



Special Audit Town of Grayson

Okmulgee County

July 1, 2002 through November 30, 2005



Office of the Oklahoma State Auditor and Inspector
Jeff A. McMahan, CFE

TOWN OF GRAYSON
OKMULGEE COUNTY
SPECIAL AUDIT REPORT
JULY 1, 2002 THROUGH NOVEMBER 30, 2005



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

Jeff A. McMahan
State Auditor and Inspector

September 18, 2007

Honorable Thomas Giulioli
District Attorney, District No. 25
115 South Fourth
Henryetta, Oklahoma 74437

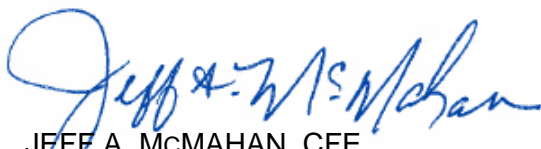
Transmitted herewith is the Special Audit Report of the Town of Grayson, Okmulgee County, Oklahoma. We performed our special audit in accordance with the requirements of **74 O.S.2001, § 212(H)**.

A report of this type tends to be critical in nature; however, failure to report commendable features in the accounting and operating procedures of the entity should not be interpreted to mean that 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 insure 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,



JEFF A. MCMAHAN, CFE
State Auditor and Inspector

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BOARD OF TRUSTEES

Helen J. Fox..... Former Mayor
Helen JoAnn Fox Trustee
Taryn Celestine..... Trustee
Teresa Annan Trustee
Leanna Armstead..... Clerk/Treasurer



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

Jeff A. McMahan
State Auditor and Inspector

Board of Trustees
Town of Grayson
24160 Martin Luther King
Grayson, Oklahoma 74437

Dear Trustees:

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 Town of Grayson, Okmulgee County, for the period July 1, 2002 through November 30, 2005.

The objectives of our special audit primarily included but were not limited to, the areas noted in the District Attorney's request. Our findings and recommendations related to these procedures are presented in the accompanying report.

Because the above procedures do not constitute an audit conducted in accordance with generally accepted auditing standards, we do not express an opinion on the account balances or financial statements of the Town of Grayson for the period July 1, 2002 through November 30, 2005. 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 taken as a whole.

This report is intended solely for the information and use of the District Attorney, the Town of Grayson and the 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. 2001, § 24A.1 et seq.)**, and shall be open to any person for inspection and copying.

Sincerely,

A handwritten signature in blue ink that reads "Jeff A. McMahan".

JEFF A. MCMAHAN, CFE
State Auditor and Inspector

March 26, 2007

INTRODUCTION

The Town of Grayson, Oklahoma is organized under the statutory town board of trustees form of government, as outlined in **11 O.S. 2001, § 12-101, et seq.**

11 O.S. 2001, § 12-101, states:

"The form of government provided by Sections 11-12-101 through 11-114 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 form 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."

In addition, **11 O.S. 2001, § 12-102**, states in part:

"The town board of trustees shall consist of either three (3) or five (5) trustees who shall be nominated from wards or at large and elected at large."

The Grayson Development Authority is a public trust established under **60 O.S. 2001, § 176 et seq.** A private, independent audit firm audits the Town and the Authority 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. 2001, § 3002.**

Pursuant to the District Attorney's request, the State Auditor and Inspector conducted an audit of the Town of Grayson, primarily those records relating to the concerns in the request. The results of the audit are in the following report.

BOARD OF TRUSTEES FIDUCIARY RESPONSIBILITY

The Board of Trustees for the Town of Grayson as well as the Development Authority has an obligation to act in the best interest of the Town and/or the Authority as a whole. This fiduciary responsibility requires that all funds belonging to the Town and/or the Authority be handled with scrupulous good faith and candor. Such a relationship requires that no individual shall take personal advantage of the trust placed in him or her. When the Board of Trustees accepts responsibility to act in a fiduciary relationship, the law forbids them from acting in any manner adverse or contrary to the interest of the Town and/or Authority.

Further, the Town Clerk/Treasurer has a fiduciary responsibility to perform all statutory duties in maintaining accurate, complete, and reliable records for the Town of Grayson and/or Authority.

