



TOWN OF LONE WOLF

Investigative Audit

October 5, 2021

Cindy Byrd, CPA
State Auditor & Inspector

Town of Lone Wolf
Investigative Audit Report
Released October 5, 2021

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TO THE BOARD OF TRUSTEES OF THE TOWN OF LONE WOLF

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

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

This report is a public document pursuant to the Oklahoma Open Records Act, 51 O.S. §§ 24A.1, *et seq.*, and is available to any person for inspection and copying.

Sincerely,



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR



Executive Summary



Town of Lone Wolf Investigative Audit Report

Why We Did This Audit

This investigative audit was conducted in response to a request from the Lone Wolf Town Board of Trustees (the Board), in accordance with 74 O.S. § 227.8. The audit primarily evaluated transactions that occurred from July 1, 2015, through December 31, 2017.

What We Found

The Town of Lone Wolf's records were disorganized, incomplete, and sometimes missing. There was very little documentation available to support the financial activities of the Town. The Town's office manager, Margie Horton, was allowed to conduct the majority of the Town's day-to-day business without oversight from either the town clerk/treasurer or the Board.

Horton improperly used at least \$17,524.24 in town funds to pay for health insurance for her dependents. It appears that Horton and two other town employees also improperly profited at least \$2,300 from town funds paid to their personally owned business for the purchase of fireworks for the Town's annual Independence Day Celebration.

Neither the town clerk/treasurer nor the office manager deposited money daily as required. The lack of daily deposits resulted in bank overdraft fees totaling \$7,247 and created an overall lack of accountability for utility revenue. Utility-billing records were not properly maintained, which resulted in the inability to account for customer utility payments, including at least \$2,031.70 in cash deposits that could not be traced to bank deposits. There was also \$3,000 in cash withdrawn from a bank account with no supporting documentation.

Questionable expenditures totaling \$23,812.97 were made over a two-and-one-half-year period. An additional \$22,743.08 in unauthorized debit-card purchases were also made over a six-year period, none of which were presented to or approved by the Board. Payroll transactions were not sufficiently documented, and wages were not documented resulting in the inability to determine whether wages and bonuses were issued for properly authorized amounts.

Introduction

The Town of Lone Wolf is organized under the statutory Town Board of Trustees form of government¹. The Board consists of five trustees who are town residents elected at large and who choose one trustee to serve as mayor. Between July 2015 and December 2017, the Town's elected officials included, at varying times, the following²:

- Kathy Bronson, Trustee
- Carol Bunch, Trustee
- Charlene Keesee, Clerk/Treasurer
- Kindrah Miller, Trustee
- David Morris, Trustee
- Benny Richardson, Trustee
- Brian Tahbonemah, Trustee
- Doug Tollison, Trustee
- Renae Vitale, Trustee

The Lone Wolf Public Works Authority (PWA) is a public trust³ that provides water, sewer, and trash services. The town trustees are also the PWA trustees.

Furrh & Associates, an independent CPA firm, performed agreed-upon procedures for the Town for the fiscal years ending June 30, 2015, 2016, and 2017. After the audit firm identified questionable financial activity, the Board requested that the Office of State Auditor & Inspector (OSAI) perform an investigative audit of the following:

- Payroll, specifically including health-insurance coverages
- Bank-account activity, including deposits and transfers
- Expenditure activity
- Utility-revenue activity

The results of the investigation are contained in this report.

¹ As outlined in 11 O.S. §§ 12-101 - 12-114.

² In alphabetical order.

³ As outlined in 60 O.S. §§ 176 - 180.4.

Health Insurance

The Town’s Code of Ordinances did not provide for paid health insurance for employee’s family members, and the Board and PWA’s meeting minutes from January 2008 through December 2017⁴ also did not reflect approval of dependent health insurance.

Trustees Keesee, Morris, and Tollison said that they believed and understood that the Town paid for employees’ health insurance but not for their family members.

Finding Margie Horton, the Town’s office manager, improperly used at least \$17,524.24 in town funds to pay for health insurance for her dependents.

