

CITIZENS PETITION REQUEST

TOWN OF MANNSVILLE

September 7, 2017



Oklahoma State
Auditor & Inspector
Gary A. Jones, CPA, CFE

TOWN OF MANNSVILLE
JOHNSTON COUNTY, OKLAHOMA
CITIZENS PETITION REQUEST
SEPTEMBER 7, 2017

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Executive Summary

EXECUTIVE SUMMARY

The citizens of the Town of Mannsville requested an audit pursuant to **74 O.S. § 212(L)**. The objectives of the audit included a review of utility billing, Fire Station grant funds, payroll, general and petty cash expenditures and possible violations of the Open Meeting and Open Records Act. The scope of the audit was July 1, 2011 through December 31, 2015.

During our investigation cooperation from the Town was limited and the Town's records were disorganized, incomplete, and at times missing. When records and transactions were available for review they often did not comply with law, ordinance, policy or best business practices.

Utility Billing (Page 5)

Shonda Barnes did not appear to effectively execute her statutory duties as the town treasurer in the collection, recording, and depositing of utility billing revenue. We were unable to locate receipts and billing stubs to support all transactions tested and several customer postings were not properly substantiated.

Internal controls over the collection and processing of utility revenues were inadequate and almost non-existent. Utility revenue deposits were held for days and in some instances weeks. Credit adjustments were posted to customer accounts without adequate supporting documentation and all collections receipted and posted did not appear to be deposited.

For the 16 months of utility billing tested, the overall possible loss of utility billing revenue was at least \$10,000.

Grant Activity (Page 22)

A Rural Economic Action Plan Grant, or REAP Grant, of \$35,000 was received by the Town for construction at the Town's fire station. The reimbursement process of grant funds was mismanaged, and included submission of fictitious invoices to the granting agency, fabricated invoices presented to Johnston County for reimbursement, and questionable hours submitted to the granting agency for matching cost and labor.

The final REAP Grant had not been submitted for close-out as of March 2017, leaving more than \$3,800 unclaimed by the Town. The overall questionable costs of these transactions were at least \$7,200.



Executive Summary- Continued

Payroll and Related Activity (Page 30)

Timesheets and accompanying payroll records were missing, incomplete, inaccurate, and supervisory approvals were not always documented. Shonda Barnes, town treasurer, was compensated \$1,873 in overtime pay and \$1,000 for work done as the town clerk without proper documentation or approved Town ordinances in place as required by statute.

Derek Gray, the fire chief, was compensated \$2,557 in contract labor without an official contract with the Town. He was also credited for at least 57 hours of compensatory time valued at \$855, and was paid \$202 for nine hours of work before being officially employed with the Town or the Mannsville Public Works Authority. Gray also appeared to have been paid two pay checks for the same time period totaling \$1,080.

The Town's payroll taxes were not kept current, and social security taxes were not withheld for the benefit of Town employees as required.

The overall unearned pay was more than \$7,500.

Open Records and Open Meeting Act (Page 48)

Documentation of Open Records requests were not provided precluding a determination as to whether all request had been fulfilled properly and in a timely manner.

All but four Board of Trustee meeting minutes were provided, but some of the minutes did not clearly summarize the proceedings of the meetings. Executive sessions were entered by the Board for unauthorized purposes and two unlawful executive sessions were noted.

General Expenditures and Petty Cash (Page 56)

A review of general expenditures, debit card, credit card, and petty cash transactions resulted in several findings. Numerous purchase orders were not properly completed, encumbered, or approved; and supporting documentation was often not provided. It was represented by Shonda Barnes that some purchase orders had been recreated.

Between March 2012 and December 2015, the town spent more than \$29,000 on food purchases that were not properly supported with receipts and were not adequately documented as to their municipal purpose. Almost \$15,000 of this was spent at two local food establishments for "inmate lunches", a cost that was unallowable per an established contract with the Oklahoma Department of Corrections and questionable under state law.

Additional funds were spent on other questionable items including purchases of electronic related equipment, flowers and garden supplies, clothing, and two online subscriptions which appeared to have no documented municipal purpose.

The total questionable expenditures were more than \$40,000.



Executive Summary- Continued

Other Issues (Page 82)

In the completion of other audit work, issues were identified that were determined significant enough to include in our reporting.

The Town had not received their statutorily required annual independent audit or an agreed upon procedures engagement for five years. The last agreed upon procedures engagement was filed for the fiscal year ending June 30, 2011. Not complying with this statutory requirement also resulted in the loss of almost \$8,000 in gas tax revenue.

Shonda Barnes and a former inmate worker sold at least \$2,400 in scrap metal from MPWA property, with no evidence that the proceeds had been deposited in the MPWA or Town bank accounts.

Shonda Barnes established an unauthorized petty cash fund, with at least \$900 of Town funds, to be used as an inmate commissary fund to provide money for the benefit of inmate workers who were assigned to the Town through an Oklahoma Department of Corrections Public Works Project. The law does not provide for the use of funds outside of municipal purposes and the contract with the Department of Corrections prohibited the providing of money or benefits to inmate workers.

The Mannsville Volunteer Fire Department maintains a bank account outside of the authority of the Town and all financial activity of the Department was not reported to, or approved by the Board. A questionable cash withdrawal of \$2,300 was made from this account that was not properly documented.

An undocumented cash withdrawal of \$254 was made by Shonda Barnes from the MPWA bank account.

Total possible loss of revenue for other issues was almost \$14,000.

Summary

The following pages of this report reflect the details of the individual transactions that support the findings and concerns addressed in this executive summary.

The breakdown in the management of the Town's government, and the lack of oversight by a majority of the town trustees, appears to have resulted in a loss of public funds over several years.



Oklahoma State Auditor & Inspector

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September 7, 2017

To the Petitioners and Citizens of the Town of Mannsville:

In accordance with the requirements of **74 O.S. § 212(L)**, we performed a special audit with respect to the Town of Mannsville for the period July 1, 2011, through December 31, 2015.

The objectives of our audit primarily included, but were not limited to, the concerns noted in the citizens petition. The results of the audit are presented in the accompanying report.

Because the procedures of a special audit 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 Mannsville for the period of July 1, 2011, through December 31, 2015.

The goal of the State Auditor and Inspector's Office is to promote accountability and fiscal integrity in state and local government. Maintaining our independence as we provide services to the taxpayers of Oklahoma is of utmost importance.

This report is a public document pursuant to the Oklahoma Open Records Act in accordance with **51 O.S. §§ 24A.1, et seq.**

Sincerely,

A handwritten signature in blue ink that reads "Gary A. Jones".

GARY A. JONES, CPA, CFE
OKLAHOMA STATE AUDITOR & INSPECTOR

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Town Officials
(as of February 1, 2017)

Don Colbert..... Mayor
Dean Copeland.....Trustee
Gary Glidewell.....Trustee
Shonda Barnes Town Treasurer
Becky Harris Town Clerk

Introduction The Town of Mannsville (hereinafter the “Town”) is organized under the statutory town board of trustees form of government, as outlined in **11 O.S. §§ 12-101, et seq.**

11 O.S. § 12-101, reads:

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

The Mannsville Public Works Authority (the “MPWA”) is a public trust established under **60 O.S. §§ 176 et. seq.** The MPWA operates a utility service providing water, sewer, and garbage to the residents of the Town. The Town Board of Trustees (hereinafter the “Board”) serves ex-officio as the Board of Trustees for the MPWA.

Timeline

The initial investigation of the Town of Mannsville began **March 19, 2014**, with District Attorney Craig Ladd (“DA Ladd”) requesting¹ the State Auditor and Inspector’s Office (“SA&I”) “perform an audit” of the Town of Mannsville, authorized by **74 O.S. § 212(H)**. On **March 28, 2014**, DA Ladd requested SA&I “hold off” on the audit until the concerns to be audited could be “sorted out”.

*Initial
District
Attorney
Request*

On **September 8, 2014**, DA Ladd confirmed that SA&I was to proceed per the initial audit request. A confirmation email² stated, “my preference is that you would proceed with an audit as requested on March 19, 2014.” It was agreed that when staff was available SA&I would contact DA Ladd and begin the engagement.

On **November 12, 2014**, SA&I staff met with Shonda Barnes, who represented herself as the “Town Manager” for the Town of Mannsville. Barnes was presented a copy of the engagement letter³ that defined the audit process and the statutory authority of the request by DA Ladd. Barnes signed and dated the engagement letter as the “Treasurer” and, at that time, agreed to cooperate with the audit process.

¹ See request letter of March 19, 2014 at Exhibit 12, Page 104.

² See email at Exhibit 11, Page 103.

³ See Engagement Letter at Exhibit 10, Page 102.

*Initial
Contact with
Town
Officials*

The following Monday, **November 17, 2014**, Shonda Barnes and Trustee Dean Copeland presented the SA&I staff a letter⁴ dated November 14, 2014, alleging that the District Attorney did not request the audit and that at the time of the initial request, March 2014, SA&I had refused to complete an audit. Barnes alleged that former State Representative Fred Stanley had spoken with DA Ladd on behalf of the Town, and was informed that no audit request had been made.

SA&I staff contacted DA Ladd who acknowledged he had spoken with former Representative Stanley, but verified he had requested the audit and provided a second letter confirming his request.⁵

Beginning **November 20, 2014**, the Town was presented with an administrative subpoena requesting the records needed to proceed with the investigation. The records were not provided at that time. SA&I postponed the engagement until February 2015.

*Delay of
Requested
Records*

On **February 5, 2015**, SA&I staff met with DA Ladd to discuss the ongoing difficulties in obtaining records from the Town. It was agreed that subpoenas would be issued to both Mayor Don Colbert and Town Treasurer Shonda Barnes for the records not yet received.

A letter⁶ was sent to Mayor Colbert, dated **February 11, 2015**, notifying him of the continued lack of cooperation by Town officials.

A letter⁷ dated **April 24, 2015**, notified Mayor Colbert that the audit was in a pending status and that Town officials would be notified when the audit resumed. The letter assured Mayor Colbert that SA&I would return to complete the audit.

*Missing
Records
Recovered*

A letter⁸ addressed to SA&I and signed by Mayor Colbert dated **May 12, 2015**, explained that records thought to be missing had been found. The letter stated, "I do not have any explanation for this miraculous discovery." The letter explained possible reasons for the missing records and that those involved in taking these files from Town Hall and returning them to the office, "should be accountable for their actions and should be prosecuted for the crimes they have committed".

⁴See Town letter at Exhibit 8, Page 100.

⁵ See second District Attorney request letter at Exhibit 9, Page 101.

⁶ See letter at Exhibit 7, Page 99.

⁷ See letter at Exhibit 4, Page 96.

⁸ See letter at Exhibit 3, Page 95.

*Withdraw of
District
Attorney
Request*

On **January 7, 2016**, former State Representative Stanley called SA&I representing the “Town of Mannsville”. Per Stanley, a meeting was to be held with DA Ladd on January 8, 2016, to request that DA Ladd “drop the request for the audit”. Stanley asked that SA&I postpone the audit for “a week” until DA Ladd had seen the “written evidence” in regards to the stolen records that had been returned.

DA Ladd submitted a letter dated **January 12, 2016**⁹, instructing SA&I to “disregard my previous requests...for an audit”. The letter also stated that “...a C.P.A. from Oklahoma City, is currently conducting an audit of Mannsville”. The CPA firm communicated with SA&I that an audit was not conducted, information which appeared to have been misrepresented to DA Ladd at the time of the meeting.

*Citizen
Petition
Request*

In **January 2016**, following the cancellation of the DA requested audit, citizens of the Town requested to begin the process of engaging in a Citizen Petition¹⁰ audit, under the authority of **74 O.S. § 212(L)**. This process was successfully completed on February 9, 2016, and fieldwork on the citizen petition engagement began on **March 2, 2016**.

The audit staff was immediately met with reluctant cooperation and the unavailability of records. The records that had been previously requested as far back as November 2014, were still not easily accessible, were not properly organized, or were not available.

It was also noted that some bank statements provided had never been opened, some statements had missing pages, and some entire statements were missing. Current audit reports were unavailable, the Town had not received an independent audit since June 30, 2011.

*Lack of
adequate
records,
policies,
procedures,
and ordinances.*

Policies, procedures, and ordinances were also not provided; a note attached to a box of records stated, “We do not have a policy and procedure book that we are aware of.” The same note also stated that “The ordinances will be that of OML,¹¹ other than those changed, the changes are in the minutes...”.

On **July 29, 2016**, Barnes was presented a “management representation letter”¹² requesting that signatures be obtained from all elected officials attesting to their responsibility for the oversight and management of the Town, and that officials understood they were responsible to comply with applicable laws and regulations. The letter was never returned to SA&I.

⁹ See letter at Exhibit 6, Page 98.

¹⁰ See petition at Exhibit 5, Page 97.

¹¹ Oklahoma Municipal League

¹² See management representation letter draft at Exhibit 1, Page 93.

Citizen Petition Defined

In accordance with a “Citizen Petition Request for Special Audit” verified by the Johnston County Election Board Secretary on February 9, 2016, the Office of the State Auditor and Inspector conducted an audit of the Town of Mannsville and the Mannsville Public Works Authority.

The citizens petition defined the period of the audit as July 1, 2011 through December 31, 2015, and identified the objectives of the audit as:

- I. Review possible misappropriation of funds in utility collections/payments.
- II. Review possible misuse of grant funds in the awarding and construction of the Town’s Fire Station.
- III. Review of possible discrepancies in hiring practices, including nepotism, payroll, use of town vehicles and travel reimbursements.
- IV. Review of possible destruction of records along with violations of the Oklahoma Open Meeting Act and the Oklahoma Open Records Act.
- V. Review of general and petty cash expenditures, including but not limited to proper authorization and board approvals.

The Office of the State Auditor was not precluded from examining other records or issues which we became aware that occurred outside the objectives stated on the petition.

The results of our inquiry are included in the following report and were prepared for the citizens and registered voters of the Town, along with officials with oversight responsibilities. Our report has been provided to District Attorney Craig Ladd for his review.

OBJECTIVE I UTILITY BILLING

Petition Objective *Review possible misappropriation of funds in utility collections/payments.*

Summary of Findings:

- **Shonda Barnes did not appear to effectively execute the statutory duties of town treasurer in the collection and depositing of utility billing revenue.**
- **We were unable to locate computer generated receipts or billing stubs to support all tested utility transactions. Utility records were not properly maintained and customer postings were not substantiated by appropriate supporting documentation.**
- **Utility payments posted to customer accounts, per the posting journals, did not agree with collections deposited in the Mannsville Public Works Authority bank account. There appeared to be at least \$6,900 in payments posted to customer accounts that were not deposited.**
- **Some utility payments were deposited, but were not posted to customer's utility accounts as a payment. Instead, credit adjustments were applied to the accounts without documented justification or explanation.**
- **We noted more than \$3,400 in questionable credit adjustments were posted to customer utility accounts without proper supporting documentation or approvals.**
- **Some collections initially receipted and recorded as cash were subsequently posted to customer accounts as check payments. The cash receipts were deleted from the system and the posted check payments could not be traced to bank deposit sources, resulting in funds allegedly received but not deposited.**
- **A receipted and posted utility transaction was deleted from the system or was altered after the fact.**
- **Utility revenue deposits were not made daily as required by statute. Customer payments were held for days, and in some instances weeks.**

- **Internal controls over the processing and reconciling of utility collections, postings, and deposits were inadequate.**
- **It appears that Tina Bryant, former water clerk, received at least \$418.80 of improper credit adjustments to her personal utility billing account.**

Background

The Mannsville Public Works Authority (“the MPWA”) provides water, sewer, and garbage services for the Town of Mannsville. The Town has approximately 400 utility customers billed monthly using a two-part billing statement, a post-card type statement documenting usage, amount of utility payment due, and due date.

When a customer makes a payment, and presents the billing statement, the Town reportedly retains one part of the statement, or billing stub, to serve as a receipt of payment. If billing statement is not presented at the time of payment, a computer-generated receipt is to be printed from the utility billing system.

When a receipt is provided at the time of collection, two receipts are to be printed, one for the customer and one to be maintained by the utility clerk.

The purpose of maintaining a *billing stub or payment stub, or issuing and maintaining a receipt*, was to allow the clerk to document the payment transaction, to show accountability of funds collected, and to support the recording of a payment to the proper customer utility account. During the audit, we observed Town employees utilizing both receipting methods.

According to documentation and employee interviews, responsibility for utility billing activity included the following employees.

Employee	Dates Employed
Shonda Barnes	October 2011 - current
Tina Bryant	July 2012 -February 2014
Mary Lou Lowery	February 2014 – May 2015
Amie Ebarb	April 2014 – June 2016

Finding

Shonda Barnes did not appear to effectively execute the statutory duties of town treasurer in the collection and depositing of utility billing revenue.

Although all the above employees did process utility billing collections during various time periods, the statutory responsibility for the collection and deposit of funds was with the town treasurer.

Title **11 O.S. § 12-110** states in part:

The town treasurer shall be an officer of the town. The **town treasurer shall:**

1. maintain accounts and books to show where and from what source all monies paid to him have been derived and to whom and when any monies have been paid; and
2. deposit daily funds received for the town in depositories as the board of trustees may designate;

In some, if not most instances, the transactions noted in the findings below could not be identified with a specific employee. The procedures of the Town did not require computer passwords, initialing of receipt transactions, or other controls that would allow for the accountability of individual utility transactions.

Regardless of such accountability, the responsibility of maintaining accounts and books, and documenting the source of all monies paid was with the town treasurer.

Shonda Barnes also represented herself to SA&I staff as the “Town Manager” and signed documents as the “City Manager”. Mayor Don Colbert stated that Barnes was the “general manager” and that “everything that comes through the office comes through Shonda”.

These representations would also suggest that control over utility collections and deposits were the responsibility of Shonda Barnes.

Finding

We were unable to locate computer generated receipts or billing stubs to support all tested utility transactions. Utility records were not properly maintained and some customer postings were not substantiated by appropriate supporting documentation.

Although we observed both receipting processes utilized in the collection of utility revenue, the Town was unable to provide printed receipts or billing stubs to support all utility transactions reviewed.

Utility records that were available were disorganized, daily posting reports, printed receipts and billing stubs were stored in separate boxes and binders with no defined filing system.

It was noted that receipts had also been deleted or removed from the utility billing system. As shown in the following *examples*, receipt numbers were missing from the sequence of receipts stored in the system.

19.80	000358	01/24/13	3427	Check/Reg
125.61	000360	01/24/13		Cash

19.80	0.00	039328	05/27/14	Cash
19.80	19.80	039331	05/27/14	Credit Adj

During the month of March 2014, at least 28 receipts, 038043 through 038069, had been removed or deleted from the utility billing system.

72.11	21.19	038042	02/28/14	Credit Adj	Manual
18.00	0.00	038070	03/07/14	Cash	Fixed

Printed copies of some of these receipts were located at Town Hall, documenting that a receipt had once existed and a transaction had occurred; but the receipt was not included in the utility billing system receipt report printed on June 29, 2016.

For example, the printed copy of receipts 38051 and 38054 issued on March 6, 2014, were located, but as noted above, had been deleted or removed from the utility billing system.

**** RECEIPT ****

ACCOUNT: 0000505.00	DATE: 03/06/14	RECEIPT: 038051
	Town of Mannsville PO BOX 206 MANNSVILLE OK 73447 580-371-3334	
MANNSVILLE OK 73447		

BAL FWD	PREV PMTS	PYMT AMT	CURR BAL	CK/REFR #	PYMT TYPE
35.93	0.00	35.93	0.00		Cash

**** RECEIPT ****

ACCOUNT: 0000510.00	DATE: 03/06/14	RECEIPT: 038054
	Town of Mannsville PO BOX 206 MANNSVILLE OK 73447 580-371-3334	
MANNSVILLE OK 73447		

BAL FWD	PREV PMTS	PYMT AMT	CURR BAL	CK/REFR #	PYMT TYPE
39.85	0.00	39.85	0.00		Cash

An explanation as to why receipts were issued but were subsequently deleted from the billing system was not provided.

The Town is required to maintain utility billing records in accordance with **11 O.S. § 22-131** which states in part:

A municipal governing body may destroy, sell for salvage or otherwise dispose of the following papers, documents and records after the expiration of the specified period of time following the end of the fiscal year in which the paper, document or record was created, except as otherwise specified:...Two (2) years: municipal court warrants, *water, sewer, garbage and utility receipts and statements, which have been previously audited*; inspection records relating to water meters and sewer inspections; miscellaneous petitions and letters addressed to the governing body on matters other than pertaining to the items hereinafter set forth; *utility billing ledger or register; utility cash receipts ledger or register; and utility accounts receivable ledger or register...* [Emphasis added]

An independent audit of the Town of Mannsville has not been performed since FYE June 30, 2011; therefore, the Town would be required under **11 O.S. § 22-131** to maintain all utility records until audited.

Finding

Utility payments posted to customer accounts, per the posting journals, did not agree with collections deposited in the Mannsville Public Works Authority bank account. There appeared to be at least \$6,900 in payments posted to customer accounts that were not deposited.

Payments posted to customer accounts per the monthly posting journals were compared to deposits made to the Mannsville Public Works Authority bank account (“the MPWA account”) for the period July 1, 2013 through June 30, 2014, as well as the months of September and October of 2014, and July and August of 2015.

Monthly posting journals were printed from the utility billing system for the 16 months reconciled. The journals documented each utility customer account in which a transaction was posted during the month and a reported total of all transactions or collections for the month.

Monthly totals were reconciled to bank deposits to determine if all collections received and posted had been deposited. In the comparison, it appears that at least \$6,900 was reported collected and posted but not deposited.

Comparison of Utility Payments Posted to Bank Deposits	
Customer Account Postings	\$352,339
Less: Utility Deposits (Net)	(\$345,377)
Difference: Payments Posted But Not Deposited	\$6,962

Examples of questionable transactions that occurred in the collection, receipting, posting, and depositing of utility payments are noted in the following findings. Some of these transactions reflect possible misappropriations of funds.

Finding

Some utility payments were deposited, but were not posted to the customer's utility account as a payment. Instead credit adjustments were applied to the accounts without documented justification or explanations.

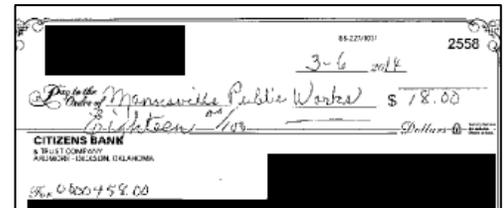
Credit adjustments should only be applied to a customer's account when there is a legitimate error in the amount due, collected, or posted. A credit adjustment made in lieu of an actual payment can indicate a possible misappropriation of funds has occurred.

The following examples show payments that were deposited but were never credited to the customer's account as a payment. Instead, credit adjustments were applied to the accounts in place of an actual payment.

When funds collected are not recorded in the billing system as a payment, it removes the accountability for the funds, and increases the potential for a misappropriation of funds.

Example 1

Customer 458 made a payment of \$18 on their utility account with check 2558 dated March 6, 2014. This check was deposited to the MPWA bank account on March 7, 2014, but was never posted to the customer's account.



Instead a credit adjustment was made to the account on May 5, 2014, to replace the unrecorded check payment and subsequent late fee. The original \$18 check collection was never accounted for on the customer's account history.

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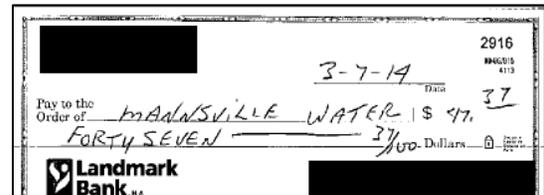
Customer History

05/05/14	9602	Credit Adjustment	0	0	038976	1.80CR	18.00CR
05/05/14	9602	Credit Adjustment	0	0	038975	18.00CR	16.20CR
05/05/14	9600	Check/Reg Payment	0	0	038977 2620	18.00CR	1.80
04/18/14	0400	PENALTY FEE	0	0		1.80	19.80
04/07/14	9600	Check/Reg Payment	0	0	038512	18.00CR	18.00
04/03/14	0100	WATER	1340		21568	18.00	36.00
03/04/14	0100	WATER	1890		21434	18.00	18.00

Two checks received from the customer were posted to the account; check 2590 was posted on April 7, 2014, and deposited on April 8, 2014 and check 2620 was posted on May 5, 2014, and deposited on May 7, 2014.

Example 2

Customer 363 made a payment of \$47.37 on their utility account with check 2916 dated March 7, 2014. This check was deposited to the MPWA bank account on March 7, 2014, but was never recorded as a receipt and never accounted for on the customer's account history.



A credit adjustment was made to the account on April 7, 2014, in place of the unrecorded check payment.

04/07/14	9602	Credit Adjustment	0	0	038487	47.37CR	0.00
04/07/14	9600	Check/Reg Payment	0	0	038488	71.57CR	47.37
04/03/14	0300	GARBAGE	0	0		13.87	118.94
04/03/14	0200	SEWER	0	0		15.50	105.07
04/03/14	0100	WATER	5700		91402	28.30	89.57
03/04/14	0300	GARBAGE	0	0		13.87	61.27

Finding

We noted more than \$3,400 in questionable credit adjustments were posted to customer utility accounts without proper supporting documentation or approvals.

