,179.49 was issued to the Inmate Trust Fund for reimbursement after the OSAI audit was initiated.

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



**GRADY COUNTY CRIMINAL JUSTICE AUTHORITY  
GRADY COUNTY  
SPECIAL AUDIT REPORT  
JANUARY 2005 THROUGH NOVEMBER 2008**

---

**OBJECTIVE:** Determine if there are irregularities in payments made to vendors.

**FINDING**

OSAI reviewed payments from two (2) accounts under the custody of GCCJA to determine if payments made to vendors were proper and authorized. OSAI determined that no Board approval had been received on any of the expenditures. Only a monthly summary by expenditure categories was prepared and submitted to the Board.

The accounts OSAI reviewed included:

- Grady County Criminal Justice Authority (GCCJA) account.
- Grady County Industrial Authority (GCIA) Jail Operation account.

Seventy (70) payments made during the period January 2005 through November 2008, were selected to be reviewed for proper documentation and approval. The selection of the payments to be tested was made from a Check Detail Report provided by GCCJA which listed all payments made to vendors for this period. Thirty-three percent (33%) of the payments tested had exceptions noted. The exceptions are identified in the following table:

**GRADY COUNTY CRIMINAL JUSTICE AUTHORITY  
GRADY COUNTY  
SPECIAL AUDIT REPORT  
JANUARY 2005 THROUGH NOVEMBER 2008**

Vendor Name	Date Issued	Check #	Amount	Category	Exception Noted:
Chickasha Flower Box	12/7/2005	2626	\$66.73	Misc.	No documentation
Paradise Doughnuts	3/29/2005	1389	\$12.22	Entertainment	No documentation
Pioneer Rental	4/18/2005	2384	\$185.50	Equipment Rental	Specific equipment rented was omitted
Shane Wyatt	6/28/2005	2489	\$98.00	Reimbursement	No documentation
Shane Wyatt	8/19/2005	2685	\$27.70	Reimbursement	Need additional documentation
Pioneer Rental	9/7/2005	1506	\$77.58	Equipment Rental	No documentation
Rachelle McConnell	12/30/2005	2646	\$472.00	Misc.	No documentation
Nicholas P. Redding	1/3/2006	2647	\$238.74	Reimbursement	Need additional documentation
Eric Forsythe	3/15/2006	2761	\$42.22	Office Supplies	Purchasing 2 chairs from employee
Charlene Doucet	3/31/2006	2812	\$194.00	Reimbursement	Need additional documentation
Okla. Correctional Indu.	4/13/2006	1640	\$42.00	Jail Supplies	No documentation
Hallmark Flowers	4/17/2006	2846	\$43.06	Misc.	Need additional documentation
Camping Gear Outlet	7/31/2006	2987	\$1,649.70	Jail Supplies	Need additional documentation
Randy Ely	11/2/2006	3203	\$274.78	Reimbursement	Need additional documentation
Bryan Vaughn	12/28/2006	3301	\$644.95	Contract Labor	No taxes withheld nor 1099 issued over \$600
Gary Sullivan	12/28/2006	3302	\$752.03	Contract Labor	No documentation, no 1099
Archie Thomas	2/5/2007	3371	\$381.22	Contract Labor	Holiday Pay need additional info, no 1099, full time employee
Romauldo Pena	4/2/2007	3470	\$300.00	Misc.	Wages shouldn't be categorized as Misc. no 1099, full time emp.
Depart. Of Central	9/1/2007	1067	\$50.00	Jail Supplies	No documentation
Larry Crabb	9/28/2007	1736	\$80.00	Employee Benefits	No documentation
Steve Klingler	9/28/2007	1738	\$80.00	Employee Benefits	No documentation
Depart. Of Central	12/20/2007	1215	\$165.00	Jail supplies	No documentation on \$130 expenses
O'Reilly Auto Parts	4/4/2008	3966	\$92.96	Vehicle Expense	Need additional documentation as to which vehicle received the parts
Sam's/Wal-Mart	6/19/2008	4065	\$690.68	Jail Supplies	No documentation

**GRADY COUNTY CRIMINAL JUSTICE AUTHORITY  
GRADY COUNTY  
SPECIAL AUDIT REPORT  
JANUARY 2005 THROUGH NOVEMBER 2008**

---

In addition to the above expenditures, OSAI examined several expenses to Kent's TV. Richard Kent Baldwin is the owner and operator. Mr. Baldwin has also been receiving a monthly salary as an employee of GCCJA since June 2006.

During the period June 2006 to December 29, 2008, Kent's TV has been paid \$40,125.46 from GCCJA (20 purchases), \$8,952.00 from GCIA Jail Operation account (15 purchases), and \$13,546.50 from Grady County (17 purchases).

This is a total of \$62,623.96 paid to Kent's TV while Mr. Baldwin was employed by GCCJA.

Eight (8) of the twenty (20) payments that GCCJA made to Kent's TV did not contain documentation as to the type of labor or when the work was performed. (Totaling \$26,341.99)

OSAI found the GCCJA and GCIA Boards exercised little to no oversight relating to the expenditure of funds.

**RECOMMENDATION** OSAI recommends the GCCJA adopt purchasing procedures to comply with state law and to ensure the best value for products and services is obtained. OSAI also recommends GCCJA develop and adopt internal controls sufficient to assure that all payments are properly supported, properly approved, and authorized by law.

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

**DISCLAIMER** 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.



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