FINDINGS AND RECOMMENDATIONS

FINDING: On November 10, 2005, the Town Board of Trustees (Mayor Fox was absent) voted to “freeze and remove Bessie Monroe’s name and add Trustee Annan’s name to all of the Town of Grayson’s Bank Accounts” in addition to changing the locks on the Grayson Community Center doors. We obtained the Town’s bank records for 13 accounts through an Oklahoma State Bureau of Investigation (OSBI) Multi-County Grand Jury subpoena. The next day on November 11, 2005 (per actual debit receipts), a Federal Holiday, Mayor Fox withdrew Town monies without Board approval from the following Grayson accounts:

Name of Account	Date per Bank Records	Amount	Name on Withdrawal Docs
Grayson School Renovation	11-14-05	\$3,045.51	Helen JoAnn Fox
Grayson Development Auth.	11-14-05	715.21	Helen JoAnn Fox
Town of Wildcat	11-14-05	54.78	Helen JoAnn Fox
Wildcat Development Auth.	11-15-05	203.09	Helen JoAnn Fox
Grayson Gas System	11-14-05	560.24	Helen JoAnn Fox
Town of Grayson (CDBG)	11-14-05	<u>63.21</u>	Helen JoAnn Fox
	Total	<u>\$4,642.44</u>	

We have not been able to contact former Mayor Fox, per advisement of her attorney, to determine the reason for the withdrawal of Town funds. The former Mayor remains a Town Trustee but was voted out as Mayor by a vote of the two other Town Trustees on December 13, 2005. Trustee Fox has refused to return the funds back to the Town for daily operations. Through Fox’s attorney and OSBI documentation, we were given bank statements of two accounts that Trustee Fox had opened in Tulsa, Oklahoma named, “Grayson School Renovation” and “Grayson Community Center/Genesis Senior Satellite”. In addition, documentation was provided wherein Trustee Fox received a Federal Tax Identification number for these accounts.

It appears that on February 24, 2006, a deposit was made in the amount of \$4,642.44 into the Grayson School Renovation account and an additional (source unknown) deposit of \$50.00 was made on April 26, 2006. We could not determine where the monies were located prior to the February deposit, approximately 3 months after they were withdrawn.

The second account, Grayson Community Center Genesis Senior Satellite fund was opened by Trustee Fox on March 3, 2006. An amount of \$3,271.30 was the initial deposit. The source of this deposit was determined to originate from another account we located in Checotah, Oklahoma titled “Grayson Development Authority” opened by the former Mayor on November 27, 2005. It appears the account was opened with a CENA grant check in the amount of \$2,029.68 along with customer gas payments. The account was closed on December 7, 2005 by the former Mayor in the form of a cashiers check in the amount of \$3,271.30. We were unable to determine where the monies were located prior to the above March deposit, approximately 3 months after they were withdrawn from the bank in Checotah. We noted two wire debits from this account. They are as follows:

Date	Payee	Amount	Type of Transaction
05-25-06	Harvey C. Fox	\$1,353.64	Wire Transfer
05-25-06	Mildred Burkhalter	800.20	Wire Transfer

From the above expenditures, it appears Trustee Fox was continuing to conduct senior nutrition services funded by a Community Enhancement Nutritional Assistance (CENA) grant through the Eastern Oklahoma Development District (EODD). We could not determine the purpose of these expenditures due to the lack of documentation (i.e. Invoices, receipts etc.) The above payees were also noted in our grant findings on page 13.

RECOMMENDATION: We recommend the proper authorities review this finding to determine if further action should be taken.