In our review of 16 months of customer account histories, posted utility payments and corresponding bank deposits, we noted at least \$3,400 in credit adjustments had been posted to customer accounts without proper supporting documentation or approvals.

When credit adjustments are posted to a customer's account, the outstanding balance is reduced. When the credit adjustment is warranted, the reduction in amount allows the customer's account to be corrected to the true balance.

When a credit adjustment is made that is not valid, an account can be credited, or reduced, even when a payment has been made, allowing for a possible misappropriation of the actual funds collected.

Example 1

The billing stub shown at right, for Customer 403.AO, reflects a \$90.19 cash payment was received on account; however, receipt 038088 issued on March 10, 2014, and the customer's account history, reflects that a credit adjustment of \$90.19 was posted instead of the cash payment.



**** RECEIPT ****					
ACCOUNT: 0000403.A0	DATE: 03/10/14	RECEIPT: 038088			
[REDACTED]		Town of Mannsville PO BOX 206 MANNSVILLE OK 73447 580-371-3334			
MANNSVILLE OK 73447					
BAL FWD	PREV PMTS	PYMT AMT	CURR BAL	CK/REFR #	PYMT TYPE
169.86	79.67	90.19	0.00		Credit Adj
RECEIVED BY: _____					

03/10/14	9602	Credit Adjustment	0	0	038088	90.19CR
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Not posting the payment as cash removes accountability of \$90.19 of cash collected, resulting in cash that does not have to be accounted for.

Example 2

Receipt 038064 reflects that Customer 318 made a cash payment of \$47.37 on March 7, 2014.

**** RECEIPT ****					
ACCOUNT: 0000318.00	DATE: 03/07/14	RECEIPT: 038064			
[REDACTED]		Town of Mannsville PO BOX 206 MANNSVILLE OK 73447 580-371-3334			
MANNSVILLE OK 73447					
BAL FWD	PREV PMTS	PYMT AMT	CURR BAL	CK/REFR #	PYMT TYPE
50.31	0.00	47.37	2.94		Cash
RECEIVED BY: _____					

The customer's account history reflects cash receipt 038064 was never posted. A cash payment from receipt 038588 and an undocumented credit adjustment were both posted on April 10, 2014, reducing the account balance to \$0.

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04/10/14	9602	Credit Adjustment	0	0	038587	50.31CR	0.00
04/10/14	9601	Cash Payment	0	0	038588	47.37CR	50.31
04/03/14	0300	GARBAGE	0	0		13.87	97.68
04/03/14	0200	SEWER	0	0		15.50	83.81
04/03/14	0100	WATER	2710	70583		18.00	68.31
03/04/14	0300	GARBAGE	0	0		13.87	50.31
03/04/14	0200	SEWER	0	0		15.50	36.44
03/04/14	0100	WATER	3840	70312		20.94	20.94

Not posting or accounting for receipt 038064 removes accountability of the \$47.37, leaving cash that was not accounted for.

Example 3

On August 23, 2013, a credit adjustment of \$132.59 was applied to Account 501, Shonda Barnes daughter's utility account. The adjustment was made "per Shonda" as noted in the customer's account history shown below.

08/23/13	9602	Credit Adjustment	0	0	037370	PERSHONDA	132.59CR	125.01
08/23/13	9601	Cash Payment	0	0	003296		29.61CR	257.60
08/16/13	0400	PENALTY FEE	0	0			26.11	287.21
06/18/13	0400	PENALTY FEE	0	0			23.74	261.10
05/31/13	0300	GARBAGE	0	0			12.87	237.36
05/31/13	0200	SEWER	0	0			13.50	224.49
05/31/13	0100	WATER	20	5281			15.00	210.99
05/01/13	0300	GARBAGE	0	0			12.87	195.99
05/01/13	0200	SEWER	0	0			13.50	183.12
05/01/13	0100	WATER	20	5279			15.00	169.62
04/16/13	0400	PENALTY FEE	0	0			14.06	154.62
04/01/13	0300	GARBAGE	0	0			12.87	140.56
04/01/13	0200	SEWER	0	0			13.50	127.69
04/01/13	0100	WATER	10080	5277			45.82	114.19
03/18/13	0400	PENALTY FEE	0	0			6.22	68.37
03/04/13	0300	GARBAGE	0	0			12.87	62.15
03/04/13	0200	SEWER	0	0			13.50	49.28
03/04/13	0100	WATER	7570	4269			35.78	35.78
02/21/13	9601	Cash Payment	0	0			105.32CR	0.00

Before August 23, 2013, the account history reflected no payments had been posted for more than six months. No explanation was provided to support the credit adjustment made.

Example 4

On March 10, 2014, a check payment of \$47.37 and a credit adjustment of \$3.54 was posted to Account 262, the mother of Mary Lou Lowery, a former utility clerk.

13/10/14	9602	Credit Adjustment	0	0	038075		3.54CR	0.00
13/10/14	9600	Check/Reg Payment	0	0	038074		47.37CR	3.54
13/04/14	0300	GARBAGE	0	0			13.87	50.91
13/04/14	0200	SEWER	0	0			15.50	37.04
13/04/14	0100	WATER	4010	50665			21.54	21.54
12/12/14	9601	Cash Payment	0	0	037813		47.37CR	0.00

The account was credited with a check payment and credit adjustment but no check could be located in the deposit. Prior to the March 10th posting, Account 262 had been credited with only cash payments for at least the past five years.

Summary

The four examples cited represent *only a few* of the accounts which had questionable credit adjustments. We found several other examples spanning the audit period where the customer's entire balance or monthly billing amounts were adjusted from their account without explanation. Additionally, corresponding receipts, bill stubs, or other supporting documentation was not available to further evaluate these adjustments.

A credit adjustment report was printed from the utility billing system for the period January 1, 2011 through December 31, 2015. The report documented more than 900 credit adjustments totaling \$47,499.43 had been made during the four-year period.

A review of this report indicated several adjustments could have been made for valid customer billing errors and postings. However, the report contained numerous credit adjustments that reflected the same components of the above transactions.

Finding

Some collections initially receipted and recorded as cash were subsequently posted to customer accounts as check payments. The cash receipts were deleted from the system and the posted check payments could not be traced to bank deposit sources, resulting in funds allegedly received but not deposited.

The Town utility billing software provides the capability of recording payments collected as either cash or check.

We noted some payments were recorded on customer accounts as check payments, although corresponding receipts, daily posting journals, and billing stubs reflected cash had been received. The posted checks could not be traced to bank deposit sources, indicating that a check transaction had not actually occurred.

Example 1

On March 5, 2014, the daily posting journal reflected a \$200 cash payment was made by Customer 445.CO on receipt 38047.

TOWN OF MANNSVILLE
CITIZENS PETITION REQUEST
DATE OF RELEASE: SEPTEMBER 7, 2017

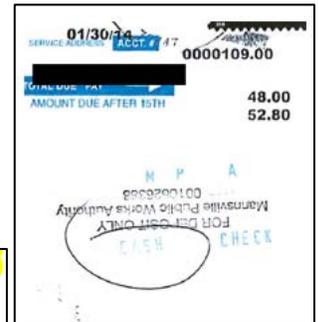
0000445.00		200.00	180.16	038047 03/05/14	Cash
------------	--	--------	--------	-----------------	------

On March 7, 2014, a \$200 check was posted to the customer's account from receipt 38107. A \$200 check from this customer could not be located in the deposit sources received from the bank.

04/03/14	0300	GARBAGE	0	0		13.87	241.99
04/03/14	0200	SEWER	0	0		15.50	228.12
04/03/14	0100	WATER	6740	57644		32.46	212.62
03/07/14	9600	Check/Reg Payment	0	0	038107	200.00CR	180.16
03/04/14	0300	GARBAGE	0	0		13.87	380.16
03/04/14	0200	SEWER	0	0		15.50	366.29
03/04/14	0100	WATER	15860	56970		68.94	350.79

Example 2

Customer 109 made a \$48.00 cash payment as indicated on their billing stub shown at right. The customer's account history reflects a check payment recorded on February 7, 2014. A check for this customer could not be located in the bank deposit sources.



02/07/14	9600	Check/Reg Payment	0	0	037742	48.00CR	0.00
01/30/14	0300	GARBAGE	0	0		13.87	48.00
01/30/14	0200	SEWER	0	0		15.50	34.13
01/30/14	0100	WATER	3180	11150		18.63	18.63

Example 3

On March 6, 2014, a \$39.85 cash utility payment was reportedly received from Customer 510, Mannsville Fire Chief Derek Gray. Treasurer Shonda Barnes issued Gray cash receipt 38054 as indicated by her initials on the document shown below.

**** RECEIPT ****					
ACCOUNT: 0000510.00		DATE: 03/06/14		RECEIPT: 038054	
GRAY, DEREK		Town of Mannsville PO BOX 206 MANNSVILLE OK 73447 580-371-3334			
MANNVILLE OK 73447					
BAL FWD	PREV PMTS	PYMT AMT	CURR BAL	CK/REFR #	PYMT TYPE
39.85	0.00	39.85	0.00		Cash
RECEIVED BY: _____					

Receipt number 038054 was not found in receipt reports printed from the utility software system, and the March 6, 2014, cash payment was not reflected in Gray's account history.

03/11/14	9600	Check/Reg Payment	0	0	038115	39.85CR	0.00
03/04/14	0304	COML 2YD DUMPSTER 1PU/WK	0	0		39.85	39.85

On March 11, 2014, receipt number 38115 was issued for an alleged check payment of \$39.85 which was posted to Gray's account. This check could not be located in bank deposit sources.

Example 4

On March 6, 2014, cash receipt 38051 was issued for \$35.93 to Customer 505. This receipt was not reflected in Customer 505's account history or the March 2014 monthly posting report.

****** RECEIPT ******

ACCOUNT: 0000505.00 DATE: 03/06/14 RECEIPT: 038051

[REDACTED] Town of Mannsville
PO BOX 206
MANNSVILLE OK 73447 580-371-3334

BAL FWD	PREV PMTS	PYMT AMT	CURR BAL	CK/REFR #	PYMT TYPE
35.93	0.00	35.93	0.00		Cash

On March 11, 2014, the customer account history reflected the posting of a check payment of \$35.93. A check from this customer could not be located in bank deposit sources.

03/11/14	9600	Check/Reg Payment	0	0	038112	35.93CR	0.00
03/04/14	0300	GARBAGE	0	0		13.87	35.93
03/04/14	0100	WATER	4140	82911		22.06	22.06
02/05/14	9601	Cash Payment	0	0	037697	31.87CR	0.00
01/30/14	0300	GARBAGE	0	0		13.87	31.87
01/30/14	0100	WATER	3000	82497		18.00	18.00
01/06/14	9601	Cash Payment	0	0	005108	32.22CR	0.00

Summary

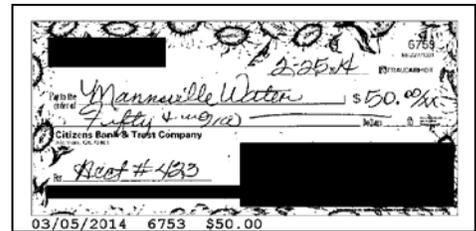
When cash was collected and receipted, but the receipt was not posted, the amount of cash required to be accounted for was reduced. Because the software system used by the Town allowed users to modify or delete receipts or postings, and no records or documentation were provided to explain the transactions in question, it could not be determined if the cash payments in question were initially receipted in error, or if cash receipts were deleted and payments were misappropriated and concealed by erroneous postings.

Finding

A receipted and posted utility transaction was deleted from the system or was altered after the fact.

In the following example, receipt 38045 was issued for a \$50.00 check payment posted March 3, 2014, on Customer 423's account. A check from this customer was deposited March 5, 2014.

*** POSTINGS JOURNAL *** TOWN OF MANNSVILLE, OK.						
(RCPT# RNG: 000000 - 999999; DATE RNG: 00/00/00 - 99/99/99; XFRD: No; NOT XFRD: Yes; MAN DIST: Yes; TYPE: All)						
ACCOUNT #	NAME	PSTG AMT	ACCT BAL	RCPT#	DATE	REFR #
9000423.00	[REDACTED]	50.00	5.42CR	038045	03/03/14	6759
0100	01/30/14	50.00				



The \$50 check payment was reflected as receipted and posted per the daily posting journal, but was not reflected in the customer's account history. An \$87.24 check payment was recorded in the account history on March 11, 2014. A check from Customer 423 in the amount of \$87.24 could not be located in bank deposit sources.

Customer Account History

03/11/14	9600	Check/Reg Payment	0	0	038150	87.24CR	0.00
03/04/14	0100	WATER	9290	143291		42.66	87.24
02/19/14	0400	PENALTY FEE	0	0		4.05	44.58
01/30/14	0100	WATER	9040	142362		41.66	40.53

The utility billing software should have automatically posted the \$50 check payment on March 3, 2014 when it was receipted into the system. The \$50 payment not showing as posted to the customer's account history indicates that the initial transaction, receipted on receipt 38045, was deleted or altered, to reflect the \$87.24 after-the-fact.

All transactions recorded should remain as initially recorded. Any changes or corrections that need to be made should be documented with proper support and approval.

Finding

Utility revenue deposits were not made daily as required by statute. Customer payments were held for days, and in some instances weeks.

According to **11 O.S. § 12-110**, Shonda Barnes, the town treasurer, is statutorily responsible for the accounting of monies collected and paid, and should deposit all funds received daily. Title **11 O.S. § 12-110** states in part:

The town treasurer shall be an officer of the town. The town treasurer shall:

1. maintain accounts and books to show where and from what source all monies paid to him have been derived and to whom and when any monies have been paid; and
2. deposit daily funds received for the town in depositories as the board of trustees may designate;

The delays in depositing utility payments varied, often exceeding four or five days between deposits, and in at least one instance, only one deposit was recorded for an entire month of collections.

For example, on August 21, 2013, the Town deposited \$11,049.99 in checks and \$4,619.18 in cash. This deposit included payments received in July, with checks dating back as early as July 2, 2013. No other deposits were made during the month of August.

The deposit slip was dated August 16, 2013, but bank records reflect the deposit was made on August 21, five days after it was allegedly prepared.

The next bank deposit did not occur until September 3, 2013. This deposit also included check payments received and posted in the previous month.



We reviewed deposit slips and bank deposit sources dated between July 1, 2013 and June 30, 2014, and identified several deposits that included checks dated days, and sometimes weeks, prior to the date of the deposit.

Earliest Check Date	Deposit Slip Date	Date Deposit Made
6/19/2013	7/1/2013	7/18/2013
7/2/2013	8/16/2013	8/21/2013
8/16/2013	8/29/2013	9/03/2013
8/30/2013	9/17/2013	9/18/2013
10/1/2013	10/28/2013	10/29/2013
11/8/2013	11/15/2013	11/29/2013
11/20/2013	12/13/2013	12/16/2013
12/4/2013	1/9/2014	1/9/2014
1/17/2014	2/19/2014	2/20/2014
2/17/2014	2/25/2014	2/25/2014
2/18/2014	3/5/2014	3/5/2014
3/6/2014	3/12/2014	3/12/2014
3/21/2014	4/1/2014	4/2/2014
5/21/2014	5/22/2014	5/27/2014
5/5/2014	5/23/2014	5/27/2014
5/15/2014	5/21/2014	5/27/2014
6/9/2014	6/16/2014	6/23/2014
6/13/2014	6/17/2014	6/23/2014

Finding

Internal controls over the processing and reconciling of utility collections, postings, and deposits were inadequate.

- The Town did not utilize unique computer user ID's or passwords, which created a lack of accountability for transactions entered into the utility billing software program.
- Cash was not properly secured. We observed access to cash was not restricted, payments were kept in envelopes in an unlocked cash box kept at the front desk. The funds were not secured throughout the business day and all employees operated from the same cash drawer.
- Transactions entered in the utility billing software system could be changed or deleted without requiring a secondary approval.
- Pre-numbered receipts were not issued for all collections.
- Daily reconciliations of funds collected and deposited, were not always properly documented.

In addition to the lack of internal controls, it appears that staff were not properly trained or supervised by Shonda Barnes, the town treasurer, in their work as utility billing clerks.

Improper Employee Utility Billing Transactions

Finding

It appears that Tina Bryant, former water clerk, received at least \$418.80 of improper credit adjustments to her personal utility billing account.

A questionable credit adjustment of \$170.92 was posted to the account of Tina Bryant¹³ in April 2013. The account had been in delinquent status since August 2012 and was not paid in full until August 2013. No penalties were incurred during this period of non-payment.

05/01/13	0100	WATER	5290	61580		26.66	75.73
04/29/13	9602	Credit Adjustment	0	0	037332	170.92CR	49.07
04/01/13	0300	GARBAGE	0	0		12.87	219.99
04/01/13	0200	SEWER	0	0		13.50	207.12
04/01/13	0100	WATER	4300	61051		22.70	193.62
03/22/13	9601	Cash Payment	0	0		125.00CR	170.92

In September, October, November, and December of 2013, former clerk Bryant's utility account was credited with four check payments totaling \$247.88.

Account 277 Customer History

12/15/13	9600	Check/Reg Payment	0	0	037520	58.75CR	0.00
12/01/13	0300	GARBAGE	0	0		12.87	58.75
12/01/13	0200	SEWER	0	0		13.50	45.88
12/01/13	0100	WATER	6720	66504		32.38	32.38
11/15/13	9600	Check/Reg Payment	0	0	037519	60.47CR	0.00
11/01/13	0300	GARBAGE	0	0		12.87	60.47
11/01/13	0200	SEWER	0	0		13.50	47.60
11/01/13	0100	WATER	7150	65832		34.10	34.10
10/15/13	9600	Check/Reg Payment	0	0	037518	66.67CR	0.00
10/01/13	0300	GARBAGE	0	0		12.87	66.67
10/01/13	0200	SEWER	0	0		13.50	53.80
10/01/13	0100	WATER	8700	65117		40.30	40.30
09/15/13	9600	Check/Reg Payment	0	0	037517	61.99CR	0.00

Per the receipt posting journal as shown below, although dated and posted to the customer history on corresponding monthly dates in 2013, the four transactions were receipted with consecutive receipt numbers 37517, 37518, 37519, and 37520 in January 2014, with the posting dates appearing to be altered to the applicable month.

The check payments could not be traced to deposits and no receipts or other supporting documentation could be provided to support the transactions.

¹³ Tina Bryant's utility account was billed under Customer Account 277.

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0000280.B0*		97.07	0.00	037514	01/06/14		Credit Adj	Fixed	Yes
0000142.A0*		43.35	0.00	037515	01/06/14		Credit Adj	Fixed	Yes
0000003.A0*		116.03	0.00	037516	01/07/14		Write Off	Fixed	Yes
0000277.00		61.99	2.93CR	037517	09/15/13		Check/Reg	Manual	Yes
0000277.00		66.67	2.93CR	037518	10/15/13		Check/Reg	Manual	Yes
0000277.00		60.47	2.93CR	037519	11/15/13		Check/Reg	Manual	Yes
0000277.00		58.75	2.93CR	037520	12/15/13		Check/Reg	Manual	Yes
0000271.00		58.27	49.50	037522	01/16/14	ck#11376	Check/Reg	Fixed	Yes
0000044.00		3.11	0.00	037523	01/16/14		Credit Adj	Fixed	Yes
0000102.00		6.42	85.00	037524	01/16/14		Credit Adj	Fixed	Yes

The questionable payments were reportedly discovered in January 2014 with Bryant resigning her position as water clerk in February 2014. Before ending her employment, Bryant re-paid \$247.88 of the questionable postings.

OBJECTIVE II GRANT ACTIVITY

Petition Objective *Review possible misuse of grant funds in the awarding and construction of the Town's Fire Station.*

Summary of Findings:

- A REAP grant reimbursement request submitted to SODA by Shonda Barnes, included a fictitious invoice totaling \$4,212.10.
- A REAP Grant 'Request for Funds' was signed by Shonda Barnes, who was not authorized by the Town to sign grant related documentation.
- A fabricated invoice, receiving report, and purchase requisition totaling \$3,044.91 was submitted to Johnston County for reimbursement of grant expenditures.
- Most of the REAP Grant matching costs claimed were not properly accounted for or documented.
- Activity Reports prepared and submitted by Shonda Barnes as documentation for the Town's grant match included erroneously reported labor hours and equipment-use hours.
- The final REAP Grant 'Close-Out Certification' required by SODA had not been submitted by the Town as of March 2017.

Fire Station Grant

The Town of Mannsville was awarded a Rural Economic Action Plan grant, a REAP grant, through the Southern Oklahoma Development Association (SODA). The grant funding period was December 30, 2013, through December 31, 2014. The grant approval letter read:

Grant Award Number:	<u>14-039</u>
Project description:	<u>Add two truck bays and a training area/office to the fire station</u>
Required Match:	<u>\$30,000.00</u> <u>Cash/Equipment/Labor</u>
Total Grant Amount:	<u>\$35,000.00</u>

Under the grant guidelines, all expenditures were handled on a reimbursement basis, meaning the Town should incur the expense and then request reimbursement for the cost.

Per the 'Reap Project Funds Contract', the Town was also required to maintain records, including property, personnel, and financial records, that properly document and account for all project funds. These records were required to be retained for at least five years from the date of submission of the Final Expenditure Report or until all audit findings have been resolved.

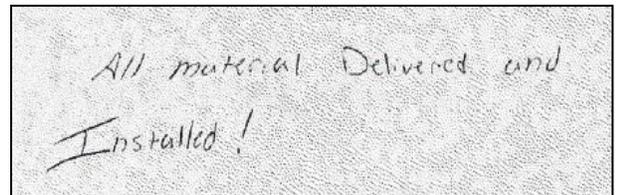
Fictitious Invoice

Finding

A REAP grant reimbursement request submitted to SODA by Shonda Barnes, included a fictitious invoice totaling \$4,212.10.

Shonda Barnes submitted a REAP Grant 'Request for Funds' to SODA on August 26, 2014. Included as part of the request was a document for \$4,212.10 from the vendor Ardmore Electric Supply, presented as an invoice for reimbursement.

The document presented to SODA included the handwritten note "All material Delivered and Installed!", implying that the \$4,212.10 purchase had been incurred and that the supplies purchased had been installed as part of the work performed on the REAP grant project.



Upon further review, it was determined that this document was a "PRICE QUOTE", not an invoice for materials that had been used as part of the REAP project. The quote was obtained on March 20, 2014, and submitted to SODA as a paid invoice for reimbursement on August 26, 2014.

The document, noted as Quote #Q011485, had also been altered to show the "MANNSVILLE FIRE DEPT." as the quote recipient.

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Quoted				Printed 05/06/14 CS			
MANNSVILLE FIRE DEPT.				Ship To SAME			
Quote #	Quote Date	Exp Date	Customer #	Customer P/O #	Ship Via	Writer	
Q011485	03/20/2014	04/19/2014	0100092			22	
Job ID	Customer Terms			Salesman			
	Net 30						

The actual quote had been received under the name of a local vendor. The name of the vendor was covered, and the quote was presented to SODA as a Mannsville reimbursable expense.

Quoted				Printed 05/06/14 CS			
P.O. BOX 1611 ARDMORE OK 73402-1611 Tel:580- Fax:				Ship To SAME			
Quote #	Quote Date	Exp Date	Customer #	Customer P/O #	Ship Via	Writer	
Q011485	03/20/2014	04/19/2014	0100092			22	
Job ID	Customer Terms			Salesman			
	Net 30						

This quote was never converted to an invoice and was never paid by the Town; however, SODA reimbursed Mannsville the \$4,212.10 in September 2014.

Authorizing Resolution

Finding

A REAP Grant ‘Request for Funds’ was signed by Shonda Barnes, who was not authorized by the Town to sign grant related documentation.

A resolution establishing the Town officials authorized to act on behalf of the Town was required as part of the REAP grant application process. The Town passed and approved Resolution 13-07-08-A and Resolution 14-07-14-B authorizing the REAP grant application process and designating Don Colbert, Mayor, and Dean Copeland, Trustee, as the authorized signors on all related documentation necessary to file, process, and approve the grant.

NOW THEREFORE, BE IT RESOLVED THAT, DON COLBERT, MAYOR OF THE TOWN OF MANNSVILLE and DEAN COPELAND, TRUSTEE, are authorized to sign all related documentation necessary to file for and process a grant through the Southern Oklahoma Development Association in the form of a REAP/CDBG Grant on behalf of the Town of Mannsville and The Mannsville Volunteer Fire Department.

through the County, more than nine months later, using fabricated documentation.

The Fire Department submitted Purchase Order Requisition #2466 to Johnston County on January 28, 2015, for payment to Ardmore Electric Supply in the amount of \$3,044.91. The purchase order was signed by Mary Mitchell, a Fire Department volunteer.