The minutes of the Board’s meeting on March 25, 2002, reflected the following:

MOTION WAS MADE BY MIKE MOORE AND 2ND BY DOUG BLEVINS TO APPROVE THE PURCHASE OF INSURANCE FOR LARRY WEST, MARGIE HORTON HAS INSURANCE SO SHE WILL BE ALLOWED TO DRAW THE COST OF THE INSURANCE TO HER SALARY.
VOTE: MIKE MOORE, YEA; DOUG BLEVINS, YEA;
DAVID MORRIS, YEA; DORA STEPHENS, ABSTAIN.

The Town paid bills that Blue Cross Blue Shield mailed to Town Hall to the attention of “Margie Horton” which reflected health insurance coverage was being paid for Horton’s two dependent children.⁵ Horton admitted that she purchased the insurance for her children and did not obtain Board approval.

ATTN: MARGIE HORTON
GROUP LEADER
TOWN OF LONE WOLF
PO BOX 38
LONE WOLF OK 73655-0038

The Town paid at least \$17,524.24 for the unapproved health insurance between July 1, 2015 and December 31, 2017. However, according to a renewal-rate record from Blue Cross Blue Shield, the Town had paid for the Horton children’s insurance since at least 2010. Although records dating back to 2010 were not available, it is estimated that the Town would have paid an additional \$47,526.49 on such unauthorized coverage between 2011 and 2015.

According to Horton, the Board initially paid Rick Harris \$500 per month in lieu of providing him with health insurance. After he took the insurance coverage, he continued to get paid the \$500 per month. Horton said she purchased her dependent insurance coverage because she did not receive the \$500.

⁴ January 2015 through June 2015 minutes were not available.

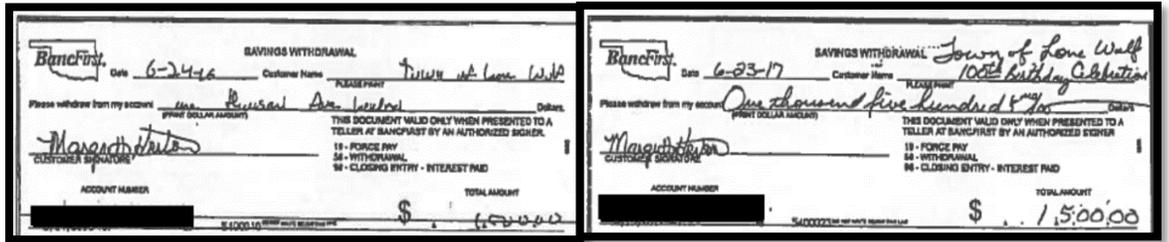
⁵ As well as Horton and Rick Harris.

Per 19 O.S. § 641 and 21 O.S. § 1451, the use of funds entrusted to Horton for an unauthorized personal purpose would be a violation of law.

Cash Withdrawals

Finding Margie Horton could not provide supporting documentation for \$3,000 withdrawn from a Town bank account.

On two separate occasions, June 24, 2016 and June 23, 2017, Horton withdrew \$1,500, a total of \$3,000 from a town bank account.



According to Horton, the money was used to pay for a band and inflatable bounce houses for the Town’s Independence Day Celebrations. However, she could not provide invoices or other documentation to support the withdrawals.

Independence Day Celebration and Employee Profits

Citizens and businesses donated money each year to the Town for the Independence Day fireworks show. The donated monies allegedly were deposited into a town savings account that was earmarked and used to make purchases for the annual event.

Finding Three town employees improperly profited a total of at least \$2,300 from town funds by selling fireworks to the Town.

Horton and Rick Harris, town employees, and Clerk/Treasurer Keesee, personally operated a firework stand. These individuals bought fireworks from a wholesaler and sold them to the Town for the Independence Day Celebration.

On July 6, 2015, Horton paid \$7,662.84 from her personal bank account to a fireworks wholesaler. The next day, \$4,500 was transferred directly from the town bank account to Horton’s personal bank account. According to Horton, the \$4,500 was payment for the Town’s fireworks.

According to the fireworks wholesaler, the fireworks for the Town cost \$3,000. As such, Horton – and presumably Harris and Keesee – profited a total of \$1,500 from the Town.

On July 6, 2016, Horton paid \$7,910.12 from her personal bank account to the fireworks wholesaler. The next day, she withdrew \$3,800 from the town bank account.