FINDING: During our review of bank records of the Town of Grayson, we noted numerous payments made to two trustees from Town funds. The payments to the former Mayor (known as Helen JoAnn Fox and JoAnn Fox) and trustee are as follows:

Date	Payee	Check Number	Amount	Purpose
08-17-02	Helen JoAnn Fox	2965	\$1,281.29	Unknown
09-17-02	JoAnn Fox	2989	275.00	Unknown
11-29-02	"	3016	100.00	Unknown
12-16-02	"	3043	200.00	Unknown
12-26-02	"	Cashiers Check	154.11	Unknown
01-13-03	"	574	125.00	Unknown
02-11-03	"	3064	17.40	Unknown
02-13-03	"	3076	100.00	Unknown
03-19-03	"	580	250.00	Unknown
10-31-03	"	3160	209.88	Unknown
03-04-04	"	3215	200.00	Workshop
10-26-04	"	113	2,000.00	Salary
12-03-04	"	3312	325.00	Unknown
04-25-05	"	573	300.00	Unknown
10-06-05	"	Cash Withdrawal	2,000.00	Unknown
		Total	<u>\$7,537.68</u>	

None of the payments to the former Mayor were supported with any kind of documentation with the exception of two checks. The first, for \$2,000 had "Salary" typed on the memo line and the grant source on the top of the check. In addition, we found CDBG 02 grant documents where the former Mayor had submitted an invoice and time sheets to be reimbursed for the administration of the grant. The second, for \$200.00 had "workshop" written on the memo line.

Date	Payee	Check Number	Amount	Purpose
07-02-02	Bessie Monroe	2949	123.50	Unknown
07-31-02	"	2963	198.02	Unknown
09-03-02	"	2970	237.00	Unknown
09-16-02	"	2987	84.00	Unknown
10-01-02	"	2996	187.57	Unknown
11-05-02	"	3014	194.75	Unknown
12-02-02	"	3020	185.28	Unknown
01-07-03	"	573	199.50	Unknown
02-05-03	"	3067	190.00	Unknown
03-03-03	"	3096	152.00	Unknown
04-02-03	"	584	133.00	Unknown
05-02-03	"	585	152.00	Unknown
06-03-03	"	222	171.00	Unknown

TOWN OF GRAYSON
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07-07-03	"	588	180.50	Unknown
08-05-03	"	207	133.00	Unknown
09-05-03	"	3151	209.00	Unknown
10-06-03	"	594	161.50	Unknown
11-03-03	"	3162	180.50	Unknown
12-05-03	"	3182	147.25	Unknown
02-03-04	"	3207	180.50	Unknown
03-03-04	"	3213	166.25	Unknown
02-04-05	"	547	190.00	Unknown
03-16-05	"	558	456.00	CENA 05
04-15-05	"	563	456.00	Unknown
05-06-05	"	230	520.00	Unknown
06-20-05	"	501	520.00	CENA 05
		Total	<u>\$5,708.12</u>	

On January 9, 2007, the OSBI, in conjunction with our office, interviewed the former Trustee regarding payments made to her when she was on the Grayson Board of Trustees. She could not explain why there were checks written after she was replaced as council member in April 2005. We noted in old checkbooks, there were still blank checks pre-signed with the former Trustee and former Mayor's signature. She also stated that she had performed services for the Town and had been paid for these services, but was surprised at the amount paid to her when shown the canceled checks. It was pointed out to her that there were invoices submitted that indicated the money was paid to her; she denied she had ever submitted an invoice to the Town. It appears from the invoices submitted for reimbursement in grant documents, the former Trustee was reported as an "events coordinator" for the Community Center. We also noted employee time sheets for the former Trustee.

Overall we found cancelled checks payable to, approved and signed by the former Mayor and former Trustee. Additionally, we were not able to identify any resolutions or ordinances that authorized payments to Trustees. The only ordinance pertaining to Trustee pay, approved payments of \$10 per meeting to each Trustee, and this ordinance went into effect in April 2005. We were unable to discuss the payments made to the former Mayor as she refused (through her attorney) to meet and discuss any of the issues we had noted relating to payments to her or any other irregularity we noted during the course of our investigation.

In accordance with State Statutes, **11 O.S. § 12-113**, (cited below):

The compensation of all elective town officers shall be fixed by ordinance.

However, **11 O.S. § 8-106** states:

...A member of the governing body shall not receive compensation for service in any municipal office or position other than his elected office.

In addition, **Attorney General's Opinion 01-23 (3)** states,

3. If the governing body has ordained the municipal employee/elected municipal officer dual capacity, the individual shall receive only the elected office salary pursuant to **11 O.S. § 8-106**.

