



Special Audit City of Minco

Grady County

January 1, 2006 through May 31, 2007



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



JEFF A. McMAHAN, CFE

OKLAHOMA OFFICE
OF THE
STATE AUDITOR & INSPECTOR

Why the audit was performed

The City of Minco was audited pursuant to a request by the District Attorney's request in accordance with **74 O.S. § 212(H)**.



City of Minco
Grady County
Special Audit Report
January 1, 2006 – May 31, 2007

Audit Summary:

- ✓ Cash, in the amount of \$1,047.00, was not deposited in the City's bank accounts and is unaccounted for. **Pgs 7 & 8**
- ✓ We were unable to trace or determine the disposition of traffic fines totaling \$5,164.00. **Pgs 8 & 9**
- ✓ Records were poorly maintained, contradictory and, in some cases, missing entirely. **Pg 9**

**CITY OF MINCO
GRADY COUNTY
SPECIAL AUDIT REPORT
JANUARY 1, 2006 THROUGH MAY 31, 2007**

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STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

Jeff A. McMahan
State Auditor and Inspector

August 7, 2007

Honorable Bret T. Burns
District Attorney – District No. 6
217 North 3rd Street
Chickasha, Oklahoma 73108

Transmitted herewith is the Special Audit Report of the City of Minco, Grady County, Oklahoma. We performed our special audit in accordance with the requirements of **74 O.S.2001, § 212(H)** for the period January 1, 2006 through May 31, 2007.

A report of this type tends to be critical in nature. Failure to report commendable features in the accounting and operating procedures of the entity should not be interpreted to mean that they do not exist.

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

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

Sincerely,

A handwritten signature in blue ink, reading "Jeff A. McMahan".

JEFF A. McMAHAN, CFE
State Auditor and Inspector

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COUNCILMEMBERS

Kelly Rupp..... Mayor
Bruce Baade Vice Mayor
Shirley Oaks.....Councilmember, Position 1 Ward One
Susan HollandsworthCouncilmember, Position 2 Ward One
Keith HornCouncilmember, Position 1 Ward Two
Cherri CarothersCouncilmember, Position 2 Ward Two
Debbie Kebbel Councilmember, Position 1 Ward Three
Leah McMurtrey Councilmember, Position 2 Ward Three
Bill Ocker..... Councilmember, Position 2 Ward Four



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

Jeff A. McMahan
State Auditor and Inspector

Ms. Kelly Rupp, Mayor
City of Minco
P.O. Box 512
Minco, Oklahoma 73059-0512

Dear Ms. Rupp:

Pursuant to the District Attorney's request and in accordance with the requirements of **74 O.S. 2001, § 212(H)**, we performed a special audit with respect to the City of Minco, for the period January 1, 2006 through May 31, 2007.

The objectives of our special audit primarily included, but were not limited to possible misappropriation of money. Our findings and concerns related to these procedures are presented in the accompanying report.

Because the above procedures do not constitute an audit in accordance with generally accepted auditing standards, we do not express an opinion on the account balances or financial statements of the City of Minco. Further, due to the test nature and other inherent limitations of a special audit report, together with the inherent limitations of any internal control structure, there is an unavoidable risk that some material misstatements may remain undiscovered. This report relates only to the accounts and items specified above and does not extend to any financial statements of the City of Minco.

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

Sincerely,

A handwritten signature in blue ink, reading "Jeff A. McMahan".

JEFF A. McMAHAN, CFE
State Auditor and Inspector

July 25, 2007

INTRODUCTION

The City of Minco, Grady County, Oklahoma, is a Statutory Aldermanic form of government. Day to day operations of the City are conducted by the mayor in accordance with the guidance from the elected, nine member City Council.

The City is audited annually by private independent auditors, and the audit reports were made available for our review. The City's daily financial records for the period covered by our investigation were also made available for our inspection and use.

On May 22, 2007, District Attorney Bret T. Burns requested the State Auditor and Inspector to conduct an investigative audit into the concern of possible misappropriation of money. Prior to the conclusion of our audit, Sherri Bomgardner, City Clerk, was charged in Grady County District Court with one count of embezzlement, a violation of **21 O.S. § 1451(A)(1)(4)**.

The State Auditor and Inspector conducted a special audit of the records of the City of Minco, primarily those records relating to the concerns of the District Attorney listed in the "index of specific concerns" noted in the table of contents. The results of the special audit are in the following report.

CONCERN, FINDINGS AND RECOMMENDATIONS

CONCERN: Misappropriation of money

- We were unable to trace \$1,047.00 in traffic fines to bank deposits.
- We were unable to trace \$5,164.00 in fines to either deposits or warrants.
- Records were poorly maintained, inconsistent and, in some cases, missing.

Prior to initiating our audit, the former City Clerk, Sherri Bomgardner, resigned from her position after providing a statement to City officials that she had improperly taken funds from the traffic ticket payments.

At the start of our audit, the City was unable to locate receipt books for part of the period from July 1, 2006 through May 1, 2007. We were provided copies of traffic tickets, a ticket ledger and two receipt books.

As we concluded our audit fieldwork, we contacted the former City Clerk at her residence and she told us where to find the missing receipt books. From the information provided, we found five (5) of the six (6) missing receipt books.

We were unable to trace \$1,047.00 in traffic fines to bank deposits.

