



Special Audit

Town of Mountain Park

Kiowa County

March 1, 2003 through May 31, 2007



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



Town of Mountain Park Kiowa County Special Audit Report March 1, 2003 through May 31, 2007

JEFF A. McMAHAN, CFE

OKLAHOMA OFFICE
OF THE
STATE AUDITOR & INSPECTOR

Why the audit was performed

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

Audit Summary:

- ✓ Payments for water bills in the amount of \$76,658.63 were not deposited in the town's bank account. **Pg 7**
- ✓ Records of billing stubs were destroyed from June 2004 until April 2005. **Pg 7**
- ✓ A total of \$3,164.00 insufficient bank charges were applied to three different bank accounts as a result of missing funds. **Pg 8**
- ✓ An IRS levy in the amount of \$177.02 was applied for 941 taxes that were not paid for the period ending June 30, 2005. **Pg 9**
- ✓ Payments for bills were not mailed to vendors, and mail was not being opened over a three year period. **Pg 9**
- ✓ The prior Clerk's sister had \$175.50 of payments posted to her water bill account but not deposited in town's bank accounts. **Pg 9**

TOWN OF MOUNTAIN PARK
KIOWA COUNTY
SPECIAL AUDIT REPORT
MARCH 1, 2003 THROUGH MAY 31, 2007

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STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

Jeff A. McMahan
State Auditor and Inspector

September 25, 2007

Honorable John M. Wampler
District Attorney, District No. 3
101 N. Main, Room 104
Jackson County Courthouse
Altus, Oklahoma 73521

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

A report of this type tends to be critical in nature. 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 that reads "Jeff A. McMahan".

JEFF A. MCMAHAN, CFE
State Auditor and Inspector

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INDEX OF SPECIFIC CONCERNS

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

- I. **CONCERN:** *Possible irregularities in water, sewer and trash revenue* 7
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BOARD OF TRUSTEES

Janie Strutton..... Mayor
Melissa Melton Trustee
Open Trustee
Open Trustee
Open Trustee
Kimberly Candice Morris..... Suspended Clerk/Treasurer
March 25, 2003 thru May 31 2007
Mark Shelton..... Water Superintendent
March 1, 1986 thru Present



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

Jeff A. McMahan
State Auditor and Inspector

Board of Trustees
Town of Mountain Park
P.O. Box 190
Mountain Park, Oklahoma 73559-0190

Dear Trustees:

Pursuant to the District Attorney's request and in accordance with the requirements of **74 O.S. 2001, § 212(H)**, we performed a special audit with respect to the Town of Mountain Park, Kiowa County, for the period March 1, 2003 through May 31, 2007.

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

Because the above procedures do not constitute an audit conducted in accordance with generally accepted auditing standards, we do not express an opinion on the account balances or financial statements of the Town of Mountain Park for the period March 1, 2003 through May 31, 2007. 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 Town taken as a whole.

This report is intended solely for the information and use of the District Attorney, the Town of Mountain Park and the Administration and should not be used for any other purpose. This report is also a public document pursuant to the **Oklahoma Open Records Act (51 O.S. 2001, § 24A.1 et seq.)**, and shall be open to any person for inspection and copying.

Sincerely,


JEFF A. MCMAHAN, CFE
State Auditor and Inspector

July 19, 2007

INTRODUCTION

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

11 O.S. 2001, § 12-101, states:

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

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

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

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

BOARD OF TRUSTEES FIDUCIARY RESPONSIBILITY

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

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

CONCERNS, FINDINGS AND RECOMMENDATIONS

I. CONCERN: *Possible irregularities in water, sewer and trash revenue.*

FINDING: We prepared a schedule of revenues posted to the Town of Mountain Park computer system for the period 12-1-2002 to 5-31-2007 for water, garbage, and sewer totaling \$614,522.42.

A list of deposits for this time period, from the Public Works Authority (PWA) bank account, totaled \$552,571.43. Of this total amount, \$10,500 was from liquidation of Certificates of Deposit and \$9,789.00 was from transfers into the PWA account. The adjusted collections deposited into the PWA bank account are \$535,282.43.

This results in a shortfall of \$82,239.99 of collections posted to the computer and not deposited into the PWA bank account.

The chart below summarizes the amount of cash deposited from January 2003 through June 30, 2007. The Clerk's term of employment was from March 2003 through May 31, 2007.

Summary of Year	Total Cash Deposited
2003	\$29,364.95
2004	\$26,852.52
2005	\$7,958.75
2006	\$1,444.50
First 5 months of 2007	\$282.25
Clerk put on Suspension 5-31-07	
June 2007	\$3,336.75

All of the payment stubs for water, garbage, and sewer were missing from Town records for the period June 2004 through April 2005. We verified the amount of cash deposited for the month of May 2004 and determined the bank was long \$12 more cash than what the pay stubs reflected. It appeared that cash was being deposited correctly prior to June 2004. We reviewed every cash transaction from June 1, 2004 until the Clerk/Treasurer was suspended.

Cash collections in the amount of \$74,196.63, according to pay stubs, receipts, and the ledger posting for the period of missing stubs, could not be traced to bank deposits for the period June 2004 through May 2007.

