



# NORTHWESTERN OKLAHOMA SOLID WASTE DISPOSAL AUTHORITY

## Investigative Audit Report

January 15, 2020

**Cindy Byrd, CPA**  
State Auditor & Inspector

**Northwestern Oklahoma Solid Waste Disposal Authority  
Woodward County, Oklahoma**

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**TO THE HONORABLE CHRISTOPHER BORING DISTRICT ATTORNEY, DISTRICT 26**

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

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

This report is addressed to, and is for the information and use of, the District Attorney as provided by statute. This report is also a public document pursuant to the Oklahoma Open Records Act, in accordance with 51 O.S. §§ 24A.1, *et seq.*

Sincerely,



CINDY BYRD, CPA  
OKLAHOMA STATE AUDITOR & INSPECTOR





## Northwestern Oklahoma Solid Waste Disposal Authority

### Investigative Audit Report

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#### Why We Performed This Audit

In accordance with 74 O.S. § 212(H), District Attorney Christopher M. Boring requested the State Auditor & Inspector's Office to conduct an investigative audit of the Northwestern Oklahoma Solid Waste Disposal Authority. It was alleged a former employee had misappropriated funds.

#### Summary of Findings

The former employee in question did misclassify eight hours on her timesheet and utilized the Authority's vendor charge accounts for personal purchases totaling approximately \$800. Although the actions were both unauthorized and improper, the timesheet error was detected and corrected prior to payment being made and the improper charge account purchases were paid by the employee prior to payment by the Authority.

Even though no misappropriation of funds actually occurred, the employee did abuse her public position utilizing the Authority's credit, which allowed for delayed payment options and for sales tax not being charged. The employee also misled management as to her attendance at a training conference.

#### Background

The Northwestern Oklahoma Solid Waste Disposal Authority (Authority) was organized under the provisions of 60 O.S. §§ 176, *et. seq.* The Authority, established on May 10, 1993, oversees the operation of a landfill located in Woodward County and serves Dewey County, Ellis County, Harper County, and Woodward County. The landfill is operated six days a week providing waste disposal services for the beneficiaries and their citizens as well as private industry in the region. The Board of Trustees for the Authority (the Board) are county commissioners from the four counties served by the landfill.

Local accounting firm FSW&B CPAs-PLLC (FSW&B) maintained payroll records, calculated payroll, and compiled monthly internal financial statements for the Authority.

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Upon discovery by FSW&B of a questionable entry on an employee’s timesheet, along with several inconsistent purchases on Authority charge accounts, the Board requested FSW&B perform an audit “going back three months to review landfill purchases and inventory.”<sup>1</sup>

Upon receipt of the audit, the Board made a motion requesting the employee resign or be fired due to the findings of the audit. The employee resigned her position effective March 26, 2018.

District Attorney Boring requested the State Auditor & Inspector’s Office (SA&I) conduct a follow-up investigation to determine whether the allegations concerning misappropriations were “in fact true or not” and to determine if there were additional improprieties.

## Objectives

The objectives of SA&I’s investigation were to determine if a former employee misappropriated Authority funds, specifically:

1. Were payroll payments made for time reported but not actually worked?
2. Were Authority charge accounts misused for personal gain?

During the audit SA&I reviewed the Authority’s bank statements for the period of January 2015 thru March 2019, evaluating monthly expenditures and payroll. In addition, we obtained statements and invoices from local vendors and examined transactions to determine if purchases incurred and paid for were for public purposes.

## Details on What We Found

### 1. Were payroll payments made for time reported but not actually worked?

In FSW&B’s review of the January 2018 payroll, it was noted that the employee in question misclassified information on her timesheet leading to concerns that payroll funds had been misappropriated. The time sheet submitted for January 24, 2018, reflected an 8-hour workday had been claimed for attendance at a training conference. The employee also represented to her manager that she attended the conference.

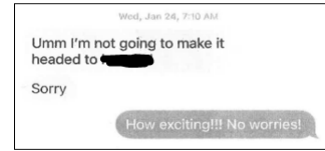
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<sup>1</sup> The time period reported as reviewed by FSW&B was December 2017 through March 2018.