Purchase Order # <u>2466</u>		PURCHASE ORDER REQUISITION (FILL IN ALL BLANKS)		1/28/2015 12:03 PM	
C. BLANKET PO	Requisitioning Dept: <u>County</u>				
I approve the processing of this purchase request and the encumbering on the designated account to a maximum of				\$ <u>3,044.91</u>	
Date: <u>1/28/2015</u>	Requisitioning County Official: <u>Mary Mitchell</u>		ACCT <u>1-Manns</u> Old Acct		
Suggested Vendor Name		<u>Ardmore Electric Supply</u>			

The Purchase Order was supported by an invoice from Ardmore Electric Supply, emailed to Derek Gray, reflecting the purchase had been made January 23, 2015. The invoice indicated it originated from materials received under Quote #Q011718. Quote #Q011718 was provided on May 6, 2014, nearly nine months earlier.

The Purchase Order submitted to the County was also supported by a 'Receiving Report', signed by Venus Edwards, a volunteer for the Department. The receiving report fraudulently represented that the Fire Department had received the invoiced items on February 6, 2015.

Representatives from the Mannsville Fire Department presented an invoice to Johnston County for reimbursement nine months after the Department purportedly received and was billed for the materials. Based on the false invoice and receiving report, the County Clerk paid the expenditure, which would have otherwise been unauthorized.

REAP Matching Funds

The REAP Grant awarded through SODA included a required match of cash, equipment, and/or labor of \$30,000. According to the grant agreement, matching-fund expenditures must be accounted for, or documented and reported, to be reimbursed on the grant. The award letter stated:

Please remember if you had matching funds you must account for those expenditures to be reimbursed on this grant.

Finding

Most of the REAP Grant matching costs claimed were not properly accounted for or documented.

The Town claimed matching costs of \$29,881.25. The breakdown of the match included the following:

TOTAL IN KIND MATCH		
INKIND LABOR MATCH / Equipment		\$15,006.25
CASH MATCH PAID TO CONTRACTOR		\$10,000.00
OVERHEAD DOORS		\$0.00
CONTRACTOR		\$800.00
A/C UNIT		\$2,200.00
CAPPERONE		\$1,375.00
GRAVEL FOR DRIVE BY COUNTY		\$500.00
CASH MATCH		\$14,875.00
TOTAL IN KIND MATCH		\$29,881.25

Of the amounts noted above, only the \$10,000 shown as “CASH MATCH PAID TO CONTRACTOR” was properly supported. Review of the additional costs claimed resulted in the following:

- Support could not be found for the \$800.00 claimed as “CONTRACTOR”. A check to the contractor who was involved in the fire station project was issued on May 23, 2014, in the amount of \$805 and was noted as “Contract labor”. However, no supporting documentation could be provided that would indicate that the payment was applicable to the fire station project.
- The supporting documentation for the \$2,200.00 “A/C UNIT” claimed was an invoice presented for a cash sale of air conditioning equipment totaling \$1,792.88. The costs did not agree with the in-kind match amount claimed. Per Gray, a \$2,000.00 cash withdrawal made from the “Mannsville Volunteer Fire Dept” checking account was for this purchase.
- The \$1,375.00 paid to “CAPPERONE” could not be supported by an invoice; however, check #5558 issued on June 9,

CHECKING TRANSACTION TICKET

CUSTOMER NAME: _____ DATE: 5-16-14

SIGNATURE: *Doub King*

DEBIT: _____ CREDIT: _____

PREPARED BY: *PIP*

PHONE EXT: 4806

DESCRIPTION: _____

ACCOUNT NUMBER: [REDACTED] TO: 86

AMOUNT: 2000.00

05/16/2014 \$2,000.00

2014, was made payable to “MATT CAPERONE” and was documented in the memo line as “ELECTRICAL SERVICE TO NEW FIRE STATION”.

- There were no records provided by the Town to support the \$500 match claimed for “GRAVEL FOR DRIVE BY COUNTY”.

Finding

Activity Reports prepared and submitted by Shonda Barnes as documentation for the Town’s in-kind grant match included erroneously reported labor hours and equipment-use hours.

The Town submitted an Activity Report to SODA documenting labor hours and equipment-use hours in support of an in-kind match amount claimed of \$15,006.25. According to Shonda Barnes, work hours were reported to her and she tracked the hours on a spreadsheet.

Some inmates were reported as part of the in-kind labor match on the Activity Report for days that they were not assigned to work with the Town. The Town claimed 72 hours of inmate labor for time the inmates were-not checked out of the Correctional Facility to work with the Town.

Inmate Hours Reported to SODA		Hours Claimed That Inmate Was Not Assigned to the Town	Actual Available Inmate Hours
Smith	78	16	62
Stephens	62	32	30
Thomas	16	0	16
Spence	106	24	82
Total	262	72	190

Additionally, in a comparison of labor hours to equipment hours, it appears the Town also reported 81 more equipment hours than corresponding available labor hours. Inmates are prohibited from driving vehicles, which would further decrease the labor-hour correlation. The following table shows the breakdown of reported labor versus reported equipment hours.

Activity Report for In-Kind Match Labor Hours vs. Equipment Hours			
Date	Reported Labor Hours	Reported Equipment Hours	Difference
3/12/2014	38	40	2
4/2/2014	18	24	6
4/3/2014	11	20	9
4/7/2014	16	24	8
4/8/2014	12	28	16
4/9/2014	12	24	12
4/11/2014	20	40	20
4/14/2014	4	12	8
Total	131	212	81

The in-kind match Activity Report also documented that Shonda Barnes worked four hours on May 22, 2014, when her timesheet reflected that she was on vacation leave Thursday, May 22, 2014.

Finding

The final REAP Grant ‘Close-Out Certification’ required by SODA had not been submitted by the Town as of March 2017.

According to a SODA representative, the Town had not submitted their required close-out documentation. The information had been requested three times but had not yet been provided. The Town had \$3,816.01 remaining in available grant funds that now cannot be reimbursed because the grant award period has expired.

OBJECTIVE III PAYROLL, TRAVEL, AND VEHICLE USE

Petition Objective *Review of possible discrepancies in hiring practices, including nepotism, payroll, use of town vehicles and travel reimbursements.*

Summary of Findings:

- We found no evidence that the hiring of Derek Gray as fire chief or as a town employee was nepotism.
- Timesheets and accompanying payroll records were missing, incomplete, and inaccurate, and did not properly support compensation paid to Town and MPWA employees.
- Town Treasurer Shonda Barnes was paid \$1,872.98 in overtime pay without proper supporting documentation or the required approvals.
- Shonda Barnes misappropriated an insurance refund check of \$66.95 made payable to the Town of Mannsville.
- Shonda Barnes, town treasurer, was compensated \$1,000 for duties not related to her elected position, without an approved Town ordinance in place as required by statute.
- We found no evidence that the hiring of Derek Gray as fire chief or as a MPWA employee was improper. However, Gray's pay rate, job duties and work hours were never defined or approved by the Board.
- Fire Chief Derek Gray was compensated \$2,557.50 as 'contract labor' without an officially approved contract in place.
- It appears Derek Gray received two paychecks totaling \$1,080 for the same pay period, July 10, 2014 through July 23, 2014.
- Derek Gray was credited with 57 hours of compensatory time with the Town before he was officially employed, resulting in \$855 of unearned pay.
- Derek Gray was paid \$202.50 by the MPWA for nine hours worked in the month of April 2015, before he was officially hired by the MPWA Board on April 30, 2015.

- The payroll records supporting Derek Gray's hours worked, comp time earned, and leave taken were inaccurate, and at times erroneous and incomplete.
- Derek Gray was paid time and a half for all hours worked for the MPWA regardless of the total hours worked in a week.
- The Town allowed employee healthcare coverage to lapse due to lack of payment. Between January 1, 2014 and August 31, 2014 premiums of \$720.18 were deducted from employee paychecks without coverage in place.
- In 2015, the Town did not submit payroll taxes due to the proper governmental agencies.
- Social Security Taxes were not withheld and/or paid in for the benefit of Town employees as required.
- The Town does not maintain written policies concerning the use of Town vehicles.
- Travel reimbursement claims did not include complete supporting documentation.

Nepotism

Allegations were presented that the hiring of Derek Gray, as fire chief and as a town employee was an act of nepotism. Gray is the nephew of Shonda Barnes, town treasurer.

Finding

We found no evidence that the hiring of Derek Gray as fire chief or as a town employee was nepotism.

On January 16, 2014, the Board selected Derek Gray, nephew of Shonda Barnes, as the interim fire chief for 90 days. Gray was voted as the permanent fire chief on April 14, 2014.

On July 17, 2014, the Board voted to retain Gray as a full-time employee with the Town.

MAYOR COLBERT MOVED TO RETAIN DEREK GRAY AS A FULL TIME EMPLOYEE WITH THE CITY OF MANNSVILLE. TRUSTEE COPELAND SECONDED THE MOTION AND THE MOTION CARRIED.

As to nepotism, **11 O.S. § 8-106** states in part:

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....A person may hold more than one office or position in a municipal government as the governing body may ordain. [Emphasis added]

Although Shonda Barnes, town treasurer, was an elected official of the Town, she was not a member of the *governing body*¹⁶ and did not have hiring authority for Gray. Barnes was not responsible for Gray’s appointment as fire chief or his hiring as a Town employee. As such, the appointment and hiring of Derek Gray would not be considered nepotism.

Payroll

We reviewed a sample of timesheets for Town employees Shonda Barnes, Amie Ebarb, and Derek Gray between the periods of October 2013 and December 2015.

Finding

Timesheets and accompanying payroll records were missing, incomplete, and inaccurate, and did not properly support compensation paid to Town and MPWA employees.

Of 129 pay periods reviewed, we were able to locate 97 timesheets. Of those 97 timesheets, only 27 indicated review and approval by a supervisor.

Employee	Number of Pay Periods Reviewed	Timesheets Available	Timesheets Approved By A Supervisor	Supervisor
Barnes	43	28	0	Mayor Don Colbert
Ebarb	45	35	16	Shonda Barnes
Gray	41	34	11	Shonda Barnes
Totals	129	97	27	

¹⁶ A “governing body” is defined in **11 O.S. § 1-102** as “the board of trustees of a town”.

We also noted additional payroll supporting documentation was insufficient:

- Pay periods were documented incorrectly on pay stubs and purchase orders;
- Records documenting the tracking of vacation and sick leave were not provided. Accruals of compensatory time and leave were noted on some timesheets but were inaccurate and, at times, applied in error;
- All purchase orders accompanying payroll were unsigned;
- Paychecks were being issued before the end of the pay period; and
- Several timesheets included no information as to dates worked, times worked, or leave taken.

Following are some *examples* of these issues for individual payroll periods and individual payroll transactions by employee. Because of the large amount of exceptions found, all exceptions noted during fieldwork have not been included in our report.

Shonda Barnes Employment

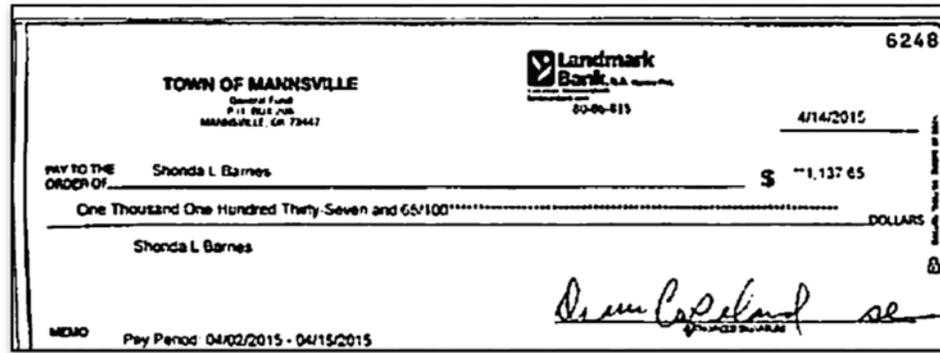
Payroll supporting documentation for Shonda Barnes was incomplete for several pay periods. All purchase orders supporting Barnes' payroll transactions were not signed or approved, several timesheets did not include hours worked, calculated pay, or tracking of leave balances. Tracking of sick and annual leave was not consistently documented or did not appear to be approved or monitored. Following are three examples of the exceptions noted.

Example 1 shows the pay period of September 4, 2014 to September 17, 2014. Purchase Order No. 1524 for \$1,251.39 was issued for check 6049 to Shonda Barnes. The purchase order was annotated with the wrong pay period, was not signed by the purchasing officer or approved by the Board.

The employee timesheet shown was attached to the purchase order as supporting documentation but did not include the pay period, the dates and times worked, the calculated pay due, and there was no documented approval.

In *Example 3*, the check issued for the pay period April 2, 2015 through April 15, 2015 was issued early on April 14, 2015.

Example 3

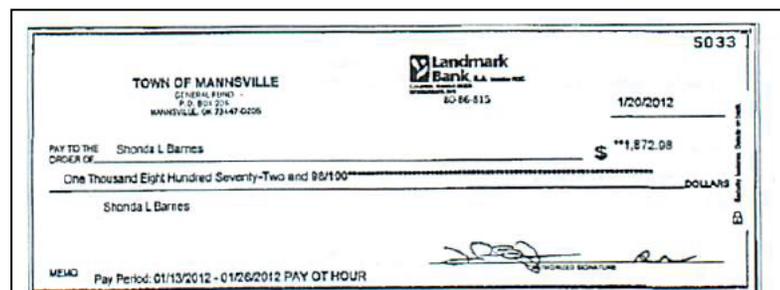


The overall documentation provided for the support of payroll for Shonda Barnes was inadequate, multiple checks were issued prior to the end of the payroll periods, the wrong payroll period was documented on several checks, and purchase orders included erroneous information and were not properly completed or approved.

Finding

Town Treasurer Shonda Barnes was paid \$1,872.98 in overtime pay without proper supporting documentation or the required approvals.

On January 20, 2012, check 5033 in the amount of \$1,872.98¹⁷ was issued to Shonda Barnes for 122 hours of overtime. The check stated the overtime was for the pay period 1/13/2012-1/26/2012.



The supporting documentation provided for the overtime check was Purchase Order No. 526¹⁸ issued for “Overtime pay” for “122 hours @ 19.50” per hour. The purchase order was encumbered by Shonda Barnes, but was not signed or approved by any Town official or approving authority, and did not designate the time period for the overtime.

¹⁷ \$2,379 Gross Pay

¹⁸ See purchase order at Exhibit 13, Page 105.

Attached to the purchase order was two calendar print outs¹⁹ for the months of October 2011 and January 2012. There was no indication if the values noted on the calendars were overtime hours. The hours shown did not equal the 122 hours of overtime claimed.

If the overtime pay did include hours worked in the month of October 2011, Barnes' rate at that time would have been \$16.50 per hour, not the \$19.50 paid. The exact overpayment could not be determined because the 122 hours reported could not be traced to a specific month.

Per Barnes, two other employees received overtime pay at the same time and there was allegedly a spreadsheet prepared detailing the hours paid to each employee, no spreadsheet was ever provided. Barnes subsequently stated that her spreadsheet had been stolen. No legitimate supporting documentation could be provided for the overtime pay.

On November 14, 2011, prior to the January 2012 payment of overtime, the Board implemented a compensatory time policy. Based on this policy, it appears overtime incurred after this date should have been compensated through compensatory time.

A MOTION WAS MADE BY MAYOR BROUGHTON TO IMPLEMENT A POLICY FOR COMPENSATORY TIME FOR CITY EMPLOYEES, WITH A STIPULATION THAT THE REASON FOR SAID COMPENSATORY TIME BE RECORDED ON EACH EMPLOYEES' WEEKLY TIME SHEETS. TRUSTEE BEAN SECONDED THE MOTION; ALL VOTED YES AND THE MOTION CARRIED.

Finding

Shonda Barnes misappropriated an insurance refund check of \$66.95 made payable to the Town of Mannsville.

Blue Cross Blue Shield (BCBS) cancelled the Town's health insurance policy for delinquency on March 10, 2014, with a paid-to-date of January 1, 2014. Per BCBS, the premiums received after January 1, 2014, were "too little and too late to reinstitute the policy". The remaining credit balance of \$976 was refunded to the Town in two transactions, \$909.05 on April 30, 2014, and \$66.95 on September 26, 2014.

The \$909.05 check was deposited in the Town's General fund on June 10, 2014. The second check in the amount of \$66.95 payable to the Town of Mannsville was deposited by Shonda Barnes into the bank account of her ex-husband on February 17, 2015, almost five months after the check was issued.

¹⁹ See calendars at Exhibits 16 and 17, Page 108 and 109.

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The \$66.95 check should have been deposited into the Town's bank account upon receipt.

Finding

Shonda Barnes, town treasurer, was compensated \$1,000 for duties not related to her elected position without an approved town ordinance in place as required by statute.

Shonda Barnes was appointed *town treasurer* in October 2011, was elected to that position in April 2013, and continued in the position of treasurer to the date of this report. The compensation for the position of town treasurer was \$50 per month.

In a July 2015 board meeting, the Board voted to pay Barnes \$600 for performing the duties of the officially elected town clerk. The \$600 was back pay for clerk duties performed for the prior fiscal year, July 1, 2014 through June 30, 2015. In the same board meeting, the Board voted to continue paying Barnes \$50 per month for the additional duties. These payments, totaling \$400, continued until the election of a new town clerk in February 2016. In total Barnes was paid \$1,000 for additional 'clerk' duties. The minutes stated:

MAYOR COLBERT MADE A MOTION TO PAY SHONDA BARNES \$600 DOLLARS FOR PERFORMING EXTRA DUTIES THAT THE CITY CLERK IS NOT DOING. TRUSTEE COPELAND SECONDED THE MOTION. MAYOR COLBERT VOTED YES; TRUSTEE COPELAND VOTED YES; AND TRUSTEE GLIDEWELL VOTED NO. MAJORITY RULED AND THE MOTION PASSED.

MAYOR DON COLBERT MADE A MOTION TO PAY SHONDA BARNES \$50 PER MONTH FOR ADDITIONAL DUTIES SHE IS DOING THAT THE CITY CLERK IS NORMALLY REQUIRED TO DO. TRUSTEE COPELAND SECONDED THE MOTION. TRUSTEE GLIDEWELL VOTED NO; HOWEVER, MAJORITY RULED AND THE MOTION PASSED.

Although the additional pay to Barnes was approved by the Board, and would be allowable as pay for additional duties, we found no evidence that the pay was documented and approved in an official ordinance of the Town as required by **11 O.S. § 12-110** which states in part:

The town treasurer...may be employed by the town to perform duties not related to his position as town treasurer. The salary, if any, for said duties shall be provided for separately **by ordinance**. [Emphasis added]

A new town clerk was appointed February 2016 and payments to Barnes for clerk related duties ceased.

Amie Ebarb Employment

Amie Ebarb was hired as the “water clerk” on April 28, 2014. As noted above, 10 timesheets were missing from the 45 time periods reviewed, and only 16 of the timesheets available for review documented supervisory approval by Shonda Barnes, Ebarb’s supervisor.

Amie Ebarb’s payroll transactions;

- Did not always include daily or total hours worked;
- Included checks issued prior to the end of the payroll period; and
- Did not properly document the tracking of sick and annual leave.

Derek Gray Employment

Petitioners raised a concern about the hiring practices of the Town, alleging that Derek Gray was not qualified to be fire chief and that his employment was nepotism.²⁰

Finding

We found no evidence that the hiring of Derek Gray as fire chief or as an MPWA employee was improper. However, Gray’s pay rate, job duties and work hours were never defined or approved by the Board.

The Town of Mannsville has a Volunteer Fire Department and as such, falls under the Oklahoma Volunteer Firefighters Act.²¹

Title 11 O.S. § 29-204 Article 1(a) of the Act states:

The chief shall be appointed in the manner provided by law applicable to this municipality for the appointment of municipal officers.

Title 11 O.S. § 12-106 states that the board of trustees may,

Appoint and remove, and confirm appointments of, designated town officers and employees as provided by law or ordinance.

²⁰ The issue of nepotism was addressed in a previous finding at Page 31.

²¹ Title 11 O.S. § 29 Sections 201-204.

On January 16, 2014, Derek Gray was appointed as interim fire chief during a special Town Board meeting. According to the meeting minutes, “the position was only an interim position for ninety days and could be subject to change”.

On April 14, 2014, the Board voted to change Gray’s employment status from interim fire chief to permanent fire chief. The position continued to be a no pay, volunteer position.

On June 9, 2014, the Board voted to make the Fire Chief a paid position. However, the minutes did not specify a rate-of-pay, job duties, or work hours. There was also no reference as to whether Derek Gray was the permanent, paid Fire Chief.

On July 17, 2014, Derek Gray was retained as a full-time employee of the Town. There was no discussion of Gray’s rate-of-pay or if this full-time employment with the Town was as Fire Chief or if additional duties were included.²²

On April 30, 2015, Derek Gray was hired as a “backup” employee for the Mannsville Public Works Authority. No pay rate was noted or approved, and no mention was made as to how the time and pay would be managed between the position of fire chief, town employee and MPWA employee.

Based on the official minutes documenting the above transactions, we found no evidence to suggest that Gray’s appointment as Fire Chief and his subsequent employment with the Town or with the MPWA were improper.

However, Gray’s pay rate, job duties, and work hours for all positions held, were never defined by the Board.

Finding

Fire Chief Derek Gray was compensated \$2,557.50 as ‘contract labor’ without an officially approved contract in place.

Beginning June 9, 2014, the Board voted to make the position of fire chief a compensated position. At this time, Derek Gray the appointed Fire Chief, had not been approved as an official town employee, nor did he have a contract in place providing for any compensation.

²² Timesheets reflected Gray was being paid at a rate of \$15 an hour as fire chief.

After the June 9th vote to make the Fire Chief a paid position, and prior to Gray's July 17, 2014, appointment as a town employee, two payments were made to Chief Gray as 'contract labor'.

Contract Labor Payments to Fire Chief Derek Gray				
Date	Check #	Amount	Fund	Purpose
6/24/2014	5668	\$1,432.50	General	Contract labor for 6-10-14 thru 6-24-14
7/8/2014	5590	\$1,125.00	General	Contract labor for 6-26-14 thru 7-9-14
	Total	\$2,557.50		

Although Gray had been appointed the permanent Fire Chief and this position was voted to be a paid position as of June 9th, Gray was not approved as an official employee of the Town until July 17, 2014.

With no contract in place to the contrary, Gray would not have been eligible for any compensation until he was officially approved as a town employee on July 17, 2014.

Finding

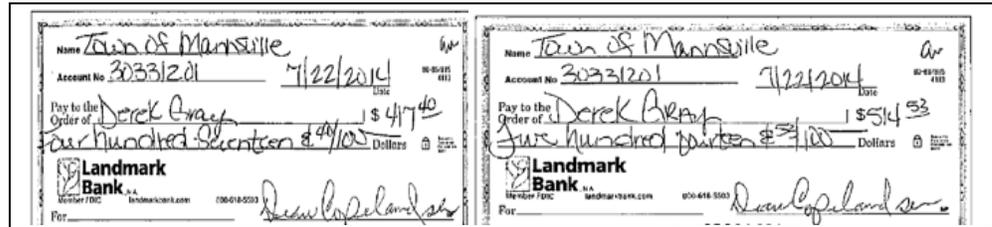
Derek Gray received two paychecks, both documented as pay for the same pay period, July 10, 2014 through July 23, 2014, totaling \$1,080.

Derek Gray received two paychecks on July 22, 2014, both paid from the General Fund, and both representing hours worked for the same pay period of July 10, 2014 thru July 23, 2014. The purchase orders did not include time sheets or documentation to support the payments so it could not be determined what work hours had been compensated.

Employee DEREK C GRAY, [REDACTED] MANNSVILLE, OK 734 [REDACTED] SSN [REDACTED]		Pay Period: 07/10/2014 - 07/23/2014		
Earnings and Hours	Hours	Rate	Current	YTD Amount
Hourly	32:00	15.00	480.00	480.00
				Net Pay \$417.40

Employee DEREK C GRAY, [REDACTED] MANNSVILLE, OK 734 [REDACTED] SSN [REDACTED] Status (Fed/State) [REDACTED]		Pay Period: 07/10/2014 - 07/23/2014		
Earnings and Hours	Hours	Rate	Current	YTD Amount
Hourly	40:00	15.00	600.00	1,080.00
				Net Pay \$514.53

The pay period shown of July 10, 2014 thru July 23, 2014, included seven days of time worked prior to Gray's employment with the Town on July 17, 2014, leaving only one week to be compensated. Additionally, the checks were dated as paid before the end of the pay period.



Finding

Derek Gray was credited with 57 hours of compensatory time with the Town before he was officially employed, resulting in \$855 of unearned pay.

Derek Gray was not officially employed with the Town until July 17, 2014. Timesheets were not available for the July 17, 2014 through July 25, 2014 pay period; however, pay stubs indicated Gray did not work more than 40 hours during this period and therefore would not have been eligible to earn comp time prior to the July 25th pay period.

Payroll records, as shown below, reflected that Gray began the pay period of July 25, 2014, with 57 hours of compensatory time.

<p>57 hours of comp</p> <p>Accumulated comp time x 57 hrs we</p>	<p>Overtime Pay: _____</p> <p>Gross Pay: _____</p> <p>Pay Date: _____</p> <p style="text-align: right;">10.5 hrs <u>46.5 hrs</u> comp remaining</p>
--	---

It appears Gray was allowed to accrue 57 hours of comp time before he was an official employee of the Town. At Gray's pay rate of \$15 per hour, 57 hours would be equivalent to \$855 of unearned pay.

