



Johnston County Fair Board Special Audit July 1, 2003 – September 1, 2005

JEFF A. McMAHAN, CFE

OKLAHOMA OFFICE
OF THE
STATE AUDITOR & INSPECTOR

Why the audit was performed

The Johnston County Fair Board audit was performed pursuant to the District Attorney's request in accordance with 74 O.S. 2001 § 212(H).

Audit Summary:

- ✓ The County Commissioners approved payment of \$11,595.00 to three (3) Johnston County Fair Board (JCFB) members for work performed and equipment used in constructing the new fair barn building. **Page 7.**
- ✓ Twenty-seven (27) checks, totaling \$2,695.00, were written from the JCFB checking account. These expenditures were reportedly being made for the purpose of buying meals and drinks for volunteers working on the fair barn project. No receipts were maintained for the expenditures. **Page 8.**
- ✓ We were unable to confirm or refute a concern over the disposition of materials that were removed from an older building as part of the new building construction. **Page 9.**
- ✓ We identified instances where it appears a JCFB meeting was planned and may have been held, however we were unable to find minutes for those meetings. **Page 9.**
- ✓ It appears that the Fair Board was providing little, if any, oversight of expenditures being made from a JCFB checking account. **Page 10.**

**JOHNSTON COUNTY FAIR BOARD
JOHNSTON COUNTY
SPECIAL AUDIT REPORT
JULY 1, 2003 THROUGH SEPTEMBER 1, 2005**

This publication is printed and issued by the State Auditor and Inspector as authorized by 74 O.S. 2001, § 212(H). Pursuant to 74 O.S. 2001, § 3105(B), 35 copies have been prepared and distributed at a cost of \$33.00. Copies have been deposited with the Publications Clearinghouse of the Oklahoma Department of Libraries.



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

Jeff A. McMahan
State Auditor and Inspector

March 20, 2006

Mr. Craig Ladd
Office of the District Attorney - District No. 20
Carter County Courthouse
Ardmore, Oklahoma 74301

Transmitted herewith is the Special Audit Report for the Johnston County Fair Board. We performed our special audit in accordance with the requirements of **74 O.S. 2001 § 212(H)**.

A report of this type is critical in nature; however, we do not intend to imply that our report failed to disclose commendable features in the present accounting and operating procedures of the Fair Board.

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,

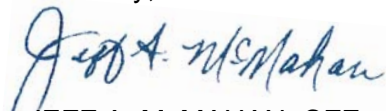

JEFF A. McMAHAN, CFE
State Auditor and Inspector

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The following concerns are presented in their entirety in italics as they were communicated to us:

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Johnston County Fair Board Members

Joel Northcutt..... President
Mark Parish..... Vice President
Kim Canaday Treasurer
Shirley Roberts Secretary
Ken Kingsberry Member
Sharla Phillips Member
Vacant Position
Vacant Position

Johnston County Commissioners

Pat Ferris District #1
Mike Thompson (Chairman) District #2
Frank James District #3

Former Members / Officers Johnston County Fair Board

Charles Stewart President
Ronnie Keeling..... Member
Robert Poe..... Treasurer



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

Jeff A. McMahan
State Auditor and Inspector

Johnston County Fair Board
Johnston County Board of County Commissioners
403 W. Main
Tishomingo, Oklahoma 73460

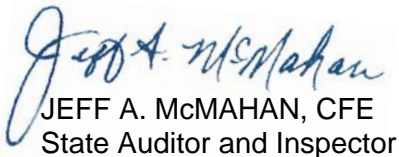
Pursuant to the District Attorney's request and in accordance with the requirements of **74 O.S. 2001, § 212(H)**, we performed a special audit with respect to the Johnston County Fair Board for the period July 1, 2003 through September 1, 2005.

The objectives of our special audit primarily included, but were not limited to, the areas noted in the index of specific concerns and are presented in their entirety in italics as they were communicated to us. Our findings and recommendations related to these procedures are presented in the accompanying report.

Because the 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 Johnston County Fair Board for the period July 1, 2003 through September 1, 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 does not extend to any financial statements of the fair board taken as a whole.

This report is intended solely for the information and use of the District Attorney, the Johnston County Board of County Commissioners and Administration of the Fair Board 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,


JEFF A. McMAHAN, CFE
State Auditor and Inspector

February 16, 2006

INTRODUCTION:

Johnston County obtained 5 acres of land from Murray State College for the purpose of building a new fair barn building. The Fred Chapman building already existed on the donated land.



Johnston County obtained various grants beginning in 2001 for the purpose of constructing the new fair barn building that was to be attached to the existing Fred Chapman building.

Once the new building components were obtained, the new fair barn building was erected through the use of volunteers. Several of those volunteers included members of the Johnston County Fair Board (JCFB).