According to the fireworks wholesaler, the fireworks for the Town cost \$3,000. As such, if the \$3,800 was payment for the Town’s fireworks, Horton – and presumably Harris and Keesee – profited a total of \$800 from the Town.

These transactions between the Town and the business owned by employees and officials of the Town appear to be a violation of law.⁶

Overdraft Fees

The Town collected utility payments on behalf of American Electric Power and Oklahoma Natural Gas. The Town contracted with a payment-services company⁷ that withdrew the payments from the Town’s bank account daily and remitted the payments to the two utility companies.

Finding ***The Town did not deposit utility collections daily. As a result, the Town incurred \$7,247 in bank overdraft fees.***

The town clerk/treasurer did not make deposits into the Town’s bank accounts daily as required by law.⁸ Town clerk/treasurer Keesee relied on Horton to make deposits. Horton received, recorded, and deposited utility payments only two to six times per month.

As a result of not making timely deposits, the payment-services company’s daily withdrawals often triggered bank overdraft fees. The Town incurred overdraft fees totaling \$621 in the second half of CY2015; \$3,351 in CY2016; and \$3,275 in CY2017.⁹ In 2017, the Town requested and received a refund from BancFirst for the \$3,275 of fees that incurred in CY2017 and discontinued acting as a payment vendor for the utility companies effective December 2017.

Daily deposits are the statutory responsibility of the town clerk/treasurer as defined in 11 O.S. § 12-110; however, Horton typically made deposits on behalf of the town clerk/treasurer.

⁶ Per Okla. Const. Art. X § 11 and 21 O.S. § 341.

⁷ A contract service managed by CheckFreePay Corporation.

⁸ Per 62 O.S. § 517.3(B) and 11 O.S. § 12-110(2).

⁹ CY - Calendar Year

Two Versions of Meeting Minutes

The Town and the PWA are required to post advance public notices of their meetings that specify the subject matter to be considered at the meetings. They are also required to maintain written minutes that summarize the proceedings of the meetings.¹⁰

Finding ***Meeting minutes were fabricated to reflect action taken by the Board that apparently did not occur.***

A copy of the contract and supporting documents between the payment-services company that processed utility payments and the Town included a copy of the Board’s December 19, 2016, meeting minutes reflecting the Board had approved the contract and voted to allow Horton to “SIGN THE CHECK FREE PAY CONTRACT.” The minutes included the following:

DISCUSSION ON MARGIE HORTON TO HAVE PERMISSION TO SIGH THE CHECK FREE PAY CONTRACT. MOTION WAS MADE BY DOUG TOLLISON AND BENNY RICHARDSON TO APPROVE MARGIE HORTON TO SIGN THE CHECK FREE PAY CONTRACT. VOTE: DAVID MORRIS, YEA; BENNY RICHARDSON, YEA; DOUG TOLLISON, YEA KINDRAH MILLER, YEA BRIAN TAHBONEMAH, YEA
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The minutes and the agenda on file at Town Hall did not include any reference to the contract or permission for Horton to sign for the Board. The minutes presented to the payment-services company appear to have been fabricated. Falsifying a record by a town employee or official is a violation of law.¹¹

General Expenditures

The town clerk/treasurer is responsible for *maintaining* all records of the Town, particularly the books and accounts of all fiscal affairs of the Town.¹² However, the Board bears ultimate responsibility for the fiscal affairs of the Town, including expenditures, and is tasked with the right to inspect the clerk/treasurer’s books and accounts.¹³

Finding ***Neither the clerk/treasurer nor the Board properly reviewed or approved expenditures incurred and paid by the Town.***

Town clerk/treasurer Keesee said that she signed purchase orders and checks once per month and allowed Horton to manage the day-to-day

¹⁰ Per 25 O.S. §§ 303 and 312(A).

¹¹ Per 21 O.S. § 461 and 62 O.S. § 372.

¹² Per 11 O.S. §§ 12-109 and 12-110.

¹³ Per 11 O.S. § 12-106.

operations of Town Hall. It also appears the Board and the clerk/treasurer did not require an accounting of expenditures be presented to the Board.

Trustee Renae Vitale complained that Horton presented purchase orders to the Board *after* purchases were made and simply had two trustees sign them without full board approval.

Title 62 O.S. § 310.2 allows the Board to designate employees the authority to encumber funds for purchases, but neither the Town Code nor the minutes of the Board or the PWA¹⁴ reflected any such designations.