Cash receipts in the amount of \$2,462.00 for water, garbage, sewer, mowing, tree chipping, and renting senior citizens building were not deposited and not included in the above total for the period from May 3, 2005 through March 24, 2006.

The PWA bank statement for the month of June 2007 revealed that \$3,336.75 cash was deposited for water, garbage, and sewer collections. This was after the Clerk/Treasurer was placed on suspension. Cash deposited for the month of April 2007 shows \$0.00 and May 2007 shows \$159.00 cash deposited.

The Clerk receives, deposits, and records, all transactions pertaining to the Town. The failure to deposit monies collected may violate **21 O.S. Supp. 2002, § 341**, which states, in part:

Embezzlement and false accounts by officers

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

First: Receives, directly or indirectly, any interest, profit or perquisites, arising from the use or loan of public funds in the officer's or person's hands or money to be raised through an agency for state, city, town, district, or county purposes; or

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

Third: Fraudulently alters, falsifies, cancels, destroys or obliterates any such account, shall, upon conviction, thereof, be deemed guilty of a felony ... in addition thereto, the person shall be disqualified to hold office in this state, and the court shall issue an order of such forfeiture, and should appeal be taken from the judgment of the court, the defendant may, in the discretion of the court, stand suspended from such office until such cause is finally determined.

RECOMMENDATION: We recommend the Town adopt policies and procedures to insure compliance with the applicable state statutes. We recommend the proper authorities review this finding to determine what action, if any, may be required.

II. CONCERN: *Possible irregularities in town accounts*

FINDING: The Town of Mountain Park has 9 different bank accounts. We reviewed all and only 4 will be discussed in the audit report. (General, PWA, Contingency and Fire)

On eight (8) different occasions, funds were transferred from the General Fund to the PWA. Normally funds are transferred from the PWA account to the General fund.

Funds were transferred from PWA to General Fund twice per month in the same amount between January 2003 until about January 2005. Thereafter different amounts were transferred in and out from several different accounts. It was becoming difficult to maintain a positive balance in the General Fund. General Fund bank records reflect that during the time of employment of the Clerk/Treasurer, the bank issued **\$1,254.00** of insufficient fund charges (NSF) against the Town of Mountain Park.

Several water, garbage, and sewer bills were collected and deposited in the General Fund instead of the PWA.

The PWA account also had **\$1,890.00** of insufficient fund charges (NSF) against the Town of Mountain Park during the former Clerk/Treasurer's employment.

The Volunteer Fire Department bank account had one NSF for **\$20.00** during the former Clerk/Treasurer's employment.

The Contingency account received an IRS levy for 941 taxes that were not paid for the period ending June 30, 2005. The statutory additions totaled \$177.02 for the late payment received by the levy being utilized on April 13, 2006.

Transfers from PWA fund were required to be deposited in the Contingency Fund on a monthly basis in the amount of \$117.40. During the term of the Clerk/Treasurer, the total monthly deposits should have been \$2,582.80; however, the deposits totaled only \$1,408.80 for the period from August 2005 through May 2007.

RECOMMENDATION: We recommend the proper authorities review this finding to determine what action, if any, may be required.

III. CONCERN: *Possible irregularities in payments to vendors.*

FINDING: Several letters were signed by the Mayor, but not mailed to different people in the Town.

One hundred forty-nine (149) different envelopes of mail addressed to the Town of Mountain Park were received but not opened during 2005, 2006, and 2007 years.

We located several checks that were signed by Trustees to be mailed to vendors, but were not mailed by the Clerk.

RECOMMENDATION: We recommend the proper authorities review this finding to determine what action, if any, may be required.

IV. CONCERN: *Possible irregularities in payments received from Clerk's family members.*

FINDING: In a review of the Clerk's family members including uncles, grandparents, brother and sister, only one instance, occurred where payments could not be traced to bank deposits of the Town of Mountain Park.

The May 2006 utility account of the sister of the Clerk/Treasurer had a balance of \$175.50. A payment in this amount was posted to the computer system; however, the actual payment was not traced to deposits.

RECOMMENDATION: We recommend the proper authorities review the above finding to determine what action, if any, may be required.

* * *

Throughout this report there are numerous references to state statutes and legal authorities which appear to be potentially relevant to issues raised by the District Attorney and reviewed by this Office. The State Auditor and Inspector has no jurisdiction, authority, purpose or intent by the issuance of this report to determine the guilt, innocence, culpability or liability, if any, of any person or entity for any act, omission, or transaction reviewed and such determinations are within the exclusive jurisdiction of regulatory, law enforcement, and judicial authorities designated by law.

The inclusion of cites to specific statutes or other authorities within this report does not, and is not intended to, constitute a determination or finding by the State Auditor and Inspector that the Town or any of the individuals named in this report or acting on behalf of the Town have violated any statutory requirement or prohibition imposed by law. All cites and/or references to specific legal provisions are included within this report for the sole purpose of enabling the Administration and other interested parties to review and consider the cited provisions, independently ascertain whether or not the Town's policies, procedures or practices should be modified or discontinued, and to independently evaluate whether or not the recommendations made by this Office should be implemented.

Protecting Your Tax Dollars



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