

**CITY OF OKEMAH**

**OKFUSKEE COUNTY**

**SPECIAL AUDIT REPORT**

**JULY 1, 2001 THROUGH AUGUST 31, 2003**



STATE OF OKLAHOMA  
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN  
State Auditor and Inspector

March 30, 2004

Honorable Max Cook  
District Attorney-District No. 24  
P.O. Box 225  
Okemah, Oklahoma 74859

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

A report of this type is critical in nature; however, we do not intend to imply that our report failed to disclose commendable features in the present accounting and operating procedures of the City.

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 black ink that reads "Jeff A. McMahan". The signature is written in a cursive style with a large initial "J".

JEFF A. McMAHAN  
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 irregularity in cemetery fund collections.* ..... 7
- II. **CONCERN:** *Possible irregularities in the court fund collections.* ..... 8
- III. **CONCERN:** *Possible payment of personal telephone expenses.* ..... 8

**COUNCILMEMBERS**

- Luna Burnett ..... Mayor
- John Hayes ..... Vice-Mayor
- Matt Taylor ..... Councilmember
- Randy Titsworth ..... Councilmember
- Jack Mooring ..... Councilmember



STATE OF OKLAHOMA  
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN  
State Auditor and Inspector

Honorable Mayor and Councilmembers  
City of Okemah  
502 W. Broadway  
Okemah, Oklahoma 74859

Pursuant to the District Attorney's request and in accordance with the requirements of **74 O.S. 2001, § 212(H)**, we conducted a special audit with respect to the City of Okemah, Okfuskee County, Oklahoma, for the period July 1, 2001 through August 31, 2003.

The objectives of our special audit primarily included, but were not limited to, the areas outlined in the "index of specific concerns" noted in the table of contents. Our findings and recommendations 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 City of Okemah for the period July 1, 2001 through August 31, 2003. 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 taken as a whole.

This report is intended to provide information to the District Attorney, Mayor, Councilmembers and Administration of the City. This restriction is not intended to limit the distribution of the report, which is a matter of public record when released.

Sincerely,

A handwritten signature in black ink that reads "Jeff A. McMahon".

JEFF A. McMAHAN  
State Auditor and Inspector

January 27, 2004

## INTRODUCTION

The City of Okemah, Oklahoma is organized under the statutory council-manager form of city government **11 O.S. 2001, § 10-101**, *et seq.* The governing body of the City is comprised of five (5) elected members who elect, from its members, a mayor and a vice mayor. The Councilmembers of the City of Okemah also serve as the Board Members for the Okemah Utility Authority.

“The form of government provided by Sections 10-101 through 10-121 of this title shall be known as the statutory council-manager form of city government. Cities governed under the statutory council-manager form shall have all the powers, functions, rights, privileges, franchises and immunities granted, or which may be granted, to cities. Such powers shall be exercised as provided by law applicable to cities under the statutory council-manager form, or if the manner is not thus prescribed, then in such manner as the council may prescribe.”

The City is audited by a private, independent audit firm. Audit reports were made available for our review.

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

## CONCERNS, FINDINGS AND RECOMMENDATIONS

### I. CONCERN: *Possible irregularity in cemetery fund collections.*

**FINDING (1):** We obtained the cemetery work orders that were maintained by the cemetery sexton to determine the total charges for grave openings and closings, lots sold, and inspection fees during our examination period. The work orders reflect the City's receipt number and date paid. We traced the amounts per the work orders to the daily receipts report and bank deposit noting a variance of \$13,955.00. (See Appendix A)

The receipt number and date recorded at the bottom of the cemetery work orders appears to have been recorded by the former utilities clerk. For the variance listed above, the name and amount listed on the work orders do not agree with the name and amount of that receipt.

Based on the available information, it appears that \$13,955.00 was not deposited into the City's account and may be in violation of **21 O.S. 2001, §341** which states, in part:

"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: Appropriates to his own use, or to the use of any person not entitled thereto, without authority of law, any money or anything of value received by him as such officer, clerk, or deputy, or otherwise, on behalf of this state, or any subdivision of this state, or the people thereof, or in which they are interested; or

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

Third: 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

Fourth: Fraudulently alters, falsifies, cancels, destroys or obliterates any such account; or

Fifth: Willfully omits or refuses to pay over to the state, city, town, district or county, or their officers or agents authorized by law to receive the same, any money or interest, profit or perquisites arising therefrom, received by him under any duty imposed by law so to pay over the same shall, upon conviction thereof, be deemed guilty of a felony[.]"