Other issues concerning the Town’s purchasing problems include the following:

- The clerk/treasurer sometimes signed blank checks, and trustees sometimes signed purchase orders without dollar amounts, allowing anyone with access to these documents to issue them with no oversight.
- Debit-card purchases were made without purchase orders.
- Purchase orders often did not include information reflecting what was purchased, and receipts and itemized invoices were routinely not attached.
- Funds were not encumbered prior to purchases. Purchase orders were typically not issued until the day the invoice was paid.

Finding ***During the audit period, questionable expenditures were made totaling \$23,812.97.***

In addition to the Town’s purchasing problems noted above, there was no evidence that the Board reviewed receipts or supporting documents which resulted in at least \$23,812.97 of questionable expenditures. Because of the lack of supporting documentation, it also could not be adequately determined that these expenditures were made for a public purpose.

Purchase Type	Amounts
Fuel	\$10,650.88
Supplies	\$8,053.41
Food	\$3,480.67
Petty-Cash Reimbursements	\$1,628.01
Total	\$23,812.97

Fuel, totaling **\$10,650.88**, was purchased through the Town’s charge account at the local co-op. The Town did not have receipts or supporting

¹⁴ For the period January 2008 through December 2017, excluding January 2015 through June 2015.

documentation for the purchases, and there was no evidence that town employees kept odometer readings or logs to account for fuel usage. Additionally, it appeared that fuel purchases were excessive at times. For example, five fuel purchases occurred between 7:34 p.m. and 8:50 p.m. on the Friday before the 2015 Labor Day weekend.

Supplies were purchased at Walmart and Sam’s Club that totaled **\$8,053.41**. The Town did not have receipts or supporting documentation for the purchases, which frequently included food items and drinks.

Food items, totaling **\$3,480.67**, were also purchased from a local supermarket that were not properly documented as a municipal purpose or for which the Town did not have receipts supporting their purpose.

Petty-cash reimbursements, totaling **\$1,628.01**, which included reimbursements for expenditures at fast-food restaurants, did not appear to be for municipal purposes or were not supported by receipts.

Finding ***Over a six-year period, a debit card was utilized for purchases totaling \$22,743.08 that were not presented to the Board for approval.***

From January 2012 through December 2017, \$22,743.08 was expended by way of a debit card with no evidence that the transactions were ever presented to or approved by the PWA or the Board. The debit-card expenditures included purchases at IHOP, Sonic, McDonald’s, and Arby’s as well as expenditures at CJ’s Corner, Walmart, Staples, Dollar Tree, PayPal, and Cellular Outfit.

According to Horton, she kept the card in her desk drawer, and there was no log used to track the control of the card or the purchases made. Horton claimed that Harris and trustees also made debit-card purchases. Without a log, receipts, or purchase orders it could not be determined who was responsible for these questionable expenditures.

The debit card purchases reviewed were in addition to the \$23,812.97 in unauthorized expenditures noted above, that were made via check payment from the General Fund and the PWA.

Utility Revenues

The PWA provides water, sewer, and trash services to approximately 175 customers. The Town uses *Jack Brown* utility software for PWA billing purposes. This software is often used by small municipalities and has been noted to allow users to delete, manipulate, and otherwise modify customer data used in the utility-billing process.

Finding **The Town did not maintain utility records resulting in a lack of accountability for utility payments received and the inability to determine that utility revenue had been properly billed, collected, posted, and deposited.**

The Town did not maintain records¹⁵ that are routinely produced during the normal operation of its utility-billing software. The Town was unable to provide the documentation necessary to support customer billings and payments. The records that were available were insufficient to properly document all transactions recorded in the utility-billing system.

The Town did not issue customer receipts from the utility-billing software and did not maintain receipts of payments posted to customer accounts. Additionally, receipt numbers appeared to be deleted from the town’s utility billing software, despite being originally posted to customer’s histories when payments were received.

For example, Board member Benny Richardson’s payment shown below indicates receipt number 031053 was assigned to his \$70 transaction when posted on September 2, 2015.

RICHARDSON, BENNY	70.70	0.00	031053	09/02/15	5112944538	Check/Reg
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However, Richardson’s customer history reflects the payment was posted on September 2, 2015, without receipt number 031053 being reflected in the account.