Accordingly, it would appear that payments to the two Trustees were in conflict with the provisions of **11 O.S. § 8-106**.

The above payments also appear to violate **21 O.S. § 1451**, which defines the following:

- A. Embezzlement is the fraudulent appropriation of property of any person or legal entity, legally obtained,---to any use or purpose not intended or authorized by its owner or the secretion of the property with the fraudulent intent to appropriate it to such use or purpose, under any of the following circumstances:

...

4. Where the property is to be used for a public or benevolent purpose;

...

Embezzlement does not require a distinct act of taking, but only a fraudulent appropriation, conversion or use of property.

- C. Any county or state officer, deputy or employee of such officer, who shall divert any money appropriated by law from the purpose and object of the appropriation, shall, upon conviction, be guilty of a felony punishable by imprisonment in the State Penitentiary for a term not less than one (1) year nor more than ten (10) years, and a fine equal to triple the amount of money so embezzled and ordered to pay restitution to the victim as provided in Section 991f of Title 22 of the Oklahoma Statutes. The fine shall operate as a judgment lien at law on all estate of the party so convicted and sentenced, and shall be enforced by execution or other process for the use of the person whose money or other funds or property were embezzled. In all cases the fine, so operating as a judgment lien, shall be released or entered as satisfied only by the person in interest.

Though **11 O.S. §8-113** allows officers and employees to conduct certain business if the Town has a population of not more than 2500 and the business is the only business of that type within 10 miles of the Town limits, we found this statute was not applicable. Henryetta and Morris, Oklahoma are within the 10 mile radius of the Town of Grayson.

RECOMMENDATION: We recommend the proper authorities review this finding to determine if further action should be taken.

FINDING: In our review of the Town's bank transactions, we noted payments made to several relatives, the former Mayor and Trustee. The following schedule reflects the payments made to the former Mayor's relatives between July 2002 and November 2005, who would be related by affinity (marriage) or consanguinity (blood) to her within the third degree.

<u>Relative's Name</u>	<u>Amt. Pd. To Relative</u>
Harvey C. Fox (Father)	\$10,467.08
Johnnie Fox (Mother)	825.00
Stephanie Fox (Sister-in-Law)	250.00
Maxine Adams (Aunt)	4,449.60
Oscar Fox (Brother)	1,000.00
Charlie Melton (Uncle)	2,662.00
Edward Melton (Uncle)	409.17
Morris H.S. for Ashley Fox (Niece)	50.00
Total	<u>\$20,112.85</u>

According to the Oklahoma Municipal League's 2006 Officer Directory, the Town lists the former Mayor's father as the Town's Superintendent of Public Works and Gas Supervisor.

In addition, we noted three payments to another Trustee's family members. The payments are as follows:

<u>Relative's Name</u>	<u>Amt. Pd. To Relative</u>
Parris Celestine (Son)	\$ 500.00
Parris Easley (Uncle)	500.00
Total	\$ <u>1,000.00</u>

The Trustee stated that the former Mayor wanted to give her son money for his graduation and good grades. The Trustee did not know the purpose of the payments to the uncle.

In accordance with State Statutes (**11 O.S. §8-106**) cited below:

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. The provisions of this section shall not prohibit an officer or employee already in the service of the municipality from continuing in such service or from promotion therein. A person may hold more than one office or position in a municipal government as the governing body may ordain. A member of the governing body shall not receive compensation for service in any municipal office or position other than his elected office.

The third degree of relationship would include children, parents, grandparents, grandchildren, aunts/uncles and nieces/nephews. However, we found no taxes withheld from the above payments to validate employment or contractual agreements for services performed. It appears that all payments to the former Mayor and the Trustee's relatives were on a verbal basis.

We also noted the money that was paid to the former Mayor's relatives did not indicate the purpose of the payment except in a few instances when the checks were noted as reimbursement of mileage, gifts, food or invoices found in grant records. Even when noted on the check, there was no support for the purpose given on the check.