Finding

Derek Gray was paid \$202.50 by the MPWA for nine hours worked in the month of April 2015, before he was officially hired by the MPWA Board on April 30, 2015.

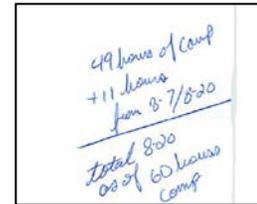
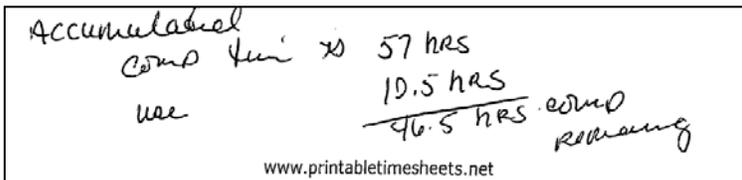
Timesheets for Derek Gray reflected two hours worked for the MPWA on April 10, 2015, three hours worked on April 23, 2015, and two hours worked on April 25 and April 26, 2015. These nine hours worked before Gray was officially approved for employment by the MPWA Board equaled \$202.50 of unearned pay.

Finding

The payroll records supporting Derek Gray’s hours worked, comp time earned, and leave taken were inaccurate, and at times erroneous and incomplete.

Following are some *examples* of Derek Gray’s time reporting. Some findings would be considered immaterial if they were isolated incidents, but the number of inaccuracies noted indicates an overall inadequate accountability of Gray’s time.

- Gray’s timesheet for the period ending August 5, 2014, showed a balance of 46.5 hours of “earned remaining” comp time, but the timesheet for the following period reflects a beginning balance of 49 hours “of comp”, resulting in a 2.5-hour discrepancy.



- At the end of the November 12, 2014 pay period, Gray’s timesheet reflected he had 80.5 hours of comp time. The next pay period reflects a beginning balance of 81 hours. Gray received an extra half hour of comp time without supporting documentation. Also, there were two time sheets for the same pay period ending November 12, 2014, one indicating the use of 16 hours of comp time and one indicating the use of 18.5 hours of comp time.
- For the pay period of November 27, 2014 through December 10, 2014, Gray was credited with six hours of comp time that was not earned. The time worked was totaled on the timesheet as 45.5 hours when the actual daily hours recorded totaled 39.5 hours, a variance of six hours.

WEEK ONE						
DOW	Date	Clock In	Lunch Begins	Lunch Ends	Clock Out	Daily Hours
Thursday	11-27					2.0
Friday	11-28					8.0
Saturday	11-29					3
Monday	12-1	8			7	10.5
Tuesday	12-2	9			4:30	8.0
Wednesday	12-3	8			4:30	8.0
actual 39.5						Weekly Total: 45.5

- For the two-week pay period of May 14, 2015 through May 27, 2015, Gray received credit for 18.5 hours of comp time. Comp time was used to earn additional comp time.²³

²³ See full timesheet at Exhibit 14, Page 106.

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During the same period, Gray used 24 hours of comp time that was not deducted from his balance. As a result, Gray's comp time balance was overstated by 24 hours at the end of the period.

WEEK ONE						
DOW	Date	Clock In	Lunch Begins	Lunch Ends	Clock Out	Daily Hours
	5-14-15					8 COMP
	5-15-15					8 COMP
	5-18-15					8 COMP
	5-19-15		Office & Blood Draw & Flooding			15.5 hrs
	5-20-15		Storm spotting & Flooding			11 hrs
Weekly Total:						30.5 10.5 comp

For the same pay period, ending May 27, 2015, Gray was paid for 15 hours of MPWA overtime. Because the timesheet did not reflect actual work hours it could not be determined how the overtime hours were determined.

WEEK TWO					
Date	Clock In	Lunch Begins	Lunch Ends	Clock Out	Daily Hours
5-21-15					8 hrs
5-22-15					8 hrs
5-23-15				Flooding	8 hrs
5-24-15					8 hrs
5-25-15					8 hrs
5-26-15					8 hrs
5-27-15					8 hrs
Weekly Total:					24
Total Hours:					80 comp
Overtime Hours:					80 FD

- During the pay period ending June 10, 2015, Gray used 32 hours of comp time which was not deducted from his comp time balance.
- According to Gray's time sheet for the week ending September 2, 2015, eight hours of comp time was used on September 1, 2015, that was not deducted from his accumulated comp time balance.

WEEK TWO						
DOW	Date	Clock In	Lunch Begins	Lunch Ends	Clock Out	Daily Hours
Thursday	8-27-15	8			4:30	8.0 FD
Friday	8-28-15	8			4:30	8.0 FD
Saturday	8-29-15	8			10:00	2.0 FD
Sunday	8-30-15	8			10:00	2.0 FD
Monday	8-31-15	8			4:30	8.0 FD
Tuesday	9-1-15		OFF			8.0 comp
Wednesday	9-2-15	8			4:30	8.0 FD
Weekly Total:						44
Pay Rates						
Hourly:						\$15.00
Overtime:						\$22.50
Total Hours:						102
Overtime Hours:						19.0

These examples are only some of the issues noted in the recording and documenting of Gray’s time, reflecting a lack of oversight, review, or supervision of his time and leave accountability.

Finding **Derek Gray was paid time and a half for all hours worked for the MPWA regardless of the total hours worked in a week.**

Even when total hours worked did not exceed the weekly 40-hour threshold for accruing overtime, MPWA hours were paid at the overtime rate of time and a half. On April 10, 2015, two hours of work were recorded for the MPWA²⁴. Gray received overtime pay of \$22.50, time and a half, for the two hours even though total time worked for that week did not exceed 40 hours.

WEEK TWO						
DOW	Date	Clock In	Lunch Begins	Lunch Ends	Clock Out	Daily Hours
Thursday	4-9-15	8			5:30	9.0
Friday	4-10-15	4:00			6:00	2.0 pw
Monday	4-11-15	10:30			11:30	1.0
Monday	4-13-15	8:00	10:30		4:30	8.0
Tuesday	4-14-15	7:30			4:30	9.0
Wednesday	4-15-15	8:			4:30	8.0
Weekly Total:						36.0

Payroll Administration

Finding **The Town allowed employee healthcare coverage to lapse due to lack of payment. Between January 1, 2014 and August 31, 2014 premiums of \$720.18 were deducted from employee paychecks without coverage in place.**

Between April 1, 2008 and January 1, 2014, Town and MPWA employees were covered by Blue Cross Blue Shield (BCBS) health insurance. The Town’s coverage was cancelled for delinquency, by BCBS, on March 10, 2014, with a paid-to-date of January 1, 2014.

Between January 1, 2014 and August 31, 2014, Mannsville withheld \$720.18 in premiums from employee payroll without providing health coverage. A review of the Town and MPWA minutes did not indicate any discussion of the lapse of the insurance or Board approval or acknowledgement to discontinue health insurance for Town or MPWA employees.

²⁴ The “pw” shown on the timesheet stands for public works.

Of the \$720.18 of withheld premiums, \$464.40 was for Shonda Barnes, and \$147.06 and \$108.72 was for two former employees. Barnes was reimbursed \$201.12²⁵ of her withheld premium, we found no documentation to suggest that the remaining balances withheld had been reimbursed.

Finding

In 2015, the Town did not submit payroll taxes due to the proper governmental agencies.

As of the end of our audit fieldwork, the Town was behind on their payments to the Oklahoma Tax Commission, the Internal Revenue Service, and the Oklahoma Employment Securities Commission. Per Robert Clark, the Town's CPA, the Town has been in contact with all three agencies and was working to correct the situation.

The Board should become informed and up-to-date on the status of all taxing agency accounts and insure that all taxes become current and continue to be paid in a timely manner.

Finding

Social Security Taxes were not withheld and/or paid in for the benefit of Town employees as required.

On April 8, 2013, the Board voted to request a referendum to provide full Social Security benefits to the Town's employees.

MAYOR BECKY BROUGHTON MADE A MOTION TO APPROVE MOVING FORWARD WITH THE REFERENDUM PROCEDURES NECESSARY FOR PROVIDING SOCIAL SECURITY BENEFITS FOR THE TOWN OF MANNSVILLE EMPLOYEES.

TRUSTEE DON COLBERT SECONDED THE MOTION. TINA BRYANT CALLED FOR A VOTE: MAYOR BECKY BROUGHTON VOTED YES, TRUSTEE DON COLBERT VOTED YES, TRUSTEE DON HARRIS VOTED YES. MOTION CARRIED.

According to a State Social Security Administrator:

The Town of Mannsville did hold a referendum of secret ballot on September 30, 2013 on the question of whether to extend coverage to all eligible employees who were members of the Oklahoma Municipal Retirement Fund. The vote passed by majority.

Per the Administrator, the effective date of the plan was July 1, 2013.

Social Security taxes were not being paid in by the Town for the benefit of employees. Robert Clark, the Town's CPA, concurred that the Town was not participating in the Social Security program as required.

²⁵ See refund purchase order at Exhibit 15, Page 107.

Vehicle Use

Finding

The Town does not maintain written policies concerning the use of town vehicles.

It was alleged that Shonda Barnes had driven the Town's vehicle home and keeping it overnight outside of town limits. It was also reported that a town truck was seen parked at a casino in Kingston, OK.

During interviews with Barnes, she stated that the Town did not have a vehicle use policy. Barnes also admitted driving the Town vehicle home, citing she sometimes worked on weekends and after hours. She also stated that she would pick up inmates in the morning from the Correctional Center in Madill and take the inmates back at the end of the day, stating that it was more cost effective to keep the vehicle with her when she stays in Madill overnight versus driving back to Mannsville.

Without documented vehicle logs it could not be determined how much the Town vehicle had been driven by Barnes and if those trips were after hours or not for a Town purpose.

Per Barnes, a town truck had been at the casino, and was driven by the former water operator. The employee was reprimanded in a letter dated January 29, 2014, written by Barnes. One sentence in the letter referred to a town policy and reflected "*Policy states that personal use of the company vehicles are not authorized, unless approved by Mayor, Don Colbert.*" However, according to Barnes the Town had no policy on vehicle use, the policy referred to in the letter did not exist.

According to Mayor Colbert, town vehicles should not be used for personal use. He stated an employee could be allowed to take a vehicle home if it was for a town purpose. But agreed there was no written policy governing vehicle use.

The Board should define written vehicle use policies, and require documentation of trips taken, trip purpose, and miles driven including a sign-in/sign-out log tracking all employee use of town vehicles.

Travel Reimbursements

Finding

Travel reimbursement claims did not include complete supporting documentation.

We identified 43 mileage checks paid to Shonda Barnes and seven mileage checks paid to Derek Gray between October 2011 and February 2015. Of these transactions, only 22 of Barnes' 43 claims had supporting "Gas Mileage Reimbursement Request" forms and only five of Gray's claims included a "Gas Mileage Reimbursement Request" form.

Gas Mileage Reimbursement Request							
Employee name: <u>Shonda Barnes</u>		Department: <u>MPW/MILK</u>					
Date submitted: _____		Supervisor: <u>TREASURER</u>					
Date	Travel from	Travel to	Odometer start	Odometer end	Total miles	Rate per mile	Total claimed
<u>22</u>	<u>OC</u>	<u>Madill</u>	<u>Bank</u>	<u>Bank</u>	<u>20</u>		
<u>27</u>	<u>OC</u>	<u>Madill</u>			<u>20</u>		

Only two of Gray's reimbursement requests had documented supervisory approval, none of Barnes' reimbursement requests had any indication that they had been reviewed or approved by a supervisor, or the Board. No purchase orders were provided for at least nine of Barnes' 43 mileage reimbursement checks, which totaled more than \$10,000.

OBJECTIVE IV OPEN RECORDS ACT AND OPEN MEETING ACT

Petition Objective *Review of possible destruction of records along with violations of the Oklahoma Open Meeting Act and the Oklahoma Open Records Act.*

Summary of Findings:

- **Minutes could not be provided for four board meetings and some of the minutes provided did not clearly summarize the proceedings of the meetings.**
- **Trustee votes were not always recorded as required by statute.**
- **Executive sessions were entered into for unauthorized purposes and documented incorrectly on meeting agendas.**
- **The Town entered into an unauthorized executive session documented in the Board minutes as a “recess”.**
- **Board of Trustee members violated the Open Meeting Act by conducting an undocumented board meeting.**
- **Two sets of conflicting minutes for the same board meeting were found at Town Hall.**
- **Open Records requests were not documented by the Town, precluding a determination as to whether all requests had been fulfilled properly and in a timely manner.**
- **The Town could not provide copies of Town Ordinances.**

Open Meeting Act

Background

We reviewed the agendas and meeting minutes for July 2013 – June 2015, a total of 32 meetings, to determine if board of trustee meetings were held properly and in accordance with statute.

Finding

Minutes could not be provided for four board meetings and some of the minutes provided did not clearly summarize the proceedings of the meetings.

Minutes for the following meetings could not located:

- January 29, 2014
- July 14, 2014
- August 11, 2014
- January 12, 2015

Title **25 O.S. § 312(A)** states:

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 minutes of each meeting shall be open to public inspection and shall reflect the manner and time of notice required by this act.

We also found two occasions where items on the agenda were not addressed in the minutes.

The July 17, 2014, meeting included an “Item 7” on the agenda, making Barnes and Gray authorized signers on documents; however, the action was not addressed in the minutes.

The June 8, 2015, meeting included two items, #10 and #15, on the agenda that were not addressed in the minutes. Additionally, one issue was discussed in the meeting and documented in the minutes but was not on the agenda.

Finding

Trustee votes were not always recorded as required by statute.

Under **25 O.S. § 305**, “In all meetings of public bodies, the vote of each member must be publicly cast and recorded.”

Individual board member votes were not always reflected in the meeting minutes. Some examples:

- The January 16, 2014, meeting minutes noted the vote of two trustees but did not record the vote of the remaining trustee who was noted as in attendance.
- The July 17, 2014, meeting minutes only stated “the motion carried” without recording individual member votes.

- In the November 10, 2014 meeting minutes, one vote was documented that a trustee abstained and “motion carried”. Individual votes were not recorded.
- The April 30, 2015, minutes reflect the vote of one trustee as “no” and then stated “majority ruled and motion passed” without documenting individual votes.

As required by statute, the votes of each board member should be publicly cast and recorded in the corresponding minutes.

Finding

Executive sessions were entered into for unauthorized purposes and documented incorrectly on meeting agendas.

In the minutes that were available for review, we noted seven executive sessions had been held. We also located two additional meeting agendas which listed possible executive sessions took place, but minutes could not be found to confirm an executive session occurred.

In two of the seven executive sessions, the purpose shown in the minutes for entering the session was not authorized by statute. The purposes for these sessions included:

- Discussion of the Mannsville Volunteer Fire Department’s policy and procedures.
- Discussion and possible action regarding the reorganization and the restructure of the Fire Department.

Title **25 O.S. § 307(B)** describes the authorized purposes for entering an executive session. The statute states in part:

A. No public body shall hold executive sessions unless otherwise specifically provided in this section.

B. Executive sessions of public bodies will be permitted only for the purpose of:

1. Discussing the employment, hiring, appointment, promotion, demotion, disciplining or resignation of any individual salaried public officer or employee;

2. Discussing negotiations concerning employees and representatives of employee groups;
3. Discussing the purchase or appraisal of real property;
4. Confidential communications between a public body and its attorney concerning a pending investigation, claim, or action if the public body, with the advice of its attorney, determines that disclosure will seriously impair the ability of the public body to process the claim or conduct a pending investigation, litigation, or proceeding in the public interest;

Discussions involving fire department policies, procedures, and reorganization would not fall within the authorized purposes shown above.

It was also noted that the nine agendas for which an executive session was proposed did not conform to state statute. In each instance, the statute listed on the agenda authorizing the executive session was stated as being **25 O.S. § 307(A)1**. A sample is shown below.

7. DISCUSSION AND POSSIBLE ACTION TO ENTER INTO EXECUTIVE SESSION TO DISCUSS THE FOLLOWING ITEMS IN ACCORDANCE WITH TITLE 25 O.S. SECTION 307 (A)1:

Title **25 O.S. § 311(B)(2)(c)** states in part:

2. If a public body proposes to conduct an executive session, the agenda shall:
 - a. contain sufficient information for the public to ascertain that an executive session will be proposed;
 - b. identify the items of business and purposes of the executive session; and
 - c. state specifically the provision of Section 307 of this title authorizing the executive session.

The correct statute to refer to in meeting agendas is **25 O.S. § 307(B)** with the addition of the proper subsection.

Since the reason for entering an executive session will vary from time to time, the subsection of **25 O.S. § 307(B)** will also change. The agenda should reflect the correct subsection of statute authorizing each specific executive session held.

Finding

The Town entered into an unauthorized executive session documented in the board minutes as a “recess”.

During the January 16, 2014, board meeting, Mayor Colbert called for a “recess” to interview candidates for the position of interim fire chief. The trustees then reconvened in the meeting to take action based on their interviews.

MAYOR DON COLBERT CALLED FOR A RECESS TO INTERVIEW POSSIBLE CANDIDATES FOR THE INTERIM FIRE CHIEF POSITION. SIX PEOPLE WERE INTERVIEWED FOR THE POSITION. DEREK GRAY AND FIVE OTHERS WHICH WERE CURRENTLY MEMBERS OF THE MANNSVILLE VOLUNTEER FIRE DEPARTMENT: JOSH HANUS, RANDON PEOPLES, PATRICK MCCAULEY, DEREK EDDINGS, AND STEVE EDDINGS.

RECESS RECONVENED AT 7:51 P.M.

MAYOR COLBERT MADE A MOTION TO APPOINT DEREK GRAY AS INTERIM FIRE CHIEF. TRUSTEE DEAN COPELAND SECONDED THE MOTION. ALL VOTED YES AND THE MOTION CARRIED.

Based on the minutes, the Board left the public forum to conduct interviews and then reconvened in the public forum. Since a quorum of the Board was present during the interviews, the action would be considered an official action, or executive session, of the Board and as such should have been included on the meeting agenda notifying the public that an executive session was to be held and should have been documented in the minutes accordingly.

Title **25 O.S. § 307(E)** states in part:

E. No public body may go into an executive session unless the following procedures are strictly complied with:

1. The proposed executive session is noted on the agenda as provided in Section 311 of this title;
2. The executive session is authorized by a majority vote of a quorum of the members present and the vote is a recorded vote;

Finding

Board of Trustee members violated the Open Meeting Act by conducting an undocumented board meeting.

According to Mayor Don Colbert, board members met and discussed a course of action for preparing a letter in protest of the SA&I audit engagement. Per Colbert, board members met in the office of Town Hall, with no agenda, no official meeting, and no recording of minutes.

As required in **25 O.S. § 303** of the Open Meeting Act;

All meetings of public bodies, as defined hereinafter, shall be held at specified times and places which are convenient to the public and shall be open to the public, except as hereinafter specifically provided. All meetings of such public bodies...shall be preceded by advance public notice specifying the time and place of each such meeting to be convened as well as the subject matter or matters to be considered at such meeting, as hereinafter provided.

Finding

Two sets of conflicting minutes for the same board meeting were found at Town Hall.

During our review of board minutes, we found two sets of minutes for the MPWA meeting on April 30, 2015. The first set of minutes (Minutes #1) was signed by the three trustees and four items were considered at the meeting. The second set of minutes (Minutes #2) was not signed by any of the trustees and nine items were considered at the meeting, four of which were the same items recorded in the first minutes.

Title **25 O.S. § 312(A)** states:

A. 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 minutes of each meeting shall be open to public inspection and shall reflect the manner and time of notice required by this act.

It could not be determined why there were two sets of minutes provided for the April 30th board meeting, or which set of minutes was the correct recording of the meeting.

Open Records Act

The purpose of the Oklahoma Open Records Act, is defined in **51 O.S. § 24A.2** which states:

The purpose of this act is to ensure and facilitate the public's right of access to and review of government records so they may efficiently and intelligently exercise their inherent political power.

Finding

Open records requests were not documented by the Town, precluding a determination as to whether all requests had been fulfilled properly and in a timely manner.

According to Shonda Barnes, when citizens requested copies of town records they were asked to put their request in writing. Barnes held that the requests were maintained by the Town, but was unable to provide any documented record requests.

Without documentation of what records requests had been made, and if or when such request had been fulfilled, it was impossible to determine if Town officials had properly complied with the Open Records Act.

It should be noted that a civil court case was filed on July 30, 2014, against the Town of Mannsville for failure to disclose and produce public records. According to the court documents, the plaintiffs made written requests for documents on March 26, 2014, April 19, 2014, May 12, 2014, and June 13, 2014, and the Town allegedly failed to produce the documents requested.

The exhibits presented with the lawsuit show strong evidence that open records requests were made but not fulfilled in their entirety by Town officials. According to a town trustee, the lawsuit was eventually dismissed.

The Town should comply with the Open Records Act, all requests should be documented, including what records were requested and the dates each request were filled.

Finding

The Town could not provide copies of Town Ordinances.

Town officials initially conveyed, through a note²⁶ attached to a box of records, that there were no policies and procedures in place and that no current book of ordinances was maintained at Town Hall.

We did locate some policies and procedures at Town Hall; but obtained a copy of the Town's ordinance book from the Johnston County Law Library, dated September 10, 2001.

In the Towns Adopting Ordinance Section 9 *Copy of Code in Clerk's Office*, it states:

<u>SECTION 9</u> <u>COPY OF CODE IN CLERK'S OFFICE.</u>
A copy of the current code as amended or supplemented from time to time shall be kept on file in the office of the town clerk. This copy of the code shall be available for all persons desiring to examine it; it shall be considered the official code of ordinances of the town, and may be so certified by the town clerk as may be required.

²⁶ See note at Exhibit 2, Page 94.

Additionally, **11 O.S. § 14-108(B)** states:

B. At least three copies of the code shall be kept in the office of the municipal clerk for public use, inspection and examination. The municipal clerk shall keep copies of the code for distribution or sale at a reasonable price.

In addition to not maintaining an ordinance book as required, it was noted that ordinances were not published in the newspaper as required by **11 O.S. § 14-106** which states:

No ordinance having any subject other than the appropriation of monies shall be in force unless published or posted within fifteen (15) days after its passage. Every municipal ordinance shall be published at least once in full, except as provided for in Section 14-107 of this title. When publishing the ordinance, the publisher or managing officer of the newspaper shall prefix to the ordinance a line in brackets stating the date of publication as "Published _____", giving the month, day, and year of publication.

Town officials should update their book of ordinances and maintain copies at Town Hall as required by state law. It is also recommended that the Town develop, document, and maintain updated policies and procedures to assist employees and officials in the consistent and proper operation of the Town.

OBJECTIVE V GENERAL EXPENDITURES AND PETTY CASH

Petition Objective *Review of general and petty cash expenditures, including but not limited to proper authorization and board approvals.*

Summary of Findings:

- Town Treasurer Shonda Barnes did not appear to maintain town records in regards to expenditures and petty cash as required by statute. On numerous occasions supporting documentation was missing, and at times no purchase orders were provided to support transactions.
- Numerous purchase orders were not complete, precluding the ability to determine when the document was created, encumbered, or approved. It was represented by Shonda Barnes that some purchase orders had been ‘recreated’.
- Purchase orders exceeding \$500 were not approved by the Board *prior* to being issued or paid, as required by town policy.
- None of the 25 purchase orders reviewed during our general expenditure testing had been signed or approved by the Board.
- Between March 2012 and December 2015, the Town spent \$14,493.07 at Bills’ Café and the Donut Hole on meal and food purchases in possible violation of law.
- Invoices appear to have been created for Bill’s Café, a private vendor, on the Town’s computer.
- The MPWA bank issued Visa debit card was used to purchase more than \$350 in online, automatically renewing subscriptions. The purchases appeared to have no official purpose and were not approved by the Board.
- Debit card transactions were improperly recorded in the Town bookkeeping software and did not appear to be reported to the Board.
- A background check was performed on former Volunteer Fire Chief Blake Hartwell, a year after he was removed from his volunteer position, and for no apparent municipal purpose.

- The MPWA debit card was used to make \$268.69 in questionable, undocumented purchases from online vendors EBAY and Bass Pro Shops.
- Shonda Barnes did not maintain adequate documentation to support credit card transactions as required by statute.
- Of the \$42,621.35 in credit card expenditures reviewed, we noted more than \$15,000 in questionable purchases. These expenditures lacked supporting documentation and did not include a documented municipal purpose.
- The Board established petty cash amount of \$200, was exceeded more than 37 times in the replenishment of the petty cash fund.
- Twenty-one of the 25 petty cash reimbursements reviewed totaling more than \$5,000 had inadequate or missing invoices, receipts, or lacked other proper supporting documentation as required by law.
- At least \$3,549.24 in petty cash reimbursements were issued for questionable food purchases between March 2012 and August 2013.
- Two purchase orders, totaling \$1,119.66, were paid as petty cash reimbursements using the same receipts as support.
- A tobacco purchase was submitted as part of a petty cash reimbursement.