*** HISTORY LEDGER *** TOWN OF LONE WOLF OK.							11/05/18 Print 11/05/18 10:58:21 AM PAGE 1		
(ACTIVE; INACTIVE; ACCT # RNG: 0010450.00 - 0010450.00; DATE RNG: 07/01/15 - 12/30/17)									
DATE	CODE	DESCRIPTION	CONSMO	MTR	RDG	RCPT#	REFR	AMOUNT	BALANCE
0010450.00		RICHARDSON, BENNY	1413 7TH STREET				BAL:	151.91	Active
07/01/15	0100	WATER	2000	10500				38.00	184.70
07/01/15	0200	SEWER	0	0				9.00	193.70
07/01/15	0300	TRASH	0	0				23.00	216.70
07/01/15	0600	UTILITY TAX	0	0				0.70	217.40
07/08/15	9601	Cash Payment	0	0				217.40CR	0.00
07/31/15	0100	WATER	3500	14000				43.25	43.25
07/31/15	0200	SEWER	0	0				9.00	52.25
07/31/15	0300	TRASH	0	0				23.00	75.25
07/31/15	0600	UTILITY TAX	0	0				0.75	76.00
08/03/15	9601	Cash Payment	0	0				76.00CR	0.00
08/28/15	0100	WATER	2000	16000				38.00	38.00
08/28/15	0200	SEWER	0	0				9.00	47.00
08/28/15	0300	TRASH	0	0				23.00	70.00
08/28/15	0600	UTILITY TAX	0	0				0.70	70.70
09/02/15	9600	Check/Reg Payment	0	0			5112944538	70.70CR	0.00

The receipt number should stay attached to the payment and be reflected along with the type of payment, the amount and reference number (i.e.

¹⁵ Utility-billing reports, payment-posting journals, payment receipts, and daily-checkout sheets.

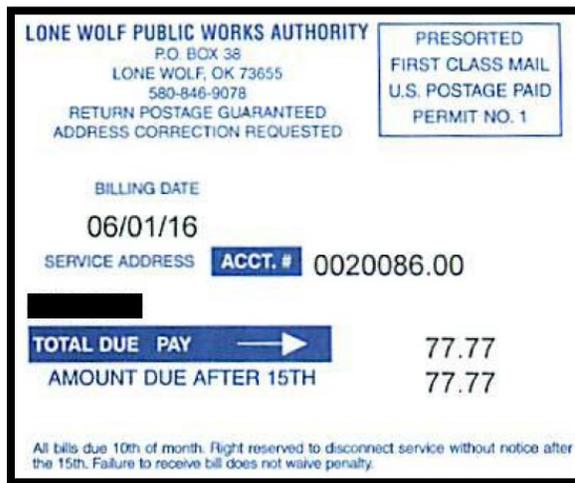
check number). When OSAI pulled a *Receipt Report* from the Town’s utility software the receipt numbers were missing. *Daily Posting Journals* printed at the time payments were received, show receipt numbers were issued as payments when recorded, however it appears the receipt numbers were manually deleted.

The missing receipt numbers in the *Jack Brown* software indicate the records were either erroneously removed or intentionally deleted, resulting in a lack of accountability for payments received. Because the Town did not utilize or maintain another form of receipting all payments that were posted for utility billing could not be verified as received and deposited.

Finding *There was no accountability for at least \$2,031.70 in utility billing revenue.*

Between July 2015 and June 2018, a total of \$159,661.62 in cash payments were posted to customers’ accounts in the utility-billing system, but only \$157,629.92 in cash was deposited in the Town’s PWA bank account, resulting in undeposited cash totaling \$2,031.70. Due to the Town’s lack of properly receipting and recording utility payments, it could not be verified that these funds were ever deposited.

A review of customer accounts revealed additional irregularities in the management of utility collections. One example, Customer 20086 made a \$77.77 payment in June of 2016 as indicated by their billing stub, which was located at Town Hall.



The same customer’s account history reflects no payment was received in June, however a credit adjustment in the amount of \$77.77 was posted four months later indicating a payment was received.