RECOMMENDATION: We recommend the proper authorities review this finding to determine if further action should be taken.

FINDINGS: Our office contacted known grant awarding agencies to determine the number of grants awarded to the Town of Grayson during our audit period. The following is a summary for each grant:

Oklahoma Department of Commerce (ODOC)

• **Community Development Block Grant (CDBG 02)** - The Town of Grayson received a CDBG 02 grant for the period of September 19, 2002 through March 18, 2005 in the amount of \$49,647.00. Per grant documents provided by ODOC, the purpose of the grant was for fire protection and fire station improvements. We traced three deposits to the Town of Grayson totaling \$49,647.00.

We found one exception while reviewing the supporting documentation of grant expenditures. It appears the former Mayor paid herself a \$2,000.00 salary for the administration of the grant.

We found time sheets from November 2003 through December 2004 for the former Mayor at the pay rate of \$9.50 per hour to document the expenditure.

The payment of salary to the former Mayor appears to not only conflict with Town Ordinance and **21 O.S. 2001 § 341**, but also with ODOC contract guidelines. The contract states in part:

[Part II – Section 9 No-Conflict Covenant

The Contractor covenants that no officers or employees of any governing board of the Contractor have any interest, direct or indirect, and that none shall acquire any such interest during their tenure or for one year thereafter that would conflict with the full and complete execution of this contract.]

Note: The salary payment to the former Mayor has been included in our finding on page 8.

EASTERN OKLAHOMA DEVELOPMENT DISTRICT (EODD)

● **Rural Economic Assistance Plan (REAP 02)** - The Town of Grayson received a \$25,000.00 REAP 02 grant to purchase a 4x4 cab, loader, brush hog with box blade and a 300 gallon sprayer for the community. From EODD records, two invoices were submitted for reimbursement with no exceptions noted.

● **REAP 03** – The Town of Grayson received a \$14,603.00 REAP 03 grant to upgrade and install the heat and air units at the Grayson Community Center. Two invoices were submitted to EODD for reimbursement. They are as follows:

Date	Vendor	Amount	Purpose
12-28-03	Sonrise Heat & Air	\$ 9,486.00	(2) 5 ton condenser coils and furnace
09-25-03	Harold Fox	5,117.00	labor & material for electrical work

Because of the relation to former Mayor Fox (brother), we contacted Mr. Fox and asked him to validate payment for the work performed on the Community Center. Mr. Fox stated that he had never received that much from the Town of Grayson and that he remembers doing some electrical work at the Grayson Fire Station but he was only reimbursed approximately \$300.00. Also, he stated that he would not have ever submitted an invoice to the Town since he does not own a company. We asked Mr. Fox if he could remember if he was paid by cash or check, to which he could not recall. Mr. Fox was upset that somebody would submit a \$5,117.00 invoice on his behalf when he did not receive that amount. In addition, we reviewed all 13 bank accounts and did not locate a payment to Mr. Fox or the amount indicated above.

Pay requests and contract documents that were sent to EODD for reimbursement were signed and approved by the former Mayor.

It appears that the former Mayor may have submitted a false claim to EODD for reimbursement, which is contrary to **21 O.S. 2002 § 341**, which states in part:

Every public officer of the state or any county, city, town, or member or officer of the Legislature, and every deputy or clerk of any such officer and every other person receiving any money or other thing of value on behalf of or for account of this state or any department of the government of this state or any bureau or fund created by law and in which this state or the people thereof, are directly or indirectly interested, who either:

Second: Knowingly keeps any false account, or makes any false entry or erasure in any account of or relating to any moneys so received by him, on behalf of the state, city, town, district or county, or the people thereof, or in which they are interested; or

Third: Fraudulently alters, falsifies, cancels, destroys or obliterates any such account, shall, upon conviction, thereof, be deemed guilty of a felony and shall be punished by a fine of not to exceed Five Hundred Dollars (\$500.00), and by imprisonment in the State Penitentiary for a term of not less than one (1) year nor more than twenty (20) years and, in addition thereto, the person shall be disqualified to hold office in this state, and the court shall issue an order of such forfeiture, and should appeal be taken from the judgment of the court, the defendant may, in the discretion of the court, stand suspended from such office until such cause is finally determined.