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The FSW&B accountant and the employee were scheduled to attend the conference together. However, via text message, the employee notified the accountant she was not going to attend. Since the accountant was responsible for reviewing monthly payroll, she was aware the employee should have claimed leave on the day of the conference. This knowledge led to the discovery of the erroneous timesheet.



The misclassification of time, along with the improper purchases addressed below, prompted the Board to place the employee on administrative leave and request FSW&B to perform an audit to review purchases and landfill inventory. FSW&B completed an agreed-upon procedures engagement and presented their report to the Board on March 22, 2018.

As to payroll, the report reflected that the time recorded for January 24, 2018, was incorrect. However, the error was detected and corrected by FSW&B prior to payment being made. As a result, no misappropriation of funds actually occurred.

SA&I reviewed the information presented in the report and examined additional payroll records and time periods for other possible misclassifications. Due to a lack of record keeping and supervisory review it could not be determined if all other submitted timesheets represented actual time worked. The Authority utilized a calendar documenting employee leave, the calendars were discarded after the end of each year. The personnel file of the employee in question was also discarded before audit fieldwork began.

SA&I searched social media for posts regarding vacation time or for personal activities corresponding to scheduled work hours. There was no data available to either confirm or disprove that time reported by the employee was not accurately reflected in her recorded work hours.

All non-payroll payments issued to the employee between May 2015 and February 2018 were also reviewed. Payments totaling \$664.51 appeared to be reimbursements for authorized transactions and were properly documented with receipts.

## **Payroll Oversight**

With the lack of oversight and managements failure to properly approve payroll, suitable controls were not in place to diminish the opportunity for employees to misrepresent actual time worked. After the employee in question resigned, the Authority implemented new payroll controls requiring two signatures on timesheets before payment.

## **2. Were Authority charge accounts misused for personal gain.**

FSW&B reviewed charge accounts for Ace Hardware and O'Reilly's Auto Parts. Their report reflected that the employee in question had charged several purchases of a personal nature at Ace Hardware totaling \$562.15. The employee acknowledged that personal charges had been made and informed FSW&B not to pay selected invoices when the charge statements were received, stating that she would pay them. FSW&B contacted Ace Hardware

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three times before ascertaining that the employee had made a \$600 payment on the past due account.

SA&I identified \$233.41 in additional personal charges that were posted to the Ace Hardware account. On April 18, 2018, an additional \$200 cash payment was also posted to the Authority's account with Ace Hardware. The combined total of \$800 in cash payments brought the account current, satisfying the outstanding payments resulting from the personal purchases.

There was also evidence that personal purchases were made using the Authority's charge account at O'Reilly Auto Parts. Five purchases were made by cash or personal credit card that were invoiced under the Authority's account. Of these five transactions one did not incur sales tax. These purchases were not billed to or paid by the Authority and there was not enough evidence to determine which employee benefited from the transactions.

## Additional Review

SA&I evaluated invoices, statements, items purchased, and payments to Ace Hardware and O'Reilly Auto Parts, along with several other vendors, totaling more than \$85,000.

During the review SA&I noted several items were purchased via the Authority's charge accounts that could have been construed for personal use. However, because the products could also have been used during the normal course of business (i.e. wiper fluid, cleaning supplies, air freshener, etc.) it could not be concluded that the items had been purchased for a personal benefit.

The Authority acknowledged the need to increase internal controls, implementing a requirement that two signatures be required on invoices to verify that products purchased are for a public purpose.

## **Final Thoughts**

- At the time of this report the Authority had not obtained an independent audit since June 30, 2013. The Board should resume obtaining annual audits as required by 60 O.S § 180.1.
- Inherent in any small organization, the lack of segregation of duties prohibits the existence of an internal control system to properly protect assets. In these instances, the Board should utilize care in their oversight of financial transactions. The Board ultimately bears responsibility for the financial welfare of the organization.

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## *DISCLAIMER*

In this report, there may be references to state statutes and legal authorities which appear to be potentially relevant to the issues reviewed by the State Auditor & Inspector's Office. This Office 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. Such determinations are within the exclusive jurisdiction of regulatory, law enforcement, prosecutorial, and/or judicial authorities designated by law.



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