*** HISTORY LEDGER *** TOWN OF LONE WOLF OK. 10/24/18 Print: 10/24/18 1:35
 (ACTIVE; INACTIVE; ACCT # RNG: 0020086.00 - 0020086.00; DATE RNG: 00/00/00 - 99/99/99)

DATE	CODE	DESCRIPTION	CONSMO	MTR RDG	RCPT#	REFR	AMOUNT	BALANCE
06/01/16	0100	WATER	4000	2880000			45.00	45.00
06/01/16	0200	SEWER	0	0			9.00	54.00
06/01/16	0300	TRASH	0	0			23.00	77.00
06/01/16	0600	UTILITY TAX	0	0			0.77	77.77
07/05/16	0100	WATER	4000	2884000			45.00	122.77
07/05/16	0200	SEWER	0	0			9.00	131.77
07/05/16	0300	TRASH	0	0			23.00	154.77
07/05/16	0600	UTILITY TAX	0	0			0.77	155.54
07/05/16	9601	Cash Payment	0	0			80.00CR	75.54
08/01/16	0100	WATER	2000	2886000			38.00	113.54
08/01/16	0200	SEWER	0	0			9.00	122.54
08/01/16	0300	TRASH	0	0			23.00	145.54
08/01/16	0600	UTILITY TAX	0	0			0.70	146.24
08/31/16	0100	WATER	2000	2888000			38.00	184.24
08/31/16	0200	SEWER	0	0			9.00	193.24
08/31/16	0300	TRASH	0	0			23.00	216.24
08/31/16	0600	UTILITY TAX	0	0			0.70	216.94
09/07/16	9601	Cash Payment	0	0			70.70CR	146.24
09/30/16	9601	Cash Payment	0	0			77.77CR	68.47
10/04/16	0100	WATER	15000	2903000			93.50	161.97
10/04/16	0200	SEWER	0	0			9.00	170.97
10/04/16	0300	TRASH	0	0			23.00	193.97
10/04/16	0600	UTILITY TAX	0	0			1.26	195.23
10/07/16	9601	Cash Payment	0	0			117.46CR	77.77
10/07/16	9602	Credit Adjustment	0	0			77.77CR	0.00

In this example, the Town should have posted the payment to the customer’s account the day that it was received. Because that did not occur, and because the credit was posted four months later, it could not be determined if that amount was ever deposited in the Town’s PWA bank account. The management of this transaction suggests that funds were not deposited, and the customer’s account balance subsequently adjusted without a corresponding deposit.

Another example shows the following account had no billing for a seven-month period. A credit adjustment was made on “10/04/16” with no further billing occurring until “04/03/17”, although, according to the customer history, there were 4,000 gallons of water consumed during the unbilled period.

07/05/16	9600	Check/Reg Payment					0	0
08/01/16	0100	WATER					400	6400
08/01/16	0600	UTILITY TAX					0	0
10/04/16	9602	Credit Adjustment					0	0
04/03/17	0100	WATER					2000	8400
04/03/17	0200	SEWER					0	0
04/03/17	0300	TRASH					0	0
04/03/17	0600	UTILITY TAX					0	0
05/01/17	0100	WATER					2000	10400

There were also customer histories in the utility-billing system that appeared to have been altered or were missing information, with substantial time gaps between billings and postings. There was no evidence to support the irregularities and no supporting documentation to explain the discrepancies.

Because all utility-billing records and reports were not properly maintained, it was not possible to account for all utility revenue. Moving forward, the Town should maintain¹⁶ all records to support the billing, collection, and deposit of utility revenue. When accounts are adjusted for any purpose, proper notes and records should be maintained to support those decisions. Destroying any supportive records is a violation of law.¹⁷

Additionally, any credit adjustments, or non-billing of utility accounts should be approved by the Board, and an oversight process should be established to ensure that the Town receives all revenues due.

Payroll

Neither the Town nor CPA+¹⁸ had records of town employees' wages, salaries, timesheets, or W2 tax forms. *Payroll Transaction Reports* from the Town's accounting software served as support for payroll checks.