• **REAP 05** - The Town of Grayson received an \$18,000.00 REAP 05 grant to improve streets in the community. We reviewed invoices submitted for reimbursement. EODD made one reimbursement to the Town in the amount of \$3,797.19. However two pay requests submitted by the Town were denied by EODD totaling \$10,447.59. In a letter dated November 30, 2005, EODD stated " it was determined none of the items submitted were relevant to the revised project (street improvements), and therefore not eligible for payment." The items submitted by the former Mayor included long distance, cell phone, electricity, insurance, and water bills for the Town. The remaining balance of \$14,202.81 is currently available for the Town of Grayson to draw upon.

• **Community Expansion of Nutrition Assistance (CENA 05)** - The Town of Grayson received a \$15,000.00 CENA 05 grant for equipment, supplies and salaries for the Senior Nutrition Program located at the Town's Community Center. During our review of grant expenditures, we noted payments to the former Mayor and Trustee. They are as follows:

Vendor	Date of Invoice	Amount	Purpose
Bessie Monroe	03-09-05	\$600.00	Events Coordinator
Bessie Monroe	04-01-05	456.00	Events Coordinator
JoAnn Fox	04-08-05	300.00	Janitor Service at Community Center
Bessie Monroe	05-01-05	520.00	Events Coordinator

The above payments have been included in our findings on pages 8 and 9.

In addition, we noted payments to the former Mayor's family members. The expenditures are as follows:

Vendor	Date of Invoice	Amount	Purpose
Johnnie Mae Fox	02-08-05	\$200.00	Decoration (Fox's Arts & Crafts)
Charlie Melton	02-08-05	300.00	Sweetheart Catering (Melton & Melton BBQ)
Harvey Fox	04-08-05	250.00	Mowing
Johnnie Mae Fox	05-31-05	500.00	Cook

The above payments have been included in our findings on page 10.

• **CENA 06** - The Town of Grayson received a \$10,000.00 CENA 06 grant for hot meals and educational equipment for the Senior Nutrition Program located at the Town's Community Center. Once again, while reviewing grant expenditures, we noted payments to the former Mayor's family members. They are as follows:

Vendor	Date of Invoice	Amount	Purpose
Harvey Fox	09-09-05	\$250.00	Mowing
Harvey Fox	10-10-05	159.84	Mileage for dinners
Harvey Fox	10-31-05	319.68	Mileage for dinners
Stephanie Fox	11-04-05	500.00	Cook breakfast & supplies
Harvey Fox	12-09-05	199.80	Mileage for dinners
Harvey Fox	12-30-05	124.16	Mileage for dinners

The above payments have been included in our findings on page 10.

We attempted to locate the above payment to Stephanie Fox in the amount of \$500.00 in Town accounts and found a check in the amount of \$250.00 to Stephanie Fox. It appears that the former Mayor may have submitted a false claim to EODD for reimbursement, which is contrary to **21 O.S. 2002 § 341** (cited above). Pay requests and contract documents that were sent to EODD for reimbursement were signed and approved by the former Mayor.

The Town was reimbursed \$10,000.00 by EODD. We attempted to trace all grant deposits to Town accounts, however it appears that on November 10, 2005, meals served to senior citizens were discontinued at the community center. We obtained a letter, dated January 18, 2006, that was sent to EODD by the former Mayor changing the name of the program to "Genesis Senior Satellite" and requesting that all correspondence and checks be forwarded to the former Mayor's home address. EODD was unaware the former Mayor was operating the program from her home instead of the grant approved site at the Town's community center. After EODD was informed of the circumstance, all checks were remitted to the approved site of the Grayson Community Center.

At some point, the Town decided to have Rentiesville Senior Citizen program prepare meals for the Grayson Senior Citizen program. We noted payments to the Rentiesville program and to Harvey Fox for the transportation of the meals. This may explain why a grant check, dated January 31, 2006, to the Grayson Community Center was signed over by the former Mayor to the Rentiesville coordinator in the amount of \$1,199.80. We were unable to contact the Rentiesville coordinator for explanation.