CITY OF MINCO
MUNICIPAL COURT RECEIPT
1284
MINCO, OKLAHOMA 1-3-2007
RECEIVED OF: Sheldan (Sheldan)
FOR: # 21102
AMOUNT PAID: \$ 225.00
CASH ☐ CHECK ☐ MONEY ORDER ☐
COURT CLERK
BY: Sherri Bomgardner

We performed a receipt-to-deposit comparison by tracing, or attempting to trace, each receipt to a deposit. We were unable to find deposits for \$547.00 that had been receipted. In some instances, we found discrepancies in the amount receipted and the amount deposited.

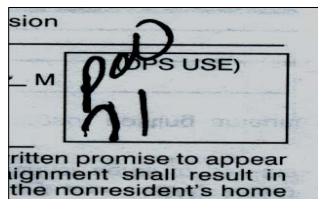
For example, receipt number 1284 was issued on January 3, 2007 and reflected payment for ticket number 21102 in the amount of \$225.00.

When we examined the deposit for January 3, 2007, we found a corresponding entry on the deposit slip listing the payee's last name and ticket number 21102; however, the deposit amount was \$125.00, rather than the receipted amount of \$225.00.

We also found instances where receipts were issued and no corresponding deposits were found. For example, on January 9, 2007, two receipts were issued for payments in the amounts of \$40.00 and \$105.00. We were unable to find corresponding deposits for these receipts.

We noted, during this test, that payments were being made without being receipted. For example, a January 3, 2007 deposit contained three deposit items that were not receipted. We were unable to find receipts for three (3) deposit items contained in the January 11, 2007 deposit.

CITY OF MINCO
DEPOSIT SLIP
MADE ON FORM 1007
#1714 1-3-07
195.00
335.00
71.00
125.00
71.00
55.00
40.00
30.00
125.00
517.00
BY: Sherri Bomgardner



In addition to the receipts, we also tested deposits based on payment information recorded on traffic tickets. The ticket copies included payment notations, although, in some cases there was no indication of the method of payment (cash, check or money order) or the date of the payment.

During this test, we identified \$500.00 in payments that appear to have been made and in which we are unable to find a corresponding deposit amount. For example, a traffic ticket (#21629) was written on January 9, 2007 for speeding, "85+ in a 65 mph zone". The ticket, in the officer's remarks, included the comment, "104 passing other veh's".

The ticket reflects a payment of \$155.00, for the fines and court costs, and an additional \$50.00 for a "deferment". The ticket did not reflect a payment date. We then traced this ticket to a traffic ticket ledger book to determine the date the ticket was paid. The ticket ledger book reflected the ticket had not been paid. We examined all of the deposits for January 2007 through May 2007 and found one deposit, on January 30, 2007, in the amount of \$50.00.

We were unable to trace \$5,164.00 in fines to either deposits or warrants.

We were provided a ticket ledger book. This book included a single line entry for each traffic ticket in numerical order based on the ticket number. We traced one hundred fifty (150) tickets listed in the ledger book. We had no corresponding ticket copies for the one hundred (150) entries we selected to test.

Any traffic ticket that had been issued could be classified in one of the following three categories:

- Unpaid, making partial payments or pending court date.
- Unpaid with an outstanding warrant having been issued.
- Paid, deferred or dismissed, with the court copy in file.

Of the one hundred fifty (150) entries we tested, we had the following results:

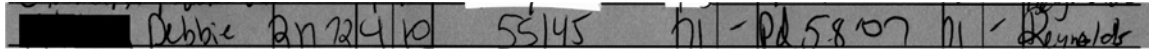
- Fifty-seven (57) entries were traced to deposits.
- Thirty-five (35) entries were traced to the unpaid ticket file.
- Eight (8) entries were traced to warrants.
- One (1) deposit from a ticket marked paid could not be found.
- Forty-nine (49) entries could not be traced, totaling \$5,164.00 in fines.

Records were poorly maintained, inconsistent and, in some cases, missing.

Prudent business practice would dictate that all funds taken in should be receipted when dealing with public funds. In this case, we found numerous instances where funds were deposited, with names and ticket numbers, and no receipts issued for the deposit amounts.

As previously stated in this report, we were provided the Court Clerk records for traffic tickets, including the Court Clerk's copies of the traffic tickets issued. In a three-month period, from August through October 2006, we found fifty (50) deposits that were made in which we had no corresponding ticket copies.

We found the payment amounts and dates reflected in the ticket ledger book to be of little value for a receipt-to-deposit test. For example, we found one entry in the ticket ledger, dated May 8, 2006, reflecting a payment of \$71.00 for ticket number 21724, as reflected in the image below:



The amount paid on May 8, 2007 was actually \$3.50 rather than \$71.00. We found three separate deposits for this payment dated April 2, 2007, May 3, 2007 and May 8, 2007 in the amounts of \$32.50, 35.00 and \$3.50, respectively.

In another case we found an entry in the ticket ledger reflecting that \$155.00 was paid on ticket number 21410 on January 3, 2007. When we checked the corresponding deposit for January 3, 2007, we found that \$55.00 was deposited. The remaining \$100.00 was actually reflected on a deposit ticket dated December 15, 2006.

We found inaccuracies between the ticket ledger book and deposits that were made. For example, a deposit made on October 24, 2006 reflected the deposit of \$225.00 for ticket number 20392 and with the corresponding name of "Jones". Ticket number 20392, as reflected in the ticket ledger book, was issued to a person with the last name of Gilbert.

Recommendations:

We recommend the District Attorney determine if any further action should be taken.

We recommend the City implement procedures to properly receipt all payments received. We further recommend the City implement procedures to provide for the accurate recording of traffic tickets issued and payments made as a result of those issued traffic tickets. In addition, the City should implement procedures to verify that funds receipted have been deposited.



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