Background

SA&I has classified the methods utilized by the Town and the MPWA in their purchase of goods and supplies in the following four categories:

- 1) General Expenditures – transactions paid for through check disbursements.
- 2) Debit Card and Electronic Transactions – transactions incurred through use of a bank debit card or a direct withdrawal from the bank checking account.
- 3) Credit Card Transactions – transactions incurred through the use of a vendor credit card. (i.e. Wal-Mart, Atwood's, Lowes)

- 4) Petty Cash – transactions incurred through the direct payment of cash-on-hand. The petty cash fund, when depleted, should be reimbursed and replenished through a purchase order submitted with cash receipts.

The purchasing officer for the Town for both FYE June 30, 2014 and June 30, 2015, was Shonda Barnes. The encumbrance officer for FYE June 30, 2014, and continuing until October 2014, was Tina Bryant. The encumbrance officer from October 2014 through the end of FY 2015 was Amie Ebarb.

The overall administration of expenditures, along with findings and concerns for each separate category of disbursements, are addressed separately below.

Overall Expenditure Administration

Finding

Town Treasurer Shonda Barnes did not appear to maintain town records in regards to expenditures and petty cash as required by statute. On numerous occasions supporting documentation was missing, and at times no purchase orders were provided to support transactions.

Under **11 O.S. § 22-131** the Town would be required to maintain all purchasing records for at least five years. The statute states in part:

A. A municipal governing body may destroy, sell for salvage or otherwise dispose of the following papers, documents and records ... except as otherwise specified:

3. Five (5) years ... warrants; claims; checks; vouchers; purchase orders; payrolls;

The ***Records Management Act***²⁷ also requires, “all records...shall not be mutilated, destroyed, transferred, removed, altered or otherwise damaged or disposed of, in whole or in part, except as provided by law”.

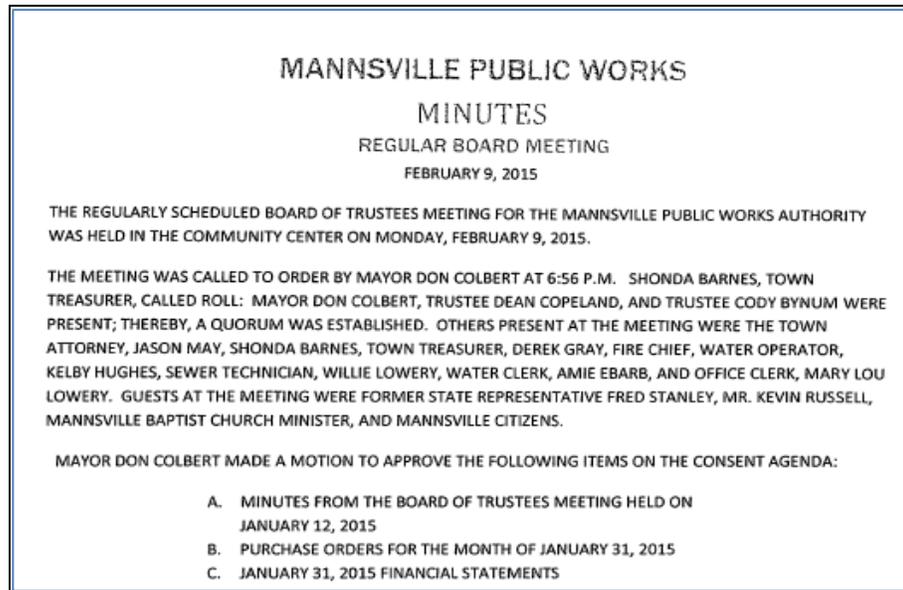
Purchasing documents were disorganized and at times SA&I staff was required to sort through boxes of records located in the kitchen storage closet. The boxes were incorrectly labeled and the contents did not always include a complete set of records as indicated.

A complete and inclusive set of board minutes, purchase orders, invoices, receipts, ordinances, policies or procedures were never available for

²⁷ Title 67 O.S. § 209.

However, the listings or statements presented to the Board were for the prior month's purchases, resulting in purchases not being approved *prior* to the purchase as required by policy.

For example, in the February 9, 2015 MPWA board meeting, purchase orders for the prior month of January 2015, were submitted for Board approval.



Also, in some instances, the board minutes made available for review did not include copies of the reports, lists, and statements noted in the minutes. Without such documents attached to the minutes it could not be determined if the reports referred to had been presented to the Board for approval.

General Expenditures

Finding

None of the 25 purchase orders reviewed during our general expenditure testing had been signed or approved by the Board.

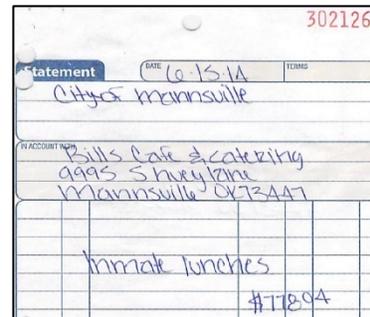
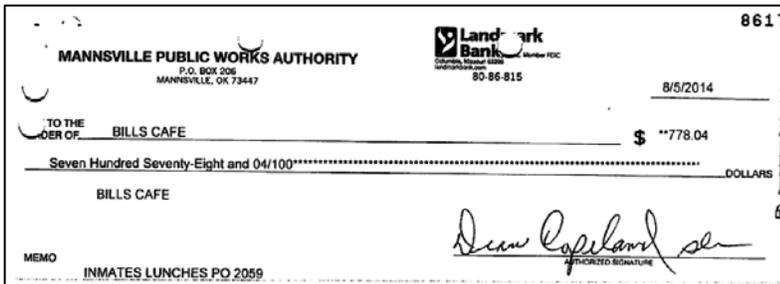
As noted in this example, each purchase order contained an "APPROVED BY GOVERNING BOARD" section to document the approval of board review. Of the 25 general expenditure purchase orders tested, none had been signed and approved by the Board.



Finding

Between March 2012 and December 2015, the Town spent \$14,493.07 at Bills' Café and the Donut Hole on meal and food purchases in possible violation of law.

In our initial review of 25 general fund and MPWA expenditures, we noted two purchases had been made to Bill's Café and one purchase to the Donut Hole, documented as "inmate lunches"²⁹. Check 8617 shown here, issued on August 5, 2014, is one *example* of the Bill's Café expenditures. The only support for this transaction was the statement shown, summarizing "inmate lunches" of \$778.04, no individual transaction receipts were available.



Purchase order 2041 and Check 8598 were both issued on July 21, 2014, for \$476.81 to the Donut Hole. Both the purchase order and the check memo line reflected the transaction was for "inmate lunches". The invoice to support this payment included more than two pages of meal charges like the clip shown here.

Quantity	Item Code	Description	Price Each	Amount
1	Steak Sandwich wi...	Steak Sandwich with choice of potato	7.50	7.50
1	Chicken Strip Salad		6.75	6.75
2	Cheeseburger Bask...	Cheeseburger Basket	7.00	14.00
2	Add Ons	Add Ons are mushrooms, bacon, jalapenos, chili, etc	0.50	1.00
1	Cheeseburger Bask...	Cheeseburger Basket	7.00	7.00
2	Add Ons	Add Ons are mushrooms, bacon, jalapenos, chili, etc	0.50	1.00
1	Steak Sandwich wi...	Steak Sandwich with choice of potato	7.50	7.50
2	Cheeseburger Bask...	Cheeseburger Basket	7.00	14.00
2	Add Ons	Add Ons are mushrooms, bacon, jalapenos, chili, etc	0.50	1.00
4	Large drink	32 oz. drink	1.89	7.56

Although individual meal tickets were included in the documentation, none of the tickets reflected the amount of the purchase and only a few transactions were dated.

²⁹ See discussion of Department of Correction inmate workers program at Page 82 and inmate meals at Page 71.

TOWN OF MANNSVILLE
CITIZENS PETITION REQUEST
DATE OF RELEASE: SEPTEMBER 7, 2017

CIB JIP
 Loaded Mayo
 TIT

Chicken Sal
 Ex Ranch

CIB Loaded Mayo
 FIF City
 Call when ready

BLT
 Cottage Cheese

CB - Mayo
 Loaded
 Gala Berry
 WSA

fots
 CB - Mayo H/B
 fots City of
 Mannsville

Steak Saad
~~Loaded~~ Mayo
 no veggies
 fots
 Willie Young

2 Jala CB
 Loaded Mayo

Tots
 H/B
 drunks

An additional example is Check 9335 issued on December 18, 2015, for \$1,545.66 to Bill's Café. Copies of three guest checks or invoices are shown, each signed or initialed by different employees of the Town. More than 55 guest checks were attached to purchase order 2840 documenting meals signed for by town employees.

MANNSVILLE PUBLIC WORKS AUTHORITY <small>P.O. BOX 206 MANNSVILLE, OK 73447</small>	 <small>80-86/815</small>	9335 12/18/2015
TO THE ORDER OF BILLS CAFE		\$ **1,545.66
One Thousand Five Hundred Forty-Five and 66/100*****		DOLLARS
MEMO INMATE LUNCHES		 AUTHORIZED SIGNATURE

8/24/15
 Janda
 Janda

GUESTCHECK
 Date Table Guests Server
 69688

APPT-SOUP/SAL-ENTREE-VEG/POT-DESSERT-BEV

2 Spicy Chicken Baskets 9.25
 3 OE Ham 7.50

28.41
 City of Mannsville

Charge Tax
 Total

Thank You - Please Come Again

10-22

GUESTCHECK
 Date Table Guests Server
 16019

APPT-SOUP/SAL-ENTREE-VEG/POT-DESSERT-BEV

#BB mayo
 #BB mayo
 #BB plain
 #BB spicy

29
 Tax
 Total

Thank You - Please Come Again

GUESTCHECK
 Date Table Guests Server
 10/29/15 Charge 27

APPT-SOUP/SAL-ENTREE-VEG/POT-DESSERT-BEV

1 Bacon + Egg Burrito 4.50
 1 Bacon Egg + Cheese Burrito 4.50
 1 Saus Egg + Cheese Burrito 4.50

2.90
 Tax
 Total

Thank You - Please C

The *Transaction List by Vendor Report* reflects that between March 2012 and December 2015 payments made to Bill’s Café and the Donut Hole were \$8,063.74 and \$6,429.33, respectively.³⁰

Documents, including canceled checks, purchase orders, and invoices, reflect that most of the expenditures to Bill’s Café and the Donut Hole were documented as “inmate lunches”. The feeding of inmates, which was a violation of the Town’s contract for inmate labor with the Oklahoma Department of Corrections, is discussed later in this report.³¹

The excessive expenditure for meals also appears to be a possible violation of **19 O.S. § 641**, which prohibits any officer charged with the safekeeping of public funds from converting any public money or property to their own use or to the use of any other person.

Finding

Invoices appear to have been created for Bill’s Café, a private vendor, on the Town’s computer.

The invoices shown here were located on a town computer, and as shown in the clip appeared to have been authored by the “City of Mannsville”. They also appear to have been prepared for the benefit and use of Bill’s Café.

Authors	City Of Mannsville
Last saved by	City Of Mannsville

The invoice on the left also includes the names of the proprietors or employees of Bill’s Café. Velin Barnes and Kyla Barnes, are the ex-husband and daughter of Shonda Barnes, the Town Treasurer.

VELIN BARNES (580) [REDACTED]
 KYLA BARNES (580) [REDACTED]

BILL'S CAFÉ & CATERING SERVICE
 PO BOX 206, HIGHWAY 199
 MANNSVILLE, OKLAHOMA 73447
 (580) 371-3834

Invoice

WEATHERFORD FRAC SERVICES

Date: 12/18/2013
Invoice # 001

COMPANY	Job	Payment Terms	Due Date
[REDACTED]	[REDACTED]	Due on receipt	

Qty	Description	Unit Price	Line Total
55	BAR-B-Q BRISKET, POTATO SALAD, COLESLAW, BROWNIE, TEA	11.75	646.25

CACTUS 8300 SW 15TH OKLAHOMA CITY, OK 73128 FAX (405) 577-9306			INVOICE DATE: 1/30/2014	
BILL'S CAFÉ 9995 S. HUEY LANE MANNSVILLE, OK 73447 580-371-3834				
DATE	DESCRIPTION			ACCOUNT BALANCE
01/30/14	HAMBURGER STEAK DINNER (25 DINNERS)			\$237.50
	SIDE	65	\$11.75	\$50.00
	DESSERT			\$50.00
	TEA			\$35.00
RIG # 129				

³⁰ Payments from general fund, MPWA, and petty cash.

³¹ See discussion of Department of Corrections contract at Page 82 and inmate meals at Page 71.

Use of a town computer to prepare invoices for a private vendor appears to be a violation of **19 O.S. § 641** which prohibits any officer charged with the safekeeping of public funds from converting any public money or property to their own use or to the use of any other person.

Debit Card and Electronic Purchases

Background

For the period of July 1, 2011 through December 31, 2015, the Town purchased \$20,460.19 in goods and services using a Visa Debit card or through electronic withdrawals processed through the bank.

Debit Card and Electronic Payments	
MPWA Debit Card Transactions	\$3,730.97
MPWA ACH Transactions	\$6,992.28
General Fund ACH Transactions	\$9,736.94
Total	\$20,460.19

All electronic purchases for the audit period were reviewed. Numerous purchases appeared to be for recurring town costs such as phone, cable, security, and fuel card expense; questionable purchases are discussed in the following findings.

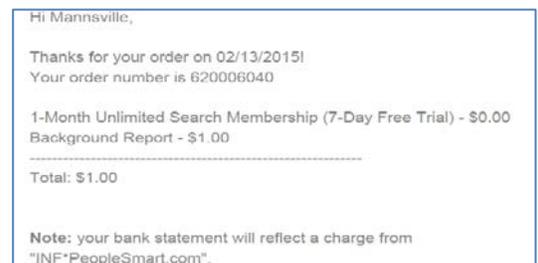
Finding

The MPWA bank issued Visa debit card was used to purchase more than \$350 in online, automatically renewing subscriptions. The purchases appeared to have no official purpose and were not approved by the Board.

A review of bank statements reflected the MPWA Visa debit card was used to purchase two search engine subscriptions online to PeopleSmart.com and Ultraforeclosures.com.

According to Shonda Barnes, the subscriptions were purchased on a “free trial” basis. Evidence shows the subscriptions were not canceled after the trial period, resulting in recurring automatic debits to the MPWA bank account.

On February 13, 2015, a subscription to PeopleSmart.com was purchased on a 7-day free trial basis. The website is used to locate people, their phone numbers, email accounts, addressees, and court records. Barnes stated the service was used to perform background checks on employees.



Bank records reflect PeopleSmart.com automatically debited \$220.45 from the MPWA bank account between February and December of 2015. We contacted the vendor on June 6, 2016, who reported the subscription remained active at that time.

02/23 CKCD DEBIT 4843 02/21 11:58 INF*PEOPLESMA.COM 888-455 NE	19.95
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The MPWA minutes did not reflect the recurring subscription was preauthorized by the Board. There was also no evidence the Board approved the subsequent monthly billings.

A second online subscription was purchased on September 15, 2015, from ultraforeclosures.com.

09/15 CKCD DEBIT 4843 09/14 15:33 ULTRAFORECLOSURES.COM 866-2 CA	1.00
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This website provides a searchable listing of foreclosed properties. They advertised a 30-day trial subscription for \$1.00; after the trial period, the monthly subscription fee of \$49.80 per month was charged to the Town.

*** CHECKING ACCOUNT TRANSACTIONS ***		
DATE	DESCRIPTION	DEBITS
10/15	CKCD DEBIT 4843 10/14 16:01 UFC*ULTRAFORECLOSURES 866-9 CA	49.80

There was no evidence the Board approved the purchase or the recurring monthly fees of the ultraforeclosures.com subscription.

For the four months reviewed, September 2015 through December 2015, the MPWA bank account was automatically debited for the ultraforeclosures.com services totaling \$152.64.

Finding

Debit card transactions were improperly recorded in the Town bookkeeping software and did not appear to be reported to the Board.

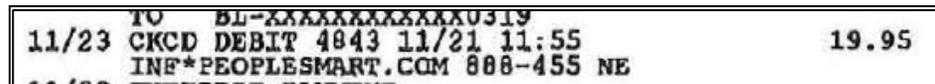
Debit card transactions for PeopleSmart.com appeared to be improperly labeled, missing from, and in some instances reported as account transfers instead of debits in the *Transactions List by Vendor* report. The online subscription was entered under two different vendor names and two of the debits were recorded as transfers.

The PeopleSmart.com subscription was active as of June 6, 2016; however, the *Transactions List by Vendor* reports reflected only four transactions, instead of the 16 months charged.

peoples mart.com						
Check	02/28/2015	debit	software for b...	LANDMARK BANK ...	X	MISCELLANE...
Check	02/28/2015	debit	background c...	LANDMARK BANK ...	X	MISCELLANE...
Check	04/30/2015	Transfr	software for cr...	LANDMARK BANK ...	X	MISCELLANE...

PROPLE SMART						
Check	03/31/2015	TRAN...	TRANSFER F...	LANDMARK BANK ...	X	MATERIALS &...

April 2015 was the last month PeopleSmart.com was reflected in the accounting software; but, as shown below, the MPWA bank account continued to reflect automatic debits to www.PeopleSmart.com of \$19.95 per month.



In addition to the concerns with the reporting of the PeopleSmart.com purchase, the *Transactions List by Vendor* report did not include the subscription purchased from ultraforeclosures.com.

Finding

A background check was performed on former Volunteer Fire Chief Blake Hartwell, a year after he was removed from his volunteer position, and for no apparent municipal purpose.

Evidence shows on February 13, 2015, the PeopleSmart.com subscription was used to perform a background check on the former Mannsville Volunteer Fire Chief Blake Hartwell, a year after he was removed from his volunteer position.



The Board removed Hartwell from the volunteer position on January 13, 2014. Payroll records show Hartwell was not an employee of the Town or the MPWA.

MAYOR DON COLBERT MADE A MOTION TO REMOVE BLAKE HARTWELL AS FIRE CHIEF FOR THE GOOD OF THE SERVICE. TRUSTEE DEAN COPELAND SECONDED THE MOTION. ALL VOTED YES. MOTION CARRIED.

The background request was conducted using the Town's email and appeared to occur during normal business hours.

From: [PeopleSmart](#)
To: mvillecc@cablone.net
Subject: Your order has been placed. Thanks!
Date: Friday, February 13, 2015 12:47:41 PM

The MPWA's Visa debit card was charged for the background check and there was no evidence the background search conducted on Hartwell was performed for a municipal purpose or approved by the Board.

As noted above, the PeopleSmart.com subscription was not canceled after the 7-day free trial period resulting in more than \$220.45 being automatically withdrawn from the MPWA account. According to the vendor, the subscription remained active as of July 6, 2016.

Finding

The MPWA debit card was used to make \$268.69 in questionable, undocumented purchases from online vendors EBAY and Bass Pro Shops.

Unusual debit card transactions were posted to the MPWA bank account in August of 2015. Two purchases were posted from EBAY and Bass Pro Shops totaling \$268.69.

08/19	DEPOSIT								
08/19	CKCD DEBIT 4843	08/18	11:07					50.70	
	PAYPAL EBAY MARKTPLC US 402			NE					
08/19	CKCD DEBIT 4843	08/18	12:19					217.99	
	BASS PRO ONLINE 800-227-777			MO					

No supporting documentation for the purchases could be located at Town Hall. Upon review of the Town's accounting software, *QuickBooks*, we found the transactions were not listed among the MPWA's *Transaction List by Vendor* report, which reportedly included all payments made to vendors between July 1, 2011 and March 2, 2016.

No receipts or invoices could be located to document the purchases as required by **11 O.S. § 17-102**. We found no evidence the expenditures were approved by the Board or made for a municipal purpose.

Credit Card Purchases

Background

The Town utilized at least three department store credit cards during the audit period of July 1, 2011 through December 31, 2015. Accounts at Atwood's, Wal-Mart and Lowes were used to make approximately \$42,621.35 in purchases between January 1, 2012, and December 31, 2015.

There were no receipts, invoices, or credit card statements available at Town Hall. SA&I obtained replacement invoices from Atwood's, and credit card replacement statements from Wal-Mart and Lowe's.

The replacement invoices from Atwood's indicated Treasurer Shonda Barnes, Fire Chief Derek Gray and former water operator Barry Wood signed for 315 invoices in a 24-month period, with Barnes signing for 232 of those transactions.

The replacement statements obtained from Wal-Mart and Lowes did not indicate the person who signed for the purchases.

Finding

Shonda Barnes did not maintain adequate documentation to support credit card transactions as required by statute.

There were no receipts, invoices, or credit card statements available at Town Hall to support the \$42,621.35 in expenditures incurred at Atwood's, Wal-Mart and Lowes. We obtained duplicate invoices from Atwood's, and replacement credit card statements from Wal-Mart and Lowes to review and evaluate more than 650 vendor transactions spanning a four-year period.

Not maintaining records on all monies paid was a violation of **11 O.S. § 12-110** which states in part:

The town treasurer shall:

1. maintain accounts and books to show where and from what source all monies paid to him have been derived and to whom and when any monies have been paid;

Additionally, **11 O.S. § 17-102(A)** requires:

A. Any invoice against a municipality must be presented in writing and examined in the manner provided by municipal ordinance or in absence of such ordinance by other applicable law. The municipal ordinance shall establish an internal control structure adequate to provide reasonable assurance against unauthorized or illegal payments of invoices.

Finding

Of the \$42,621.35 in credit card expenditures reviewed, we noted more than \$15,000 in questionable purchases. These expenditures lacked supporting documentation and did not include a documented municipal purpose.

The categorization of the \$15,000 of expenditures was:

Questionable Credit Card Purchases	
Category	Amount
Food and Snacks	\$10,804.50
Electronics, Gifts, and Miscellaneous	\$2,287.09
Garden Supplies and Flowers	\$1,268.65
Clothing	\$679.71
Total	\$15,039.95

Food and Snacks - \$10,804.50

Although some community events were sponsored by the Town, there was no evidence to suggest the Town had any obligations that would require the purchase of a large quantity of food, drinks, or snacks on a consistent basis.

While it is reasonable for the Town to incur food related expenses for community activities, or during some general operations, purchases would require approval by the Board and should be documented with a municipal purpose.

Example

Grocery items including ground beef, deli meat, bread, eggs, milk, cereal, salad and yogurt were purchased using the Wal-Mart credit card.

A total of \$10,409.92 in questionable food items were purchased at multiple Wal-Mart stores located in Madill, Ardmore and Oklahoma City, with some purchases made on the weekend.

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On January 18, 2013, groceries totaling \$112.30 were purchased from Wal-Mart. The purchase included ground beef, chili seasoning, Frito chips, Pringles and other miscellaneous items. None of the purchases were documented for a designated municipal purpose.

045660352	WILLIAMS CHILI ECONMY	2.000	EA	1.5400	3.08
047826880	KK CHOC GLZD DONUT	2.000	EA	4.2800	8.56
047826908	KK GLZD DONUT 12CT	2.000	EA	5.9800	11.96
062938584	DORITOS COOL RANCH	1.000	EA	3.9800	3.98
063798251	PRG SC&ONION	2.000	EA	1.5000	3.00
065833690	5LB GROUND BEEF ROLL	1.000	EA	12.9800	12.98
070348481	GV SWISS ROLLS	2.000	EA	1.3800	2.76
076427216	FRITOS REGULAR	2.000	EA	2.6900	5.38
076703241	GV 4X5 TURKEY 28	1.000	EA	5.9800	5.98
079379122	NESTLE HCM MARSH	2.000	EA	1.0000	2.00
082423335	PRINGLES 6.38OZ	2.000	EA	1.5000	3.00

Another purchase made on July 2, 2013, included bread, eggs, apples and cottage cheese; again, the purchase had no documented municipal purpose.

SKU	DESCRIPTION	QUANTITY	UNIT	PRICE	EXT. PRICE
011790723	FOL INSTANT 12OZ	1.000	EA	7.9800	7.98
033739527	GV LF COTTAGE CHEESE	1.000	EA	2.6800	2.68
036486806	LD HONEY BUNS	4.000	EA	1.2500	5.00
038805221	GRAPE RED SDLS HM	2.010	EA	1.2400	2.51
040769824	NO 100%WHGRNSGFR LT	1.000	EA	3.2800	3.28
044230894	CCFM LRG 12 A EGG	1.000	EA	1.8800	1.88
044894287	DRP 12Z24P	2.000	EA	5.0000	10.00
045094090	DT MT DEW 12F	1.000	EA	3.9800	3.98
064033154	GAT 12PK COOLBLUE	3.000	EA	4.0000	12.00
067356580	APL RED DEL 27 WA	3.390	EA	0.7900	2.68
068644544	OZ .5L 24PK	2.000	EA	2.4900	4.98
089567433	CHRY RED WA CHE	2.250	EA	1.9900	4.48

On August 15, 2014, more grocery items totaling \$256.03 were purchased at the Wal-Mart store in Madill. This purchase included several of the same items as noted above including ground beef, milk, sugar, Fruity Pebbles cereal, sausage, chips, condiments, etc. Wal-Mart credit card statements reflected that food purchases continued throughout December 2015.