All grant checks were traced to a deposit in known Town accounts with the exception of the above payment to Rentiesville Community Center.

RECOMMENDATION: We recommend the proper authorities review the above findings to determine if further action should be taken.

FINDING: We obtained three computers that the O.S.B.I. had confiscated from Grayson Town Hall (community center). The data obtained from the computer hard drives was analyzed by forensic staff of the State Auditor's Office with special emphasis on data contained in cash and history directories. The files we obtained were from deleted files that were recovered from the hard drives. This would indicate that another computer containing current files was available but not recovered when the computers at the Town Hall were confiscated.

From the limited data available to us, we were able to obtain some information that appeared unusual. For example, we noted adjustment files that appeared to indicate the former Mayor was making substantial negative adjustments to utility accounts of her relatives, council members and herself.

RECOMMENDATION: Due to the possible corruption of data contained in the deleted files from the confiscated computers, we are unable to make a determination on the reliability of the information we obtained.

FINDING: The Town of Grayson allegedly maintains all Town records and conducts Town business at the Grayson Community Center. The community center also has a computer lab, full kitchen and dining area for the citizens of Grayson. While searching Town offices for support documentation to substantiate our findings during our audit period, we noted a serious absence of invoices, receipts, etc., to determine the purpose of Town expenditures. The former Treasurer/Clerk confirmed that the former Mayor and a former Trustee conducted all financial transactions for the Town, and she assumed that they were recording and documenting all entries. The former Treasurer/Clerk stated her only duties at Town Hall were to record and document Board minutes. It appears the Town failed to enforce **11 O.S. § 12-109** and **11 O.S. § 12-110**, creating and setting forth the duties the office of Treasurer/Clerk, because in this case, the Treasurer/Clerk maintained no financial records or documents for the Town.

The former Mayor's attorney has related to our office that the former Mayor does not have any Town documents or Gas Utility customer history and payment support at her residence, and that those records should be found at the Community Center. However, all support documentation for grant funding received by the Town (finding on pages 11-14) were remitted to our office by the granting agencies with the exception of the CDBG 02 grant records. All bank information (13 accounts) had to be subpoenaed by the OSBI to insure completeness of our records. Gas customer information, history and payments were not found on Town computers confiscated by the OSBI, nor were there hard copies of the utility information to insure that all monies received by the former Mayor were accurately recorded and deposited.

Furthermore, neither the Town nor the Grayson Development Authority has received an Independent Audit as required by **11 O.S. § 17-105** and **60 O.S. § 180.1**, since fiscal year 2002. Failure to file the required audits by the Town could result in lost revenues of gasoline taxes by the Oklahoma Tax Commission.

RECOMMENDATION: We recommend the Town adhere to the statutes referenced above.

SUBSEQUENT EVENTS: On April 17, 2007, we received information from a Town Trustee stating that the Muscogee Document Imaging Company had contacted the Town to request payment for the storage of five boxes of Town documents contained at their facility. The Trustee retrieved the boxes and found Town records dating back to 1998. We reviewed the information and found little information (i.e. receipts, invoices) within our audit period relevant to our findings. There were REAP 03 documents and engineering records for the Town's sewer and water lines installation, etc., among the information. We obtained the service agreement for the storage and found that the former Mayor had taken the Town documents to the facility on November 4, 2005, six days prior to the Town Trustees' decision to change the lock on the Community Center's doors. It appears the Town Trustees were unaware of the former Mayor's removal of Town documents from the Community Center. The Trustee stated that they were unaware of the storage unit and that the former Mayor had failed to tell them of her actions. Furthermore, when our office asked the former Mayor for the location of all Town documents, her attorney related that all documents were held at the Community Center. However, the discovery of the storage unit containing Town documents appears to contradict the former Mayor's statement to her attorney.

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Throughout this report there are numerous references to state statutes and legal authorities which appear to be potentially relevant to issues raised by the District Attorney 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 and/or PWA or any of the individuals named in this report or acting on behalf of the Town and/or PWA have violated any statutory requirement 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 and/or PWA'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