Beginning in 2004 and continuing into 2005, three members of the Johnston County Fair Board, upon approval of the Johnston County Commissioners, received compensation for work that was performed on the fair barn building. The County Commissioners approved these payments that were made from the Fair Board Grant account (JCFB-2).

Later when these payments were questioned, the Commissioners sought the advice of the District Attorney's Office who advised them that the payments were improper and that the funds should be repaid. In July 2005 the funds were reimbursed.

Additional concerns expressed to the District Attorney's Office included checks written by the former JCFB president from a JCFB checking account and the disposition of materials removed from the Fred Chapman building during construction of the new fair barn building.



I. CONCERN: *Payment of funds to the JCFB members from the JCFB-2 account.*

Oklahoma State Statutes **2 O.S. 15-96A** states:

"The board of directors of any county fair association is authorized to enter into agreements with other persons, firms or corporations, the terms of which provide for the construction of buildings or other structures upon the property used by the associations for fairs, exhibitions and other events. The funds to be made available for the contracts authorized by this section shall be derived only from the operation of the fairgrounds, gifts or donations received for such purpose."

Construction of the fair barn was accomplished, in part, by the use of volunteers. The volunteers included JCFB members. During the construction of the fair barn, the JCFB members were, in addition to providing labor, using personal tools and equipment including a welding machine and tractor owned by the former JCFB president.

FINDING No. 1: Eight payments totaling \$11,595.00 were paid to JCFB members.

We identified eight (8) payments, totaling \$11,595.00, drawn from the Fair Barn Grant (JCFB-2) account to Johnston County Fair Board (JCFB) members. These payments included:

- Six (6) payments, totaling \$9,395.00, to the former JCFB president.
- One (1) payment, totaling \$1,000.00 to a current JCFB member.
- One (1) payment, totaling \$1,200.00 to a former JCFB member.

Although each of the eight (8) payments were approved by the Johnston County Commissioners, we noted that the payments were supported by billing statements from the JCFB members invoicing JCFB for the services provided.

Oklahoma State Statutes **62 O.S. § 371A** states, in relevant part:

"Except as otherwise provided in this section, no board of county commissioners, nor city council, nor board of trustees of any town, nor any district board of any school district in this state, nor any board of any local subdivision of this state shall make any contract with any of its members, or in which any of its members shall be directly or indirectly interested. All contracts made in violation of this section shall be wholly void."

On July 28, 2005 the former JCFB president obtained a cashiers check in the amount of \$11,595.00 to reimburse the amount paid to him and the two other JCFB members. We obtained a copy of the receipt from the Johnston County Treasurer's Office indicating the receipt and crediting of the \$11,595.00 to the Fair Barn Grant 2001 (JCFB-2) account.

RECOMMENDATION: Prior to our audit being requested, the County Commissioners sought the advice of the District Attorney's Office concerning these transactions. Based on the facts that were related to the District Attorney's Office, a recommendation was made that the funds be reimbursed. The funds were reimbursed.

The District Attorney's Office has reviewed the circumstances related to these transactions and made a recommendation. We found nothing contradictory in the circumstances presented to the District Attorney's Office and found that the recommendation was followed.

We have no other recommendation.

II. CONCERN: *Expenditure of funds from the JCFB checking account.*

The focus of this concern was checks written by the former JCFB president for cash, or checks written by and payable to the former JCFB president.

FINDING No. 1: Twenty-seven (27) checks totaling \$2,695.00, signed by the former JCFB president were payable to 'cash' or the former JCFB president.

We identified twenty-two (22) checks, totaling \$2,045.00, signed by the former JCFB president indicating the payee as "cash". We noted five (5) checks, totaling \$650.00, signed by the former JCFB president indicating the former JCFB president as the payee. The cumulative total of these twenty-seven (27) checks was \$2,695.00.

Attached to the bank statements was what appeared to be a worksheet indicating the check numbers, dates and amounts of the questionable checks. The total amount of the two worksheets was \$2,595.00.

We identified one check, number 6246 in the amount of \$50.00, written for cash by the former JCFB president that was not reflected on the provided worksheet. Additionally the worksheet reflected the amount of check number 6248 as \$50.00 when the actual amount was \$100.00. These two errors resulted in a variance of \$100.00.

The **Oklahoma Open Records Act 51 O.S. § 24A.4** states:

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

We interviewed the former JCFB president who stated that these expenditures were for meals and drinks for the volunteers who were working on the building. Additionally he stated that this had been discussed at a JCFB meeting. He did not keep, and therefore was unable to provide, any receipts or documentation supporting these expenditures.

We contacted the current JCFB president, who stated that he recalled some discussion concerning the paying of meals and drinks from this account. The current JCFB president stated that he was aware the former JCFB president was purchasing meals and drinks for the volunteers. We were unable to obtain any meeting minutes, which reflected that discussion.