During a four-year period, approximately \$10,804.50 in questionable food and snack purchases were made at Wal-Mart and Atwood's using the Town's credit cards. The purchases were not documented as to a municipal purpose and we found no evidence that transactions had been submitted to the Board for review or approval.

Per Shonda Barnes, a large amount of the credit card food purchases was used in feeding the inmate workers utilized by the Town through the Oklahoma Department of Corrections Public Works Project³².

There was no documented evidence to support Barnes' statement. Meals purchased and reimbursed through petty cash³³, and meals purchased and paid to Bill's Café and the Donut Hole, as previously discussed in this report, were also alleged to have been for inmate meals.

According to the 'Guidelines and Rules for Supervisors of Public Works Programs', inmates who work away from their correctional facility will be provided a sack lunch by their correctional facility for the meal they will miss.

Offenders who work away from the facility will be provided a sack lunch for the meal they will miss at the facility in accordance with OP-070202 entitled "Food Preparation, Service and Delivery."

Example

Large amounts of snacks and soda were purchased using the Town's Atwood's credit card. Between February 2015 and September 2015, Atwood's invoices reflected 35-12-packs of Shasta soda drinks were purchased.

SHASTA ROOTBEER 12 PK		2.99 /CS
XL-HWH SP SHEETERS 10X1 1/2 CD		4.99 /EA
SHASTA DR. SHASTA 12PK		2.99 /CS
SHASTA ROOTBEER 12 PK		2.99 /CS

On July 9, 2015, a total of \$58.38 in drinks and snacks were purchased at Atwood's, the invoice included the purchase of Gatorade, soda, and candy.

³² The Department of Corrections contract is discussed in Other Issues at Page 82 and inmate meals are discussed at Page 71.

³³ See Petty Cash findings beginning on Page 75.

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TOWN OF MANNSVILLE PO BOX 206 103 S 19TH ST MANNSVILLE OK 73447		CUST # 4430 TERMS: NET 15TH	INV # 003537/k DATE : 7/09/15 CLERK: CL4470 TERM # 644
		DUE DATE: 8/15/15	TIME : 9:19 ***DUPLICATE*** * INVOICE *

QUANTITY	UN	ITEM	DESCRIPTION	SUG. PRICE	PRICE/PER	EXTENSION
1	EA	47820010	WATER 16.5 OZ 24 PK		2.99 /CS	4.99 N
1	EA	57890005	GATORADE WM FRCE GRAPE 20OZ 8PK		4.99 /EA	4.99 N
1	EA	57890004	GATORADE WM COOL BLUE 20OZ 8PK		4.99 /EA	4.99 N
1	EA	57890000	GATORADE WM FRUIT PUNCH 20OZ 8PK		4.99 /EA	4.99 N
1	EA	57890002	GATORADE WM ORANGE 20OZ 8PK		4.99 /EA	4.99 N
1	CS	20760016	SHASTA COLA 12 PK		2.99 /CS	2.99SN
1	CS	20760139	SHASTA MOUNTAIN RUSH 12 PK		2.99 /CS	2.99SN
1	CS	20760032	SHASTA CREME 12 PK		2.99 /CS	2.99SN
1	CS	20760113	SHASTA DR. SHASTA 12PK		2.99 /CS	2.99SN
1	EA	51410031	BUTTERFINGER BAG 6OZ		.99 /EA	.99 N
1	EA	51410032	PECAN CHOCOLATE CHIP SUMPREME 6O		.99 /EA	.99 N
1	EA	51410030	CHOCOLATE CHIP BAG 6OZ		.99 /EA	.99 N
1	EA	51410038	CHOCOLATE PEANUT BUTTER CREME 6O		.99 /EA	.99 N

** AMOUNT CHARGED TO ACCOUNT **		58.38	TAXABLE	0.00
			NON-TAXABLE	58.38
			SUB-TOTAL	58.38
			TAX AMOUNT	0.00
			TOTAL INVOICE	58.38

(SHONDA BARNES)

x mpw S. Barnes

The Wal-Mart statements shown below also include examples of additional purchases made of snacks and drinks in February and January 2012.

DESCRIPTION		
LD SWISS ROLLS	012832121	PEPSI 12Z 24T
LD ZEBRA SNK	012832325	MT DEW 12Z 24T
CAKES	036487489	LD SWISS ROLLS
LD CHOC CHIP	036487904	LD CHOC CHIP
CAKES		CAKES
HOT DVILS FD	036488043	LD FROTISTED
ZINGER		FUDGE C
DRP12Z12P CP	040769483	SB SAND 24 16"
PEPSI 12Z 12F	043531350	8291 KRE MESQUITE
MT DEW 12F		HM
	044934287	DRP 12Z24P

There were several other examples of snacks, drinks, and candy purchases including multiple single serve soft drink and candy bar purchases made from all three credit card accounts. None of the purchases had transaction receipts available or reflected a documented municipal purpose.

Electronic and Miscellaneous Items - \$2,287.09

Almost all of the \$2,287.09 expended for electronics and miscellaneous items were purchased at Wal-Mart. With only replacement credit card statements available to document Wal-Mart purchases, we were unable to determine which employee purchased these items.

Electronics purchased included two cameras and a computer totaling \$707; a Go Pro Hero 3 camera for \$199, a Sony camera for \$309 and a 11" HP Stream blue notebook computer for \$199.

HERO3 WHITE	1.000	EA	199.0000
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SONY HDRCX330/BM	1.000	EA	309.00
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HP STREAM 11" BLUE	1.000	EA	199.0000
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Additional electronic related equipment purchased included five flat screen television theater kits, an MP3 player, an iPhone 6 card, an iPhone 5 wall charger, an HTC car charger, a pink camo Otter box phone case, a Fuji camera and film, an Otter Box case for an iPad Mini, and several SD memory storage cards.

Miscellaneous purchases included personal hygiene products such as razors, shaving cream and body spray; as well as 194 photo prints, eight bow hangers, two candles, a blanket, a silver auto helmet, a \$25 gift card, tissue paper, and gift bags.

2	EA	32390235	JEAN MEN WESTERN RR BOOT	9.99 /EA
1	EA	16037302	HELMET AUTO DARK SILVER	59.99 /EA

DESCRIPTION	QUANTITY	UNIT	PRICE	EXT. PRICE
SINGLE BOW HNGR	8.000	EA	1.4700	11.76
OB DEF IPAD MINI BLK	1.000	EA	59.8600	59.86

Individual transaction receipts could not be located at Town Hall for any of these purchases, and documentation was not provided as to the municipal purpose of the expenditures.

Garden Supplies and Flowers- \$1,268.65

A total of \$1,268.65 in garden supplies and flowers were purchased using town credit cards. The purchases were made over a four-year period and included the following items.

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Garden Supplies and Flowers		
Quantity	Product	Price
110	Assorted flowers	\$455.69
76	Red colored mulch	\$241.67
76	Mums	\$161.87
54	Dianthus	\$136.46
60	Snapdragons	\$84.60
11	Potting soil/fertilizer	\$60.30
15	Sweet potato vines	\$44.85
1	Pond liner	\$37.05
10	Planter/clay pots	\$34.22
4	Pumpkin/gourds	\$11.94
Total		\$1,268.65

Supporting documentation for these purchases, including a documented municipal purpose, was not provided.

Clothing - \$679.71

We noted \$679.71 of questionable clothing purchases. There were 41 clothing purchases made between 2012 and 2015, all but six were made from Atwood's.

Clothing purchases from Atwood's included; jeans, gloves, socks, men's boxers and briefs, thermal pants and shirts, men's boots, plush hats, caps, t-shirts and clog slippers.

On April 30, 2015, Derek Gray signed for the charge of a pair of boots on the Atwood's credit card for \$109.99.

On February 11, 2014, Shonda Barnes signed for two pairs of boots totaling \$189.00.

TOWN OF MANNSVILLE PO BOX 206 103 S 15TH ST MANNSVILLE OK 73447		CUST # 4430 TERMS: NET 15TH DUE DATE: 5/15/15	INV # 003360/k DATE: 4/30/15 CLERK: S64487 TERM # 644 TIME: 8:36 ***DUPLICATE*** * INVOICE *		
QUANTITY	ITEM	DESCRIPTION	SUB PRICE	PRICE/DEF	EXTENSION
1	EA 2307997	737 OYLES PUMP TFF 2" FLEXPOINT		14.99 /EA	14.99 N
1	EA 3040052	KITTING HUMP SPRINGS		1.49 /EA	1.49 N
3	EA 2458052	BALL MOUNT 1" x 1/4 DROP		15.99 /EA	47.97 N
3	EA 2458047	BALL 2" X 1" X 2-7/8" HOLE		8.99 /EA	26.97 N
1	EA 2458040	HITCH LOCK 1/2 IN CYL CHROME		19.99 /EA	19.99 N
2	EA 2458071	HITCH PIN 5/8" DIAMETER		3.99 /EA	11.97 N
2	EA 3162047	HOOK CUP 1/4 STD RES CD		1.79 /EA	3.58 N
1	EA 3162079	HOOK BEILING #10 50 CD		109.99 /EA	109.99 N
1	EA 3159705	HOOK BEILING #8 50 CD	119.99	109.99 /EA	109.99 N
2	EA 58730050	HITCH CHAIN G 70 5/16 X 20 9184		49.99 /EA	149.97 N
** AMOUNT CHARGED TO ACCOUNT **			389.70	TAXABLE	0.00
				NON-TAXABLE	389.70
				SUB-TOTAL	389.70
				TAX AMOUNT	0.00
				TOTAL INVOICE	389.70
(DEREK GRAY)					
x <i>Derek Gray</i>					

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TOWN OF MANNSVILLE PO BOX 206 102 S 18TH ST MANNSVILLE OK 73447		CUST # 4430 TERMS: NET 15TH		INV # E18879 /K DATE : 2/11/14 CLERK: RH419 TERM # 644 1013# TIME :10:14 ***DUPLICATE*** *****INVOICE*****		
		REF. # 1234 DUE DATE: 3/15/14				
QUANTITY	UM	ITEM	DESCRIPTION	SUG. PRIC	PRICE/PER	EXTENSION
1	EA	26892891 8193699	BOOT MENS CHUKKA COPPER BOOT NOLAN WP BH COMP TOE	12M	89.99 /PR 99.99 /EA	89.99 N 99.99 N
** PAYMENT RECEIVED **				200.00	TAXABLE	0.00
** CHANGE GIVEN **				10.02	NON-TAXABLE	189.98
CASH PAYMENT				200.00	SUB-TOTAL	189.98
					TAX AMOUNT	0.00
					TOTAL INVOICE	189.98

X 
Received By

Again, no additional information was available to support this purchase and no municipal purpose was documented.

On April 30, 2015, the Board approved a \$50 clothing allowance for Derek Gray. On May 12, 2015, Derek Gray received check 9005 for \$100 noted as a clothing allowance for April and May 2015.

MAYOR COLBERT MADE MOTION DEREK GRAY GET \$50.00 CLOTHING ALLOWANCE. TRUSTEE COPELAND SECOND MOTION. DON COPLAND, DEAN COPELAND VOTED YES. GARRY GLIDEWELL VOTED NO. MAJORITY RULED, MOTION PASSED

Although board minutes did not specify the clothing allowance as a monthly benefit, payroll records reflected Gray continued to receive the allowance through September 2015.

Itemized receipts to support credit card purchases were not maintained and did not appear to be submitted to the Board for approval. Purchases that were approved by the Board were done the month following the expenditure.

Petty Cash

Background

A total of \$18,886.49 of petty cash reimbursement checks were issued during the audit period, July 1, 2011 through December 31, 2015. We reviewed a sample of 25 reimbursements totaling \$5,725.88, or 30% of total petty cash reimbursements.

The establishment and operation of a municipal petty cash fund is defined in **11 O.S. § 17-102(D)** which states in relevant part:

A municipality shall have the authority to establish petty cash accounts in amounts established by the governing body for use in making payments for costs incurred in operating the municipality. The petty cash accounts shall be reimbursed by utilizing properly itemized invoices or petty cash voucher slips...

As noted in this statute, the amount of the petty cash fund should be established by the governing body, and the costs incurred should be for the operation of the municipality.

Finding

The Board established petty cash amount of \$200, was exceeded more than 37 times in the replenishment of the petty cash fund.

At the November 14, 2011 board meeting, a policy was implemented stipulating that petty cash on hand should not exceed \$200.

MAYOR BROUGHTON MADE A MOTION TO IMPLEMENT A POLICY WHEREIN PETTY CASH ON HAND SHOULD NOT EXCEED \$200.00; TRUSTEE COLBERT SECONDED THE MOTION. ALL VOTED YES AND THE MOTION CARRIED.

Between November 29, 2011 and October 2, 2015, board policy was violated with the issuance of 37 petty cash reimbursement checks in excess of \$200. The reimbursement checks were issued in varying amounts ranging from \$202.40 to \$1,245.20.

Finding

Twenty-one of the 25 petty cash reimbursements reviewed totaling more than \$5,000 had inadequate or missing invoices, receipts, or lacked other proper supporting documentation as required by law.

According to statute, invoices are required to reimburse petty cash accounts, **11 O.S. § 102-2(D)** states in part:

The petty cash accounts shall be reimbursed by utilizing properly itemized invoices or petty cash voucher slips and processing the reimbursement in accordance with the provisions of subsection A of this section. [Emphasis added]

Subsection A of **11 O.S. § 17-102** further requires that invoices be presented in writing, and processed in accordance with town ordinance or state law.

Twenty-one of the petty cash reimbursements reviewed, did not include complete invoices or receipts to support the entire transaction or the subsequent replenishment of the petty cash fund. Three examples are included below.

Example 1

Purchase Order No. 1499 was issued “To reimburse petty cash” on May 28, 2013, for \$571.14.

A one page *City of Mannsville Petty Cash Log*, (“Log”) was the only documentation attached to the purchase order as support for the reimbursement. The *Log* reflected petty cash expenditures occurred between March 3, 2013 and May 18, 2013, and included purchases at Academy Sports, Pizza Hut, Braum’s, McDonalds, Bill’s Café, Wal-Mart and Kentucky Fried Chicken.

No receipts or invoices were attached to the *Log* or the purchase order, leaving insufficient documentation to determine what was purchased and for what purpose.

CITY OF MANNSVILLE PETTY CASH LOG							
FOR 07/02/2012 THRU				Balance \$11.86			
Date	Receipt No.	Description	Amount Deposited	Amount Withdrawn	Charged To	Received By	Approved By
		BALANCE FORWARD FROM					
		REIMBURSEMENTS	\$2.89		PETTY CASH		
3/18/2013			\$597.11				SHONDA BARNES
3/19/2013	1	SUBWAY		\$15.59	PUBLIC WORKS	SHONDA BARNES	SHONDA BARNES
3/19/2013	7	BRAUMS		\$11.07	PUBLIC WORKS	SHONDA BARNES	SHONDA BARNES
3/19/2013	2	WALMART		\$13.63	PUBLIC WORKS	SHONDA BARNES	SHONDA BARNES
3/20/2013	3	POST OFFICE		\$7.45	PUBLIC WORKS	TINA BRYANT	SHONDA BARNES
3/21/2013	4	DONUT PALACE		\$37.08	PUBLIC WORKS	SHONDA BARNES	SHONDA BARNES
3/21/2013	5	WALMART		\$4.98	PUBLIC WORKS	SHONDA BARNES	SHONDA BARNES
3/22/2013	6	KENTUCKY FRIED CHICKEN		\$16.58	PUBLIC WORKS	SHONDA BARNES	SHONDA BARNES
3/22/2013	8	BRAUMS		\$8.47	PUBLIC WORKS	SHONDA BARNES	SHONDA BARNES
3/26/2013	9	BILLS CAFÉ		\$18.00	PUBLIC WORKS	SHONDA BARNES	SHONDA BARNES

Example 2

Purchase Order No. 500 was issued on January 5, 2012, in the amount of \$166.48. The description listed on the purchase order indicated “see attached invoices”, but no invoices were attached to support the reimbursement.

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QUANTITY	DESCRIPTION	UNIT PRICE	AMOUNT TO BE ENCUMBERED
	Office Other Fees & Charges / Misc		666.48
	Revenues: Miscellaneous Refunds		100.00
	(see attached invoices)		
		TOTAL	1166.48

Example 3

Purchase Order No. 980 issued on March 18, 2013, and Purchase Order No. 1932 issued on March 1, 2014, were for Petty Cash reimbursements of \$384.82 and \$192.72, respectively. There was no supporting documentation attached to either purchase.

<p>PURCHASE ORDER</p> <p>JOHNSON COUNTY MANNSVILLE, OK</p> <p>Ship To: TOWN OF MANNSVILLE P.O. BOX 206 MANNSVILLE, OK 73447</p> <p>Issued To: <u>Petty Cash</u></p> <p><small>SB §144, SL 1977 REQUIRES THE VENDOR TO FURNISH AN ITEMIZED INVOICE WHICH STATES THE VENDOR'S NAME AND ADDRESS, A CLEAR DESCRIPTION OF EACH ITEM PURCHASED, ITS UNIT PRICE, THE NUMBER OR VOLUME OF EACH ITEM, ITS TOTAL PRICE, THE TOTAL OF THE PURCHASE AND THE DATE OF THE PURCHASE. THE INVOICE TOGETHER WITH A SIGNED DELIVERY TICKET (IF SEPARATE FROM THE INVOICE) AND ANY OTHER SUPPORTING INFORMATION MUST BE ATTACHED TO THE ORIGINAL COPY OF THE PURCHASE ORDER WHEN FILED FOR PAYMENT.</small></p> <table border="1"> <thead> <tr> <th>QUANTITY</th> <th>DESCRIPTION</th> <th>UNIT PRICE</th> <th>AMOUNT TO BE ENCUMBERED</th> <th>ADJUSTMENTS</th> <th>APPROVED AMOUNT</th> </tr> </thead> <tbody> <tr> <td></td> <td>Petty Cash Reimbursement</td> <td></td> <td>384.82</td> <td></td> <td></td> </tr> </tbody> </table>	QUANTITY	DESCRIPTION	UNIT PRICE	AMOUNT TO BE ENCUMBERED	ADJUSTMENTS	APPROVED AMOUNT		Petty Cash Reimbursement		384.82			<p>PURCHASE ORDER No. 0980</p> <p>FISCAL YEAR 20 <u>12</u> 20 <u>13</u></p> <p>DATE <u>March 18</u> 20 <u>13</u></p> <p>APPROPRIATION ACCOUNT _____</p> <p>I hereby approve the issuance and encumbrance of this purchase order.</p> <p style="text-align: right;">Purchasing Officer _____</p> <p>I hereby certify that the amount of this encumbrance has been entered against the designated appropriation accounts and that this encumbrance is within the authorized available balance of said appropriation.</p> <p>DATED _____ DAY OF _____ 20 _____</p> <p style="text-align: right;">Encumbering Officer or Clerk of _____</p>
QUANTITY	DESCRIPTION	UNIT PRICE	AMOUNT TO BE ENCUMBERED	ADJUSTMENTS	APPROVED AMOUNT								
	Petty Cash Reimbursement		384.82										
<p>PURCHASE ORDER</p> <p>MANNSVILLE PUBLIC WORKS AUTHORITY JOHNSTON COUNTY MANNSVILLE, OKLAHOMA</p> <p>Ship To: MANNSVILLE PUBLIC WORKS P.O. BOX 206 MANNSVILLE, OKLAHOMA 73447</p> <p>Issued To: <u>Petty Cash</u></p> <p><small>SB §144, SL 1977 REQUIRES THE VENDOR TO FURNISH AN ITEMIZED INVOICE WHICH STATES THE VENDOR'S NAME AND ADDRESS, A CLEAR DESCRIPTION OF EACH ITEM PURCHASED, ITS UNIT PRICE, THE NUMBER OR VOLUME OF EACH ITEM, ITS TOTAL PRICE, THE TOTAL OF THE PURCHASE, AND THE DATE OF THE PURCHASE. THE INVOICE, TOGETHER WITH A SIGNED DELIVERY TICKET (IF SEPARATE FROM THE INVOICE) AND ANY OTHER SUPPORTING INFORMATION MUST BE ATTACHED TO THE ORIGINAL COPY OF THE PURCHASE ORDER WHEN FILED FOR PAYMENT.</small></p> <table border="1"> <thead> <tr> <th>QUANTITY</th> <th>DESCRIPTION</th> <th>UNIT PRICE</th> <th>AMOUNT TO BE ENCUMBERED</th> <th>ADJUSTMENTS</th> <th>APPROVED AMOUNT</th> </tr> </thead> <tbody> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table>	QUANTITY	DESCRIPTION	UNIT PRICE	AMOUNT TO BE ENCUMBERED	ADJUSTMENTS	APPROVED AMOUNT							<p>PURCHASE ORDER No. 1932</p> <p>Fiscal Year 20 <u>13</u> 20 <u>14</u></p> <p>DATE <u>March 1</u> 20 <u>14</u></p> <p>APPROPRIATION ACCOUNT <u>Petty Cash</u></p> <p>I hereby approve the issuance and encumbrance of this purchase order.</p> <p style="text-align: right;">Purchasing Officer _____</p> <p>I hereby certify that the amount of this encumbrance has been entered against the designated appropriation accounts and that this encumbrance is within the authorized available balance of said appropriation.</p> <p>DATED <u>1</u> DAY OF <u>March</u> 20 <u>14</u></p> <p style="text-align: right;">Encumbering Officer or Clerk of <u>sh</u></p>
QUANTITY	DESCRIPTION	UNIT PRICE	AMOUNT TO BE ENCUMBERED	ADJUSTMENTS	APPROVED AMOUNT								

Finding

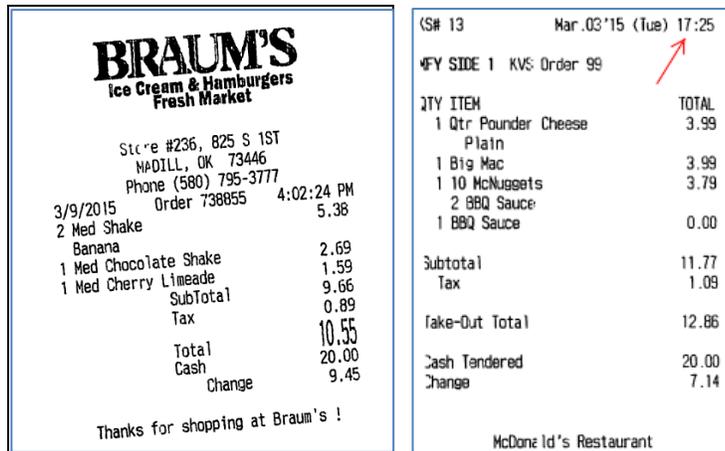
At least \$3,549.24 in petty cash reimbursements were issued for questionable food purchases between March 2012 and August 2013.

City of Mannsville Petty Cash Logs were provided as support for some petty cash expenditures. A few of the Logs were attached to the purchase orders submitted for reimbursement and some were in boxes of records in the storage room at Town Hall.

The Logs indicated more than 200 food purchases were made from restaurants including; El Tequila, Roma Italian Restaurant, Pizza Hut, Taco Bueno, Braum's, McDonalds, Subway, Sonic and Bill's Café. For the Logs reviewed, there appeared to be at least \$3,549.24 in questionable food purchases made between March 2012 and August 2013.

No Logs were located or could be provided after August 2013; however, a few meal receipts were included in petty cash reimbursements in 2015, indicating that the use of petty cash for meals continued through at least 2015.

For example, on March 3 and March 9, 2015, purchases were made at McDonald's and Braum's and reimbursed through petty cash.



Per Shonda Barnes, a large amount of the petty cash food purchases was used to feed the inmate workers utilized by the Town through the Oklahoma Department of Corrections Public Works Project³⁴.

There was no evidence to support Barnes' statement, inmate meals were also allegedly purchased through credit cards³⁵, and amounts paid to Bill's Café and the Donut Hole were also documented as "inmate lunches".

It should also be noted that the 'Guidelines and Rules for Supervisors of Public Works Programs' reflects that inmates who work away from their correctional facility will be provided a sack lunch by their correctional facility for the meal they will miss.

Finding

Two purchase orders, totaling \$1,119.66, were paid as petty cash reimbursements using the same receipts as support.

Purchase Order 1543 issued on June 26, 2013, for \$608.91, and Purchase Order 1636 issued on August 21, 2013, for \$510.75, were reimbursed using some of the same receipts as supporting documentation.

³⁴ The Department of Corrections contract is discussed in Other Issues at Page 82 and inmate meals are discussed at Page 71.
³⁵ See credit card discussion at Page 68.

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For example, the first two receipts shown below were used to support Purchase Order 1543, reimbursed on June 26, 2013. The following two receipts, the same receipts but showing totals in blue with a red check mark, were used to support the reimbursement of Purchase Order 1636 on August 21, 2013. These exact same receipts, including others, were used to support both reimbursements.