Finding ***The Town did not sufficiently document payroll, so it was not possible to determine whether payroll payments were issued for authorized amounts.***

Because the Town had practically no payroll records, it was not possible to determine whether the Town had administered payroll properly or that funds had not been misappropriated. In addition to the insufficient supporting documentation, there were several irregularities noted in how the Town processed payroll:

- Pay periods were sometimes documented incorrectly on checks.
- Purchase orders were issued several weeks after checks were issued.
- Records regarding vacation leave and sick leave did not exist or were not provided.
- Paychecks were often issued before the end of the pay periods.
- Employees' salaries and pay increases typically were not documented in meeting minutes.
- Employees were paid twice each month, but payroll checks were issued as frequently as six days apart and as infrequently as 18 days apart.

Finding ***Christmas bonuses were issued in excess of amounts approved or without Board approval.***

¹⁶ Per 51 O.S. § 24A.4 and 11 O.S. §§ 22-131(A)(2) and 22-132.1.

¹⁷ Per 21 O.S. §§ 341, 461, and 531.

¹⁸ CPA+ is a firm that provided *pro bono* payroll tax services to the Town.

Payroll payments were reviewed for a six-year period¹⁹, and it was observed that employees typically received a Christmas bonus in amounts ranging between \$250 and \$500, which were paid annually in November or December. However, on November 28, 2017, \$500 bonuses were paid to town employees with no evidence that the Board approved them.

In 2012, 2013, and 2015, bonuses were paid to town employees in gross amounts that were greater than the amounts that the Board had approved. The below table reflects the approved bonus amount and the net amount that Horton received. It appears the bonus amounts were increased after board approval to allow the net pay to equal the board approved bonus amount.

Year	Approved	Issued (gross)	Received (net)
2012	\$500	\$530	\$500.05
2013	\$500	\$541	\$499.61
2015	\$350	\$380	\$350.93

Other Issues

During audit work, the OSAI examined bank accounts, reviewed meeting minutes and agendas, and interviewed vendors and current and former employees. That work resulted in the following additional findings.

Finding ***The Town’s Fire Department conducted business with no oversight from the Board, financial activity was managed through an outside bank account, and fundraising revenue was not recorded or deposited in a timely manner.***

The Fire Department is a volunteer service²⁰ that should be managed as a department of the Town’s government and, as such, is to answer directly to the Town’s Board of Trustees.

The Fire Department improperly administered its financial activity and conducted business outside of the Board’s purview. The Department maintained a separate bank account and did not maintain official financial records supporting their transactions.

The Town frequently purchased supplies and food for the Department’s fundraising events with no accounting of the collections or donations. There were also no records supporting the depositing of the funds into the Department’s bank account.

¹⁹ Payroll payments reviewed for the period of January 1, 2012 - December 31, 2018.

²⁰ As outlined in 11 O.S. §§ 29-201 through 29-206.

The Department should work with the Town Board to bring the Department's bank accounts, fundraising activities, and monthly meetings under the oversight of the trustees and management of the town clerk/treasurer.

Finding Meeting minutes did not sufficiently document the discussions and decisions of the Board.

The Town is required to maintain written minutes of all Town and PWA board meetings. These minutes should be an official summary of the proceedings showing clearly all matters considered by the public body and all actions taken by the public body.²¹

The Town's and the PWA's meeting minutes frequently failed to reflect what was discussed at meetings and, instead, reflected only that a *discussion and action* occurred, resulting in a narrow representation of the actions of the Board.

For example, on June 27, 2016, the Board agenda indicated the Board was to discuss and possibly take action regarding the "INDEPENDENCE DAY CELEBRATION." The minutes subsequently reflected only that the Board had a "DISCUSSION ON INDEPENDENCE DAY CELEBRATION" with no additional information provided.

When the Board's actions or discussions are not sufficiently documented in the minutes, the lack of definition and transparency increases the risk of mismanagement of town funds and limits the accountability for Board actions.

²¹ Per 25 O.S. § 312(A).

DISCLAIMER

In this report, there may be references to statutes and other legal authorities that appear to be relevant to the issues that the Office of State Auditor & Inspector reviewed. However, the Office has no jurisdiction or authority to determine the guilt, innocence, culpability, or liability, if any, of any person or entity for any act, omission, or transaction reviewed. Such determinations are within the exclusive jurisdiction of regulatory, law-enforcement, prosecutorial, and judicial authorities designated by law.

O·K·L·A·H·O·M·A
S·A·I
STATE AUDITOR & INSPECTOR



Cindy Byrd, CPA | State Auditor & Inspector

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