On July 28, 2005 the former JCFB president obtained a cashiers check in the amount of \$2,600.00 to reimburse the \$2,595.00 amount that was questioned. We obtained a copy of the receipt from the Johnston County Treasurer's Office indicating the receipt and crediting of the \$2,595.00 to the Fair Board account.

RECOMMENDATION: Similar to the first concern, the issues surrounding this concern were also brought to the attention of the District Attorney's Office prior to our audit request. As a result,

the District Attorney's Office recommended that the funds be reimbursed. The funds were reimbursed.

The District Attorney's Office has reviewed the circumstances related to these transactions and made a recommendation. We found nothing contradictory in the circumstances presented to the District Attorney's Office and found that the recommendation was followed.

We have no other recommendation.

III. CONCERN: *Disposition of materials from the fair barn construction.*

During the construction of the new fair barn, a portion of the Fred Chapman building was torn down. Based on interviews we conducted, it appears the area that was torn down was approximately 20' x 30' and consisted of a metal ('red iron') internal construction with a sheet metal exterior. This area contained a snack bar area and bathrooms.

This concern initially arose due to "word on the street". We were provided the name of a county employee who would be able to verify this information. We interviewed an employee who stated that he was involved in the salvage of the materials and that the materials were in "perfect" condition although the sheet metal did have rust at the bottom, was faded and had holes in it.

Asking specifically which JCFB members had taken the materials in question, the employee was unable to provide a name. We inquired as to who had provided him this information and he was unable to provide a name stating that his information was based on "talk around the shop".

We contacted four (4) JCFB members or former members involved in the construction project. All four stated the materials that were removed from a section of the Fred Chapman building were scrap. All stated that the sheet metal was damaged and rusted at the bottoms.

We contacted the District #2 County Commissioner who stated that no one had permission to remove, for the purpose of personal conversion, any materials from the construction site. Additionally he stated that most of the material was hauled to the dump except the 'red iron' that was taken to the County #2 barn.

We were unable to confirm or refute, "word on the street" nor "talk around the shop".

FINDING: None.

RECOMMENDATION: None.

IV. CONCERN: *Lack of financial oversight / open meetings act.*

FINDING No. 1: Failure to maintain meeting minutes.

We were able to obtain the minutes for seven (7) JCFB meetings for a two-year period. Discussions in the minutes provided indicated that other meetings were held but we were unable to obtain minutes for those meetings.

The **Oklahoma Open Meetings Act 25 O.S. § 312A** states, in relevant part:

"The proceedings of a public body shall be kept by a person so designated by such public body in the form of written minutes which shall be an official summary of the proceedings showing clearly those members present and absent, all matters considered by the public body, and all actions taken by such public body."

The **Oklahoma Open Records Act 51 O.S. § 24A.4** states:

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

RECOMMENDATION No 1: Minutes of meetings should be maintained in accordance with the requirements set forth by state statutes. We recommend the appropriate legal authority review this finding to determine what action, if any, may be necessary.

FINDING No. 2: Failure to provide financial oversight of funds.

Oklahoma State Statutes **2 O.S. § 15-75D**, addressing the President and Officers of Fair Boards, states:

"The treasurer shall keep all monies and securities of the association and pay out the same upon the order and warrant of the board, attested by the president and secretary of the board."

We found no indication that the Board was approving, denying or considering expenditures from the JCFB checking accounts. We interviewed the former JCFB treasurer at the outset of this audit, we were told that he was not opening the bank statements until such times as he began to believe there was a problem.

Moreover, in addition to the checks written for "cash" and signed by the former JCFB president, as outlined previously, we also identified one check signed by the former JCFB treasurer written for "cash".

The former treasurer indicated a concern over the fact that the Board was not approving the payments being made from the JCFB checking accounts. We concur with this opinion. We cannot find any indication in the meeting minutes to indicate approval of expenditures.

RECOMMENDATION No 2: The Board should consider implementing procedures to provide better oversight and control over the expenditure of funds under its control. The controls that should be considered may include requiring two signatures on checks drawn as well as a written record of each expenditure, amount and purpose, to be approved by the Board.

* * * *

Throughout this report there are numerous references to state statutes and legal authorities, which appear to be potentially relevant to issues raised and reviewed by this Office. The State Auditor and Inspector has no jurisdiction, authority, purpose or intent by the issuance of this

**JOHNSTON COUNTY FAIR BOARD
JOHNSTON COUNTY
SPECIAL AUDIT REPORT
JULY 1, 2003 THROUGH SEPTEMBER 1, 2005**

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 Johnston County Fair Board or any of the individuals named in this report acting on behalf of the Johnston County Fair Board 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 Johnston County Fair Board 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.