Purchase Order 1543

Add'l Paid (4) (5) (6) (8) (9)

PO# 1543

Quick Stop
nice deal
Time 14:27

Skoal long winter	\$5.69
Hamel blue sale	\$5.15
TOTAL	\$10.84
CASH	\$20.00
CHANGE	\$9.16
CLERK 1	285427 00000

Love's
Travel Stops & Country Stores

0*58 +
3*10 +
2*55 +
6*23 *
6*23 *
4* =
24*92 *

***** RECEIPT IS REPRINTED *****
06/29/13 17:05:45
SALE RECEIPT
Store #13747 tko 06/29/13 16:43:33
Subway Sandwiches & Salads
FEEDING A LARGE GROUP? CALL US FIRST!
Hadill OK 73446
Trans# 62 Clerk 3 Dur 1 TRDT 062913
Receipt # 0000195357 Reg-ID REG-MAIN
--- ITEM --- QTY PRICE MEMO PLU
***** RECEIPT IS REPRINTED *****

TURKEY	fr	1	T	\$	1.55	10020
EK BACON	fr	1	T	\$	1.55	10002
HAM&CHEESE	fr	1	T	\$	4.90	10225
HAM&CHEESE	fr	1	T	\$	2.99	9980110125
DRK-21oz	1	T	\$	1.55	10002	
CHIPS	1	T	\$	1.50	10020	
DRK-21oz	1	T	\$	1.55	10002	
CHIPS	1	T	\$	1.50	10020	
DRK-21oz	1	T	\$	1.55	10002	

SUBTOTAL \$ 22.79
Sales Tx \$ 2.05
TAKE-OUT **TOTAL \$ 24.84
Cash AMT TEND \$ 100.00
CHANGE DUES 75.16

Our Giant Subs & Platfers are great for any occasion!

Purchase Order 1636

Add'l Paid (4) (5) (6) (8) (9)

PO# 1543

Quick Stop
nice deal
Time 14:27

Skoal long winter	\$5.69
Hamel blue sale	\$5.15
TOTAL	\$10.84
CASH	\$20.00
CHANGE	\$9.16
CLERK 1	285427 00000

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TAKE-OUT **TOTAL \$ 24.84
Cash AMT TEND \$ 100.00
CHANGE DUES 75.16

Our Giant Subs & Platfers are great for any occasion!

10.84

24.84 ✓

The use of duplicate receipts created fraudulent support for petty cash reimbursements resulting in an unauthorized reimbursement of the fund. As required in **11 O.S. § 17-202(A)**, the Town has not established controls to guard against unauthorized payment of invoices.

- A. Any invoice against a municipality must be presented in writing and examined in the manner provided by municipal ordinance or in absence of such ordinance by other applicable law. The municipal ordinance shall establish an internal control structure adequate to provide reasonable assurance against unauthorized or illegal payments of invoices.

Finding

A tobacco purchase was submitted as part of a petty cash reimbursement.

One of the receipts submitted twice for reimbursement was a receipt for \$10.84 for tobacco. The receipt showed Skoal long winter smokeless tobacco and Camel Blue cigarettes were purchased.



Title **11 O.S. § 17-102(D)** requires:

A municipality shall have the authority to establish petty cash accounts in amounts established by the governing body for use in making payments *for costs incurred in operating the municipality*. [Emphasis added]

The purchase of tobacco products does not appear to be costs incurred in the operation of the municipality.

Petty Cash Summary

The overall use, management, and reimbursement process of the petty cash fund was in violation of **11 O.S. § 17-102**. The petty cash fund:

- Was not maintained at the level established by the Board,
- Was not reimbursed utilizing properly itemized and written invoices; and
- Internal controls did not exist to guard against unauthorized or illegal payment of invoices.

OBJECTIVE VI OTHER ISSUES

Objective *The issues addressed under this ‘Objective’ were identified in the process of completing other audit procedures. These issues appeared significant enough to include in this report.*

Summary of Findings:

- At least \$947 of public funds were utilized by the Town to establish an unauthorized petty cash fund used as an inmate commissary fund.
- Scrap metal obtained from MPWA property was sold with no evidence to support that the \$2,466.88 in proceeds was deposited into the MPWA or Town bank accounts.
- The Mannsville Volunteer Fire Department maintains a bank account outside of the authority of the Town. All the financial activity of the Department was not reported to, or approved by, the Board.
- The Town had not received an annual independent audit for five years, which resulted in the loss of \$7,989.83 in gas tax revenue.
- Shonda Barnes signed for a \$254.54 cash withdrawal from the MPWA bank account. No supporting documentation could be provided for the transaction.
- A ‘management representation letter’ presented to Shonda Barnes for signature from town officials was not returned to SA&I.

Oklahoma Department of Corrections Public Works Project

Background

The Town participated in the Oklahoma Department of Corrections Public Works Project (“the Project”) beginning January 2012 through June 2016.

The Project was created through the Prisoners Public Work Act (“the Act”) as defined in **57 O.S. § 216**, and was a program operated through the Oklahoma Department of Corrections (“the DOC”).

According to **57 O.S. § 218** of the Act, DOC may contract with any requesting public agency to provide labor for public works projects. DOC shall adopt rules for the program and may require the requesting agency pay a fee for the services.

The Town contracted inmate labor in conjunction with the Act through the Madill Community Work Center where the inmate workers utilized by the Town were housed. The Town paid DOC a monthly fee of \$99 for the contracted inmate labor.

Contracts between the two agencies reflected that inmate labor would be used to clean Town Hall and work with the maintenance department, including work on streets, parks, water, sewer, cemetery and other custodial work.

The contract specifically stated that prisoners would be used for public purposes only.

Finding

At least \$947 of public funds were utilized by the Town to establish an unauthorized petty cash fund used as an inmate commissary fund.

Per a memo dated July 19, 2012, a petty cash fund was established with the proceeds of scrap metal sales. The memo reflects that Shonda Barnes, per a discussion with then Mayor Broughton, created a petty cash fund to be utilized as an inmate commissary.

TO: TINA BRYANT
FROM: SHONDA BARNES
RE: COMMISSARY ITEMS FOR INMATES
DATE: JULY 19, 2012

PER MY DISCUSSION WITH MAYOR BROUGHTON ON JULY 17, SOME OF THE MONIES (\$100) MADE FROM THE SELL OF THE OLD SCRAP IRON MAY BE USED TO PURCHASE COMMISSARY GOODS FOR INMATES. WE ARE NOT ALLOWED TO PAY THE INMATES; BUT, THE TOWN IS ALLOWED TO PURCHASE CLOTHING ITEMS OR COMMISSARY ITEMS FOR THEM. AT THIS TIME, \$100 WILL BE USED FROM THE SCRAP IRON PROCEEDS. WE WILL KEEP THIS AS A SEPARATE FUND FROM PETTY CASH AND WE WILL USE THE PROCEEDS FOR THIS REASON ONLY.

We found no evidence that the inmate commissary fund was recorded on the Town's financial statements. According to a former employee, the fund consisted of an envelope of cash stored in an unlocked drawer at Town Hall.

A memo dated October 5, 2012, from Shonda Barnes to Tina Bryant instructed Bryant to allocate \$847.25 of a \$3,389.03 check received by the Town for a pipeline repair, to the inmate commissary fund. On October 15, 2012, the \$847.25 was added to the inmate commissary fund through check 780.

TOWN OF MANNSVILLE
CITIZENS PETITION REQUEST
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TO: TINA
FROM: SHONDA
DATE: OCTOBER 5, 2012

CHECK WAS FOR REPAIRS TO WATER MAIN IN THE FIRST PART OF THE YEAR. THE CHECK WAS ALLOCATED AS FOLLOWS TO MANNSVILLE PUBLIC WORKS AND THE WORK RELEASE EMPLOYEE COMMISSARY FUND:

TOTAL CHECK (MARVEL PIPELINE #042338)	\$ 3389.03
MPW (75%)	\$2541.78
COMMISSARY FUND (25%)	<u>\$ 847.25</u>
	\$3389.03

79 TOWN OF MANNSVILLE SW 3/7/16 780

MANNSVILLE PUBLIC WORKS AUTHORITY
P.O. BOX 206
MANNSVILLE, OK 73447

Landmark Bank
N.A. Member FDIC
Columbia, Missouri 65206
80-86-815

10/15/2012

TO THE DER OF Petty Cash \$**847.25

Eight Hundred Forty-Seven and 25/100*****DOLLARS

Petty Cash

MEMO COMMISSARY FUND % OF MARVEL PIPELINE R

[Signature]
AUTHORIZED SIGNATURE

Town funds diverted for the use and establishment of an inmate commissary account, and not used in the operations of the municipality appears to be a violation of **11 O.S. § 17-102(D)** which states:

A municipality shall have the authority to establish petty cash accounts in amounts established by the governing body for use in making payments **for costs incurred in operating the municipality**. The petty cash accounts shall be reimbursed by utilizing properly itemized invoices or petty cash voucher slips and processing the reimbursement in accordance with the provisions of subsection A of this section.

Additionally, DOC **“Guidelines and Rules for Supervisors of Public Works Programs”** prohibits offenders from receiving anything of value and prohibits Project supervisors from giving anything of value to inmate workers. DOC policy states:

Offenders may not solicit or receive gifts or anything of value, nor may they attempt to borrow money even at the insistence of you or fellow workers. Minimum security offenders may not have money in their possession at anytime. Community custody offenders may have no more than \$5.00 in their possession. Nor may you, their supervisor, solicit, receive, borrow, or give any thing of the above listed items for or to your assigned offenders.

Project participants are required to acknowledge and agree to DOC policy prior to supervising inmates. As shown below, Shonda Barnes signed documents for the DOC Project acknowledging she understood the guidelines of the inmate Work Release Program.

**Verification of Receipt and Understanding
Of Guidelines for Work Release Program**

I have read and understand the guidelines of the Work Release Program and agree to abide by them.

Offender Name/DOC Number

4-23-13
Date

Shondel Barnes
Employer's Signature

4-23-13
Date

Sale of Scrap Metal

Finding

Scrap metal obtained from MPWA property was sold, with no evidence to suggest that the \$2,466.88 in proceeds was deposited into the MPWA or Town bank accounts.

Between June 14, 2012 and July 30, 2015, \$2,466.88 was sold to a scrap metal vendor located in Ardmore. Records reflect Treasurer Shonda Barnes and former inmate worker Barry Wood used a vehicle registered to the "City of Mannsville" to transport and sell scrap metal.

The vendor's register receipts indicated that the Town's vehicle with commercial license plate CI16031 was used in the transactions. Vehicle registration records reflected the Ford F-150, bearing commercial license plate CI16031, was registered to the "City of Mannsville". According to vendor records, Barnes and Wood were the only two town employees listed on the *Scale Receiver Register* reports who used the town vehicle to sell metal.

Vehicle Information		Owner Information
VIN	_____	Owner Name
Title	_____	CITY OF MANNSVILLE
Title Type	Standard Title	
Title Action	Original Title	Owner Address
Title Date	8/19/2011	PO BOX 206
Print Date	8/19/2011	MANNSVILLE OK 73447-0206
Plate	CI16031	

Per Barnes, she directed inmate workers to clean up a make-shift dump site located on public property owned by the MPWA. It appeared that some of the metal obtained from the site was sold by Barnes and Wood.

Scale Receiver Register reports provided by the vendor indicated various types of materials were sold including loose tin, copper, yellow brass, batteries, radiators, and *water meters*.



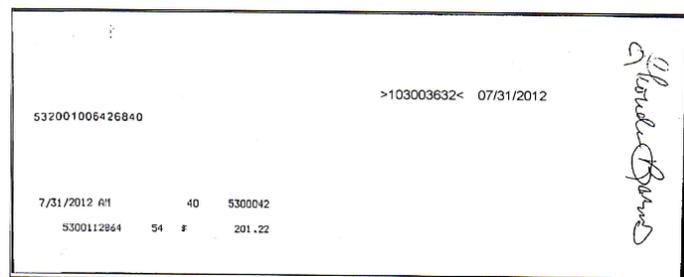
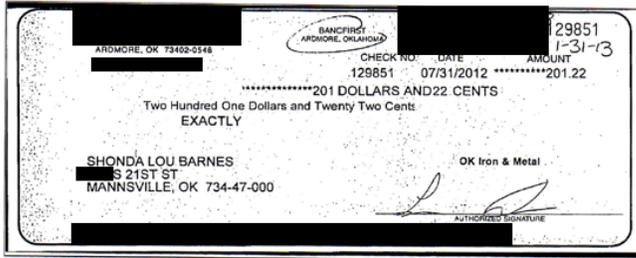
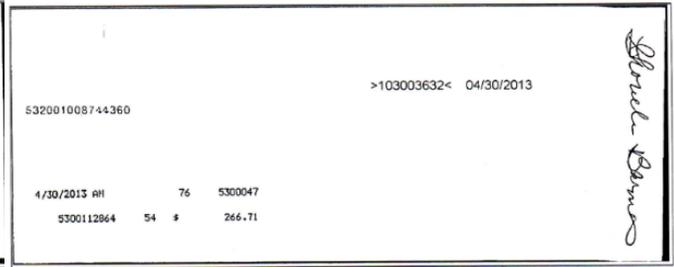
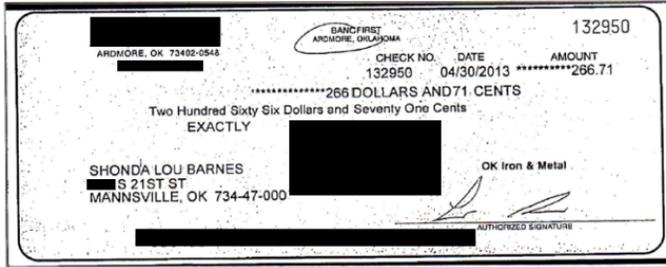
The image shows an Oklahoma Driver License for Shonda Lou Barnes. The license includes a photo of a woman with dark hair, the state seal of Oklahoma, and the following text: 'Oklahoma Driver License', 'Class: D', 'Exp: 07/16/2013', 'Restr: 1', 'BARNES, SHONDA LOU', '9 21ST ST', 'MANNSVILLE, OK 73447-8808', and 'DL'. There is a signature at the bottom and a 'DL' logo in the bottom right corner.

id	Commodity	Description	Net	Amount
40300		INS # 2 COPPER	12	10.56
Veh Plate: 16031				
40108		# 1 COPPER	18	53.10
40454		YELLOW BRASS	47	85.54
40500		BRASS - COPPER BREAK	4	1.72
40700		RADIATORS	25	45.00
40900		ALUMINUM CANS	10	5.30
40454		YELLOW BRASS	42	76.44
Veh Plate: CI16031				
40446		WATER METERS-CLEAN	32	61.76
40112		# 2 COPPER	7	17.71
40108		# 1 COPPER	40	110.80
10200		LOOSE TIN	1,780	75.65
Veh Plate: CI16031				
Count: 11			2,017	543.58

Vendor reports reflect that metal was sold on 17 different dates, and that cash was paid for all but two of the transactions. On April 30, 2012 and July 31, 2012, checks for \$266.71 and \$201.22, respectively, were issued to Shonda Barnes for scrap metal sales.

Both checks were endorsed by Barnes and issued using her home address. No evidence was found indicating that the checks were deposited into a Town or MPWA bank account. Accountability for the cash could not be determined.

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Vendor reports also reflected that Barry Wood possibly sold scrap metal while in DOC custody. The address used on Wood's ID Card Register report was the address of the Madill Community Work Center, the facility that housed Wood while working in the DOC Public Works Project. Wood would have been under the authority of town officials during most, if not all, of these transactions.

Account / Altcode	Name/Address/C/S/Z	D.O.B.
1404	BARRY DEAN WOOD	[REDACTED]
1404	210 S 11TH MADILL OK 73445-0000	



There was no evidence the funds received from the sale of scrap metal were used for a municipal purpose or deposited in the Town or MPWA bank accounts.

Mannsville Volunteer Fire Department

The Town of Mannsville maintains a Volunteer Fire Department (the "Department"). The authorization to establish a municipal volunteer fire department was with the municipal governing body as reflected in **11 O.S. § 29-201** which states in part:

The municipal governing body may procure all necessary equipment for protection and prevention against fire and provide

for the organization of a municipal fire department. The governing body may enact such ordinances, resolutions and regulations as may be necessary to establish and operate a fire department...

"Municipal governing body" is defined at **11 O.S. § 1-102** as the Board of Trustees of a town, and a "Volunteer fire department" is defined in **11 O.S. § 29-202** as a fire department which has in its employ not more than two full-time salaried firefighters.

Finding

The Mannsville Volunteer Fire Department maintains a bank account outside of the authority of the Town. All the financial activity of the Department was not reported to, or approved by, the Board.

As defined in **11 O.S. § 29-201**, the municipal governing body, or the Town board of trustees, was charged with the operation of the volunteer fire department.

Although most of the costs of the Department are paid by the Town, all the financial activity of the Department was not administered through the Town board. The Department maintained a bank account independent of the oversight of town officials.

According to Fire Chief Derek Gray, the bank account maintained outside of the Town was a "fundraising" account. However, checks were deposited into the account from the Town and the Oklahoma Department of Agriculture, which appeared to be non-fundraising sources.

5039

TOWN OF MANNSVILLE
GENERAL FUND
P.O. BOX 206
MANNSVILLE, OK 73447-0206

Landmark Bank
Columbia, Missouri, MO 65201
800-86-8115

2/6/2012

PAY TO THE ORDER OF Mannsville Vol Fire Dept \$ 393.16

Three Hundred Ninety-Three and 16/100 DOLLARS

Mannsville Vol Fire Dept

MEMO reimburse vld for expenses incurred picking up new f

AUTHORIZED SIGNATURE

SECURITY FEATURES. Details on back.

TOWN OF MANNSVILLE
CITIZENS PETITION REQUEST
DATE OF RELEASE: SEPTEMBER 7, 2017

Landmark Bank		CHECKING DEPOSIT		FORM # LAC0001
	DATE <u>3-25-11</u>			
NAME <u>Mannsville Volunteer</u> <small>(PRINT)</small>		DESCRIPTION	DOLLARS	CENTS
ADDRESS _____		CURRENCY ▶		
SIGNATURE _____		COIN ▶		
<small>SIGN HERE FOR CASH RECEIVED</small>		CHECKS		
<small>DEPOSITS MAY NOT BE AVAILABLE FOR IMMEDIATE WITHDRAWAL. Checks and other items are subject to deposit subject to the terms and conditions of the bank's collection agreement. Be sure each item is endorsed.</small>		FOR TOTAL FROM OTHER SOURCES		
ACCOUNT NUMBER [REDACTED]		SUB-TOTAL ▶		
		LESS CASH RECEIVED ▶		
			4 397.72	
03/25/2011		\$4,397.72		
99004210060830		4210060830		

THE BACK OF THIS DOCUMENT CONTAINS AN OKLAHOMA STATE SEAL WATERMARK. HOLD AT AN ANGLE TO VIEW.		28-35 1000
STATE OF OKLAHOMA STATE TREASURY, OKLAHOMA CITY		
040 DEPARTMENT OF AGRICULTURE		
TO THE STATE TREASURER		WARRANT# 103368848
PAY TO THE ORDER OF <u>Four thousand three hundred ninety seven and 72/100 Dollars</u>		DATE ISSUED 10/12/2010
		\$4,397.72
VOID AFTER 90 DAYS		
@@@@@@@@@@ TOWN OF MANNSVILLE MANNSVILLE VOLUNTEER FIRE DEPARTMENT PO BOX 329 MANNSVILLE, OK 73447-0329		 SCOTT MEACHAM STATE TREASURER
[REDACTED]		
03/25/2011		\$4,397.72
99004210060840		4210060840

It was also noted that the check from the Oklahoma Department of Agriculture was dated October 12, 2010, but was not deposited until March 25, 2011, more than five months later.

There were also two cash withdrawals from the Department's checking account that were not properly supported. The \$2,000 withdrawn on May 16, 2014, was represented by Gray to be for the purchase of air conditioning equipment for the new Fire Station.

CHECKING TRANSACTION TICKET		FORM # LANS002
	DATE <u>5-16-14</u>	
CUSTOMER NAME _____	SIGNATURE <u>[Signature]</u>	
(88) WITHDRAWAL (52) CLOSING WITHDRAWAL - PERFORM (60) DEPOSIT (90) DEPOSIT (95) DEPOSIT ACCOUNT CLOSING (99) BUSINESS TASK		PREPARED BY <u>PIP</u>
DESCRIPTION _____		PHONE EXT <u>4806</u>
ACCOUNT NUMBER [REDACTED]	TC <u>86</u>	2000.00
05/16/2014		\$2,000.00

An invoice was obtained from the vendor that indicated a cash sale of \$1,792.88 for air conditioning equipment was made May 16, 2014. However, the remaining funds of \$207.12 did not appear to be redeposited to the bank account and no additional supporting documentation was provided.

There was no supporting documentation provided for the \$2,300 cash withdrawn on March 18, 2014. Derek Gray reported that at times the Fire Department withdrew cash to use in fundraising events and activities. However, no evidence was provided that the \$2,300 was used in a fundraising event or that any excess funds had been returned to the bank account.

CHECKING TRANSACTION TICKET
DATE 3/18/14
CUSTOMER NAME _____ SIGNATURE X Derek Gray
DEBIT CREDIT
(B) WITHDRAWAL (B) CLOSING WITHDRAWAL - PERFORM (B) DEPOSIT
(B) DEPOSIT ACCOUNT CLOSING PREPARED BY JP
BUSINESS TASK PHONE EXT 4806
DESCRIPTION _____
ACCOUNT NUMBER TO [REDACTED] 2300.00
03/18/2014 \$2,300.00

Annual Independent Audits

Finding

The Town had not received an annual independent audit for five years, which resulted in the loss of \$7,989.83 in gas tax revenue.

State law requires that the Town³⁶, as well as the Authority³⁷, have an *annual* financial statement audit or an agreed-upon procedures engagement performed by an independent certified public accountant.

Title 11 O.S. 17-105(A) and **60 O.S. 180 (B)(6)** provides that the annual audits be ordered within thirty days of the close of each fiscal year and copies of the annual audits be filed with the State Auditor and Inspector within six months after the close of the fiscal year.

The last independent audit filed for the Town of Mannsville and the MPWA, was an Agreed-Upon Procedures engagement for the fiscal year ending June 30, 2011, released January 14, 2013.

The independent CPA firm of Rahhal Henderson Johnson PLLC, the firm who filed the FY2011 report, resigned from the Agreed-Upon Procedures

³⁶ 11 O.S. § 17-105(B)

³⁷ 60 O.S. § 180.1(A)

engagement with the Town in a letter dated **March 2, 2015**. Per an official of the firm, they had been unable to get sufficient records to perform the engagement.

Additionally, under **11 O.S. 17-107**:

If a municipality does not file a copy of its audit or agreed-upon-procedures report as provided in Section 17-105 of this title, the State Auditor and Inspector shall notify the Oklahoma Tax Commission which shall withhold from the municipality its monthly allocations of gasoline taxes until the audit report is filed. If a report is not filed within two (2) years after the close of the fiscal year, the funds being withheld shall be remitted by the Oklahoma Tax Commission to the county in which the incorporated city or town is located and deposited to the county highway fund of that county to be used as otherwise provided by law.

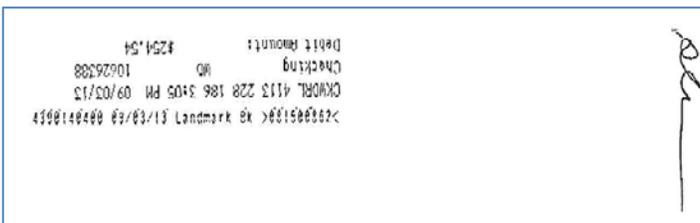
The failure to obtain a yearly financial audit has resulted in the Town's loss of \$7,989.83 in gas tax revenue.

Undocumented Cash Withdrawal

Finding

Shonda Barnes signed for a \$254.54 cash withdrawal from the MPWA bank account. No supporting documentation could be provided for the transaction.

A checking transaction ticket obtained from Landmark Bank reflects Shonda Barnes signed for a \$254.54 cash withdrawal from the MPWA bank account on September 3, 2013.



	Posted Date: September 03, 2013 Posted Item Number: 14000400 Amount: 254.54
MANNSVILLE PUBLIC WORKS AUTHORITY OPERATING FUND PO BOX 206 MANNSVILLE, OK 73447	
CHECKING TRANSACTION TICKET	
CUSTOMER NAME: City of mansville	DATE: 9/3/13
DEBIT	CREDIT
(88) WITHDRAWAL	(06) DEPOSIT
(82) CLOSING WITHDRAWAL - PERFORM	
DEPOSIT ACCOUNT CLOSING	
BUSINESS TASK	
DESCRIPTION: Signature on back	PREPARED BY: [Signature]
ACCOUNT NUMBER: [Redacted]	TO: 86
	254.54

Per Barnes, she could not recall the purpose for the withdrawal or account for the disposition of the cash. No supporting documentation was provided for the transaction.

Management Representation Letter

Finding

A ‘management representation letter’ presented to Shonda Barnes for signature from Town officials was not returned to SA&I.

Auditor’s often obtain a management representation letter from the management of an entity during a financial statement audit. A management representation letter is presented from the entity being audited to the auditor, to provide, at a minimum, additional evidence of management’s acknowledgement of their responsibility, that all records and data has been made available, and that no known fraud that has occurred has not been reported.

Even though this engagement was not a financial statement audit; because of the lack of cooperation from Town officials and the lack of documentation available for review, a decision was made to request management to sign a representation letter.

On **July 29, 2016**, Barnes was presented a “management representation letter”³⁸ requesting that signatures be obtained from all elected officials attesting to their responsibility for the oversight and management of the Town. The letter was never returned.

³⁸ See management representation letter draft presented at Exhibit 1, Page 93.

EXHIBIT 1

July 29, 2016

Gary A. Jones, CPA, CFE
Oklahoma State Auditor and Inspector
State Capitol, Room 100
Oklahoma City, Oklahoma 73105

Attention: Brenda Holt

Dear Mr. Jones:

This representation letter is provided in connection with your investigation of the Town of Mannsville for the period of July 1, 2011 through December 31, 2015.

Representations are made, in that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, as of December 31, 2015, the following representations made to you during your investigation.

1. We acknowledge our responsibility for the oversight and management of the Town of Mannsville.
2. We have provided you with access to all information, of which we are aware, that is relevant to the engagement, such as records, documentation, and other matters.
3. Any fraud or suspected fraud we have knowledge of has been communicated to you.
4. We understand we are responsible for compliance with laws, regulations, policies, procedures, ordinances and provisions of contracts and grant agreements governing the Town of Mannsville.
5. Any knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, policies procedures, ordinances and provisions of contracts, or grant agreements has been communicated to you.
6. We have disclosed to you all bank accounts used for the operation or functions of the Town that are under the control of any official or employee of the Town.

Signed: _____
Title: _____

Signed: _____
Title: _____

EXHIBIT 2

To whom it may concern:

Here is the information that you requested.

We do not have a policy and procedure book that we are aware of.

The ordinances will be that of OML, other than those changed, the changes are in the minutes of those requested.

EXHIBIT 3

05/14/2015 13:46 CITY OF MANNSVILLE (FAX) P.002/003

TOWN OF MANNSVILLE
PO BOX 206
MANNSVILLE, OK 73447
(580) 371-3334

MAY 12, 2015

BRENDA HOLT,
STATE AUDITOR AND INSPECTORS OFFICE
STATE CAPITOL
SUITE 101
OKLAHOMA CITY, OKLAHOMA 73102

DEAR MS. HOLT;

PLEASE BE ADVISED THAT SOME OF THE FILES THAT WERE THOUGHT TO BE MISSING HAVE BEEN FOUND. I DO NOT HAVE ANY EXPLANATION FOR THIS MIRACULOUS DISCOVERY. THE EMPLOYEE, MARY LOU LOWERY, IN CHARGE OF FINDING THESE RECORDS AND ALSO REPORTING THEM MISSING HAS DECIDED THAT THE RECORDS WERE ALWAYS IN THE OFFICE. SHE HAS NO LOGICAL EXPLANATION AS TO WHY SHE DID NOT INCLUDE THEM IN YOUR FIRST AUDIT REQUEST OR IN A PRIOR REQUEST FROM A PENDING LAWSUIT AGAINST THE CITY.

I CAN ONLY ASSUME SHE CAN NOT READ OR SHE IS BLIND SINCE THE FILES WERE IN THE FILE CABINETS SHE ACCESSES ON A WEEKLY BASIS. HOWEVER AMIE EBARB AND I ALSO RETRIEVE FILES AND FILE RECORDS IN THESE CABINETS ROUTINELY; YET, WE HAVE NOT SEEN THESE RECORDS BEFORE LAST WEEK. SOME OF THE FILES, I HAVE NEVER SEEN SINCE MY EMPLOYMENT BEGAN IN 2011 AND CAN HONESTLY SAY THAT THEY WERE HUNTED DILIGENTLY ON SEVERAL OCCASIONS BY ME AND OTHERS (BECKY BROUGHTON & BECKY HARRIS) AND THIS CAN BE CONFIRMED.

I CAN ONLY ASSUME THAT THESE FILES WERE INTENTIONALLY BROUGHT INTO THE OFFICE AND HAD BEEN RETURNED TO THE OFFICE TO IMPEDE THE INVESTIGATION OR TO AID IN THE DEMISE OF THE CURRENT CITY ADMINISTRATION. IN SAYING THIS, I BELIEVE IT IS CRITICAL THAT YOUR AUDIT INVESTIGATORS AND OR THE DISTRICT ATTORNEY BECOME INVOLVED TO ASSIST WITH THIS MATTER. IT SEEMS TO ME THAT THOSE RESPONSIBLE FOR REMOVING THE FILES INITIALLY AND THE ONE RESPONSIBLE FOR RETURNING THE FILES SHOULD BE ACCOUNTABLE FOR THEIR ACTIONS AND SHOULD BE PROSECUTED FOR THE CRIMES THEY HAVE COMMITTED.

I DO HAVE SOME EVIDENCE TO ASSIST WITH YOUR INVESTIGATION AND MANY WITNESSES THAT HAVE SIGNED STATEMENTS REGARDING THESE FILES. THE TOWN OF MANNSVILLE AND THE CURRENT ADMINISTRATION ARE DETERMINED TO SEE THAT JUSTICE IS DONE AND THAT ANYONE RESPONSIBLE FOR THIS IS ACCOUNTABLE FOR THEIR ACTIONS.

05/14/2015 13:46 CITY OF MANNSVILLE (FAX) P.003/003

IF YOU HAVE ANY QUESTIONS, PLEASE CONTACT ME AT THE OFFICE OR ON MY CELL PHONE AT (580)371-7377. THANK YOU FOR YOUR ASSISTANCE.

REGARDS,

MAYOR DON COLBERT

cc: MR. CRAIG LADD, DISTRICT ATTORNEY
MR. JASON MAY, ATTORNEY AT LAW

EXHIBIT 4



Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405-521-3495 • Fax: 405-521-3426

April 24, 2015

The Honorable Don Colbert
Mayor, Town of Mannsville
P.O. Box 206
Mannsville, OK 73447

Re: Pending Special Audit – DA Request – Town of Mannsville

Dear Mayor Colbert:

The Special Audit of the Town of Mannsville requested by District Attorney Craig Ladd has been in pending status for a number of weeks. We're writing at this time to assure you our office will return to complete the audit process. The demands on the time of our investigative auditors require us to work on other audits in order to maximize both our effectiveness and efficiencies in addressing multiple audits of public entities.

Cooperation by town officials is a critical component in our ability to both complete an audit in a timely manner and to limit audits costs for the entity that is subject to the audit. The Town of Mannsville is statutorily responsible for paying the costs associated with a Special Audit and our intent, always, is to limit this financial burden on the community and its residents.

It became apparent that obtaining all of the documents which were requested and necessary to conduct the Special Audit would not be forthcoming. Efforts by town officials to hinder the engagement were only serving to increase the costs of the audit. Subpoenas were issued in an effort to hasten the effort of town officials to produce all requested documents. It is our understanding that some documents have been gathered and we remain hopeful they will provide sufficient information to move forward with the audit process.

The Office of the State Auditor will provide the district attorney, town officials, and residents a comprehensive, objective, and independent audit report. The final report may include findings along with recommendations intended to assist you in correcting any issues we may find. This Special Audit was requested by a district attorney who will review its content as the appropriate legal authority prior to authorizing its release to town officials and the general public.

We will notify you when the audit process will begin again. Meanwhile, if you have any questions, please don't hesitate to call me at 405-521-3376.

Sincerely,

Brenda Holt, CPA
Special Audit Manager

Cc: Craig Ladd, District Attorney

EXHIBIT 5

CITIZEN PETITION REQUEST FOR SPECIAL AUDIT BY THE STATE AUDITOR & INSPECTOR

We, the undersigned electors of the Town of Mannsville, Johnston County, do hereby petition and request you to examine the books of said Town pursuant to 74 O.S. § 212(L), for the period July 1, 2011 through December 31, 2015. Specifically, the investigation will include, at a minimum:

1. Review possible misappropriation of funds in utility collections/payments.
2. Review possible misuse of grant funds in the awarding and construction of the Town's Fire Station.
3. Review of possible discrepancies in hiring practices, including nepotism, payroll, use of town vehicles and travel reimbursements.
4. Review of possible destruction of records along with violations of the Oklahoma Open Meeting Act and the Oklahoma Open Records Act.
5. Review of general and petty cash expenditures, including but not limited to proper authorization and board approvals.

Some of the concerns identified above may be reviewed for a time period shorter or longer than stated above due to the nature of the concern and the time frame in which it is alleged to have occurred. The Office of the State Auditor is not precluded from examining other records or issues of which we become aware that may be outside the scope of the audit stated on this petition.

The estimated cost of said investigation will range from \$35,000 to \$50,000, which *shall be paid by the Town of Mannsville*, Johnston, County, Oklahoma, in accordance with 74 O.S. § 212(L)(7). The estimated cost is based on estimated audit hours and travel expenses.

We further understand that the circulators of the petition have thirty (30) days from the date this petition was emailed by the State Auditor and Inspector to obtain the requisite number of signatures and return it to the State Auditor and Inspector.

74 O.S. § 212(L)(8) The names of the signers of any petition shall be confidential and neither the State Auditor and Inspector, the county election board nor the county treasurer may release them to any other person or entity except upon an order from a court of competent jurisdiction.

A F F I D A V I T

We, the undersigned being of lawful age, upon oath or affirmation and subject to the criminal penalty for perjury, as prescribed by 21 O.S. § 500, to the best of his/her knowledge and belief declare that he/she is a resident of the Town of Mannsville, an elector in Johnston County, and that he/she resides at the address designated on this petition.

NAME (PRINT)	ADDRESS (PRINT)	SIGNATURE	DATE
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

DUE BACK February 23, 2016, BY 5:00 PM

EXHIBIT 6



Office of the District Attorney
20th District

Craig Ladd
DISTRICT ATTORNEY

Carter County Courthouse
Ardmore, Oklahoma 73401
580-223-9674
Fax: 580-221-5504

January 12, 2016

Ms. Brenda Holt
Office of the Oklahoma State Auditor
2300 N. Lincoln Blvd
State Capitol Room 100
Oklahoma City, OK 73105

RE: Audit of Town of Mannsville

Dear Ms. Holt:

As we discussed by phone last week, please disregard my previous requests (by letters dated March 19, 2014 and November 18, 2014) for an audit. In the past year, the concerns which caused me to request an audit have been somewhat alleviated. Furthermore, Robert Clark, a C.P.A. from Sulphur, has confirmed that he currently serves as an accountant for Mannsville and that Casey Russell, a C.P.A. from Oklahoma City, is currently conducting an audit of Mannsville. Consequently, proceeding with an additional audit from the State Auditor's Office at this time seems unnecessary. Please contact me should you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Craig Ladd".

Craig Ladd District Attorney
District 20

EXHIBIT 7



Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

February 11, 2015

Town of Mannsville
PO Box 206
Mannsville, OK 73447

ATTN: Mayor Don Colbert and the Mannsville Town Board of Trustees:

The purpose of this letter is to notify you of the continuing lack of cooperation by the Town of Mannsville in our efforts to conduct an investigative audit pursuant to **74 O.S. § 212(H)** as requested by the District Attorney of Johnston County, Oklahoma.

This lack of cooperation has compelled the State Auditor to take extraordinary efforts to obtain records necessary to complete the investigation. These efforts come at the cost of additional time and effort, and will result in additional costs that will be the responsibility of the Town of Mannsville.

As the Mayor and Board of Trustees of the Town of Mannsville, we felt it necessary to ensure that you are fully informed of both the lack of cooperation we have received, as well as the continued accumulating costs associated with this lack of cooperation.

Respectfully,

Brenda Holt, CPA
Audit Manager
Special Investigative Unit

EXHIBIT 8

TOWN OF MANNSVILLE
PO BOX 206
MANNSVILLE, OK 73447

Phone: (580) 371-3334 Fax: (580) 371-0231

NOVEMBER 14, 2014

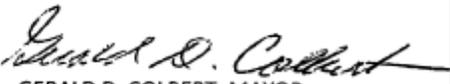
MR. GARY JONES, CPA, CFE
OKLAHOMA STATE AUDITOR AND INSPECTOR
2300 N. LINCOLN BLVD
STATE CAPITOL ROOM 100
OKLAHOMA CITY, OKLAHOMA 73105

DEAR MR. JONES:

REGARDING YOUR LETTER DATED NOVEMBER 3, 2014, I AM HEREBY NOTIFYING YOU AS THE MAYOR OF MANNSVILLE AND ON BEHALF OF THE BOARD OF TRUSTEES, WE DO NOT AGREE THAT THE TOWN OF MANNSVILLE IS RESPONSIBLE FOR THE COST OF THE AUDIT THAT IS PRESENTLY UNDER WAY FOR THE FOLLOWING REASONS:

- a. *THE DISTRICT ATTORNEY DID NOT REQUEST THE AUDIT*
- b. *NOR WERE THERE SUFFICIENT AMOUNT OF SIGNATURES BY PETITION TO JUSTIFY ANY AUDIT.*

THE MANNSVILLE BOARD OF TRUSTEES DID CONTACT THE DISTRICT ATTORNEY IN FEBRUARY 2014 TO REPORT MISSING RECORDS AND POSSIBLE EMPLOYEE EMBEZZELMENT. THE DISTRICT ATTORNEY DID CONTACT YOUR OFFICE IN MARCH 2014 REQUESTING YOUR HELP AND TO INFORM YOU THAT THE TOWN OF MANNSVILLE COULD NOT AND WOULD NOT PAY FOR AN AUDIT. AT THAT TIME, YOUR OFFICE REFUSED AN AUDIT ON THAT BASIS AND THE DISTRICT ATTORNEY AND THE TOWN OF MANNSVILLE AGREED THAT THEY WOULD NOT PURSUE THIS ISSUE. THE DISTRICT ATTORNEY MADE NO FURTHER REQUESTS FOR YOUR OFFICE TO AUDIT THE TOWN OF MANNSVILLE. THEREFORE, THIS AUDIT DOES NOT MEET THE REQUIREMENTS PURSUANT TO *STATE LAW 74 O.S. 212 (H)*.

REGARDS,

GERALD D. COLBERT, MAYOR

MANNSVILLE BOARD OF TRUSTEES

cc: CRAIG LADD, DISTRICT ATTORNEY
RICHARD MILLER, ASSISTANT DISTRICT ATTORNEY

EXHIBIT 9

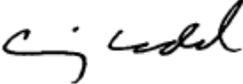
	<p>Office of the District Attorney 20th District Craig Ladd DISTRICT ATTORNEY</p>
<p>November 18, 2014</p>	<p>Carter County Courthouse Ardmore, Oklahoma 73401 580-223-9674 Fax: 580-221-5504</p>
<p>Mr. Gary Jones Oklahoma State Auditor 2300 N. Lincoln Blvd State Capitol Room 100 Oklahoma City, OK 73105</p>	
<p>RE: Audit for Town of Mannsville</p>	
<p>Dear Mr. Jones:</p>	
<p>In February of 2014, I was contacted by representatives for the Town of Mannsville and informed that a former town employee had removed records pertaining to almost two years of town business. This action caused concerns that money had been misappropriated. Due to these concerns, representatives for the Town of Mannsville asked me to request an audit of the Town of Mannsville's records. In addition, I am aware that great dissension has existed over the past several years among many of Mannsville's citizens, including some citizens associated with the local government, which has resulted in an O.S.B.I. investigation. This fact, coupled with the information I received in February of this year, caused me to request an audit by your office of the Town of Mannsville. I was subsequently informed that Mannsville officials wished to rescind their request for an audit due to the cost of the audit. Since that time, the animosity among the Mannsville citizenry has become worse. Because of this continued dissension and primarily because of the unanswered questions about possible misappropriation of public funds, I am renewing my request pursuant to 74 O.S. 212 (H) that an audit be conducted to determine whether such misappropriations have occurred. Should you have any further questions, please feel free to contact me.</p>	
<p>Sincerely,</p>	
	
<p>Craig Ladd, District Attorney</p>	
<p>cc: Gerald Colbert</p>	

EXHIBIT 10

	<h1>Oklahoma State Auditor & Inspector</h1>
2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405-521.3495 • Fax: 405-521.342	
November 3, 2014	
Town of Mannsville P. O. Box 206 Mannsville, OK 73447	
To the Mayor and Town Board:	
Our office has been requested by the Carter County District Attorney to conduct an investigation into matters pertaining to the Town of Mannsville. In accordance with this request, as defined in the accompanying letter, the State Auditor and Inspector's Office will conduct an investigation.	
We will seek your assistance in obtaining the basic information required for us to complete the investigation, and anticipate cooperation from the Town of Mannsville personnel in this effort.	
The Town will be responsible for the cost of this investigation pursuant to 74 O.S.212 (H) which states: <i>Whenever called upon to do so by any of the several district attorneys of the state, it shall be the duty of the State Auditor and Inspector to examine the books and accounts of any officer of any public entity. The cost of the audit shall be borne by the entity audited.</i>	
Our invoices for these services will be rendered monthly as work progresses and are payable upon receipt. We will endeavor to minimize cost and work to complete this investigation in a timely manner.	
Should you have any questions please do not hesitate to contact our office.	
Sincerely,	
	
Gary A. Jones, CPA, CFE Oklahoma State Auditor & Inspector	
* * * * *	
This letter correctly sets forth the understanding of the Town of Mannsville.	
	
Signing for the Town of Mannsville	Position Date

EXHIBIT 11

From: Brenda Holt [mailto:bholt@sai.ok.gov]
Sent: Monday, September 08, 2014 4:01 PM
To: Ladd, Craig
Subject: RE: Town of Mannsville

Thank you for your timely response. The Town of Mannsville will be responsible for the cost of the audit. I will contact your office when we are ready to begin the audit process for further discussion of the issues.

Thanks,

Brenda Holt

From: Ladd, Craig [mailto:Craig.Ladd@dac.state.ok.us]
Sent: Monday, September 08, 2014 2:41 PM
To: Brenda Holt
Cc: Miller, Richard
Subject: RE: Town of Mannsville

Ms. Holt,

Assuming that Mannsville will be the entity responsible for the cost of the audit, my preference is that you would proceed with an audit as requested on March 19, 2014. Please let me know if you should need anything further from me.

Thx,

Craig Ladd

From: Brenda Holt [mailto:bholt@sai.ok.gov]
Sent: Monday, September 08, 2014 12:57 PM
To: Ladd, Craig
Subject: Town of Mannsville

Per our conversation, I have attached both your original audit request letter and the letter of inquiry from citizens of the Town of Mannsville via Sweeney, Draper & Christopher PLLC.

Conducting an audit under 74 § 212(H), a DA Request, or under 74 §

212(L), a citizen's petition request, the entity being audited will bear the cost of the audit, in this case the Town of Mannsville.

If you would like us to continue with the original audit request please let us know. If you are going to withdraw your audit request could you please send something in writing for our records. Thanks for your assistance.

Sincerely,

Brenda Holt

EXHIBIT 12



Office of the District Attorney
20th District

Craig Ladd
DISTRICT ATTORNEY

Carter County Courthouse
Ardmore, Oklahoma 73401
580-223-9674
Fax: 580-221-5504

March 19, 2014

Office of Oklahoma State Auditor and Inspector Gary Jones
2300 N. Lincoln Blvd., Suite 100
Oklahoma City, OK 73105

Dear Sir:

Please consider this letter as my official request that your office perform an audit of the City of Mannsville, Oklahoma, in Johnston County, which is included in my District. I am requesting that the audit cover the time period of January 2011 to present. It is my understanding the City will be responsible for the costs of the audit. If this is incorrect, please contact me immediately.

Either myself or my assistant district attorney assigned to Johnston County, Richard Miller, will be glad to be meet with you at you earliest convenience to discuss the specific issues being alleged regarding this request. I may be reached at the telephone number listed above and our Johnston County District Attorney's office may be reached by calling 580-371-2379.

Thank you for your prompt attention to this matter. Your consideration and assistance is greatly appreciated.

Sincerely,

A handwritten signature in black ink, appearing to read "Craig Ladd".

Craig Ladd
District Attorney

Cc: Ed Frock



EXHIBIT 13

PURCHASE ORDER

JOHNSTON COUNTY
MANNSVILLE, OKLAHOMA

Ship To: **TOWN OF MANNSVILLE**
P.O. BOX 206
MANNSVILLE, OKLAHOMA 73447

Issued To: Shonda Barrios

526

PURCHASE ORDER No.

Fiscal Year 20 11-20 12

DATE: July 4 .20 12

APPROPRIATION ACCOUNT: Salary

I hereby approve the issuance and encumbrance of this purchase order.

Purchasing Officer

I hereby certify that the amount of this encumbrance has been entered against the designated appropriation accounts and that this encumbrance is within the authorized available balance of said appropriation.

DATED 19 DAY OF Jan .20 12

Encumbering Office or Clerk of

SB #144, SL 1977 REQUIRES THE VENDOR TO FURNISH AN ITEMIZED INVOICE WHICH STATES THE VENDOR'S NAME AND ADDRESS, A CLEAR DESCRIPTION OF EACH ITEM PURCHASED, IT'S UNIT PRICE, THE NUMBER OR VOLUME OF EACH ITEM, ITS TOTAL PRICE, THE TOTAL OF THE PURCHASE, AND THE DATE OF THE PURCHASE. THE INVOICE, TOGETHER WITH A SIGNED DELIVERY TICKET (IF SEPARATE FROM THE INVOICE) AND ANY OTHER SUPPORTING INFORMATION MUST BE ATTACHED TO THE ORIGINAL COPY OF THE PURCHASE ORDER WHEN FILED FOR PAYMENT.

QUANTITY	DESCRIPTION	UNIT PRICE	AMOUNT TO BE ENCUMBERED	ADJUSTMENTS AMOUNT	TOTAL	APPROVED AMOUNT
	<u>OVERTIME PAY ACCUMULATED SEE ATTACHED</u>					
	<u>122 hrs @ 19.50</u>					
TOTAL			<u>1872.98</u>			

THE INFORMATION REQUIRED BELOW THIS LINE NEED ONLY BE COMPLETED ON THE ORIGINAL COPY OF THE PURCHASE ORDER.

I hereby certify that the merchandise and/or services described above have been satisfactorily received and that this purchase order is now a true and just debt at this county. This purchase order is therefore approved for consideration for payment by the governing board.

Date: _____ .20 _____

Purchasing Officer

Officer or Department Head in Charge

DATE RETURNED FOR FILING FOR CONSIDERATION BY GOVERNING BOARD. _____ .20 _____

WHITE-Retain by Purchasing Officer for completion of purchase.
CANARY-Retain by Purchasing Officer for file.

APPROVAL BY GOVERNING BOARD

This purchase order is approved for payment in the amount indicated above.

DATE: _____ .20 _____

Chairman _____

Member _____

Member _____

PAYMENT RECORD

WARRANT NUMBER _____

AMOUNT \$ _____

APPROPRIATION ACCOUNT NO. 30331201
 WARRANT NO. 5233

EXHIBIT 14

EMPLOYEE TIMESHEET

Employee Information

Name: Derek Gray Address: _____
 Number: _____
 Department: FIRE Dept /
 Supervisor: _____ Phone: _____
 Period Starting: _____

COMPANY NAME

WEEK ONE

DOW	Date	Clock In	Lunch Begins	Lunch Ends	Clock Out	Daily Hours
	5-14-15					8 COMP
	5-15-15					8 COMP
	5-18-15					8 COMP
	5-19-15	Office	Blood Draw	Flooding		15.5 hrs
	5-20-15	Storm	Spotting	Flooding		11 hrs
Weekly Total:						50.5 10.5 comp

WEEK TWO

DOW	Date	Clock In	Lunch Begins	Lunch Ends	Clock Out	Daily Hours
	5-21-15					8 hrs
	5-22-15					8 hrs
	5-23-15	late			Flooding	4.5
	5-24-15					11
	5-25-15	Wells				8
	5-26-15					8
	5-27-15					8
Weekly Total:						48 8 comp

Pay Rates

Hourly: _____
 Overtime: _____

Weekly overtime threshold (hrs) _____

Total Hours: 80
 Overtime Hours: 80

18.5 comp
FD

15 hrs
MPW
OT

Normal Pay: _____
 Overtime Pay: _____
 Gross Pay: _____
 Pay Date: _____

142.0
+ 18.5
total comp 160.5

www.printabletimesheets.net

EXHIBIT 16

JANUARY 2012						
SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
1	2 1.5	3 1	4	5 BANK	6 BANK	7
7	9 1	10 1	11	12 11	13 8	14
15	16 <i>Holiday</i>	17 11	18 8	19 8	20 8	21
22	23 8	24 8	25 8	26	27	28
	30	31				
NOTES:						



EXHIBIT 17

October 2011						
Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
						1
5 HRS ☾	2 2 HRS	3 2 HRS	4 2 HRS	5	6 1 HR	7 8
4 HR	9 4 HR	10 2 HR	11 1.5 HR	12	13 1	14 15
6 HR ☾	16 1 HR	17 5.5 HR	18	19 1.5 HR	20 1 HR	21 22
23 5.5	1 HR 24	25 2	26	27 USED 1 HR COMP	28 2 HR	29
30 4 ☾	31					
						☾ 44.5

DISCLAIMER

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