**FINDING (2):** We obtained copies of paid checks from an individual, business, and the bank that were issued to the City for payment of opening and closing of a grave site, inspection fee, and lot sales. These payments are included in the above list as monies collected but not deposited. On August 5, 2002, the cemetery sexton issued work order no(s) 4717 and 4718 for the sale of cemetery lots in the amount of \$400.00 and \$1,800.00, respectively. We received a copy of the paid \$1,800.00 paid check showing that it was deposited into the City's bank account on August 6, 2002. We obtained the cash receipts report for August 5, 2002 business which was deposited on August 6, 2002. The receipts report does not reflect any receipts issued for \$400.00 or \$1,800.00. A copy of the checks deposited for this day's receipts was obtained from the bank. The two (2) checks were included in the deposit. Also, we obtained a copy of a paid check, for work order no. 4765 dated February 7, 2003, from a funeral home. The work order was for \$400.00 and the paid check

was in the amount of \$410.00, which included a \$10.00 inspection fee. The check reflects it was deposited into the City's account on August 12, 2003. We reviewed the cash receipt reports for August 10, 11, and 12, 2003 and found no receipt issued for the amount of \$410.00. These amounts are included in the \$13,955.00, listed in the previous finding. Based on the information, it appears the checks were substituted for cash.

**FINDING (3):** While reviewing the City and utility authority's deposits, we noted that the deposit tickets did not list the amount of cash and each individual check. During discussion with the clerk/treasurer, she stated that the former utilities clerk maintained the collection drawer at the front desk and at the end of the day she would balance the cash drawer to the daily receipts report. The cash and checks were then given to her. After she received the cash and checks, they were put into the safe and the following morning she would run a general ledger report to show the amount of money that was to be deposited into each account. The cash and checks receipted for a particular account was not necessarily deposited to that account. For example, a check receipted to the cemetery account could have been deposited into the utilities account and cash from the utilities collections deposited into the cemetery account. The cash was used for deposits to the smaller accounts then basically the remaining checks and cash was deposited into the utilities account. The clerk/treasurer did not reconcile the total checks and cash to the deposits to the receipt report to assure all monies collected were properly deposited.

**RECOMMENDATION:** We recommend that all City and authority's deposits list the total cash and each individual check to assure collections were deposited. Also, the deposit totals should be reconciled to the receipts to assure that checks are not substituted for cash.

**II. CONCERN:** *Possible irregularities in the court fund collections.*

**FINDING (1):** The police department receipts monies received for bonds and some fines during the night hours and on weekends. The bond money is counted in the presence of a police department employee, placed into a sealed envelope, and placed into a locked drop box. The money placed in the locked drop box was retrieved by a City employee to be receipted and deposited into the court fund account. We obtained the police department's receipt book to verify all monies receipted had been properly deposited. We traced the name listed on the receipt to the court docket to obtain a case number. Then the case file was obtained to determine the date paid and receipt number. Police department receipts in the amount of \$2,609.00 appear to have not been deposited. (See Appendix B)

Some case files could not be located. The case files we reviewed listed the City's receipt number, date receipted, and was signed by the former utilities clerk. We compared the receipt numbers listed on the case file to the City's cash receipts control report noting, in most instances, the receipts on the report were issued to a different individual, the amount did not agree, and it usually reflected a payment for utilities. Based on this information, it appears the former utilities clerk recorded false information on the case files to indicate the cash had been receipted and deposited.

**RECOMMENDATION:** We recommend that all court fund deposits list the total cash and each individual check to assure collections were deposited. Also, the deposit totals should be reconciled to the receipts to assure that checks are not substituted for cash.



**FINDING (2):** While tracing the citations to the case jacket we noted that the citation had been issued a case number, but the jackets were not filed in case order. The case jackets were piled in file drawers with no sequential filing order.

**RECOMMENDATION:** We recommend that the Council establish policy and procedures to assure that citations be given a sequential case number and filed in sequence. This will assure that the City can determine the status of the court cases. Also, the case jackets should reflect all information verifying the disposition of the case and payments, including date paid and receipt number.

**III. CONCERN:** *Possible payment of personal telephone expenses.*

**FINDING (1):** During a conversation with the City clerk/treasurer, she stated that she had a cellular telephone owned by the City that she had used to make personal calls. She stated that she believed the charges were made in 1996 or 1997 and that the bill was for approximately \$200. She said that she told the accounts payable clerk not to pay the bill that she would pay it, but it was presented to City Council and they approved the payment. Also, she stated that she intended to pay the money back to the City, but never did.

We obtained a copy of the telephone bill dated April 30, 1997, which reflected a \$257.40 previous balance that was for the personal charges. Also, we received documentation from the clerk/treasurer documenting that \$200.00 was paid by the City on September 13, 2000 for these charges. The clerk/treasurer stated that this amount was for the charges of personal calls. The personal use of the cellular telephone and payment of these charges by the City appear to be a violation of **21 O.S. § 341**.

**RECOMMENDATION:** We recommend the District Attorney review this finding to determine the necessary action to be taken.

**OTHER FINDINGS AND RECOMMENDATIONS**

**FINDING:** During our review of the City's records, we noted that there is no segregation for the City and authority records. The receipts for the City and authority are issued in numerical sequence with no separation of the two (2) different entities. Also, the journals, ledgers, and reports include information for both entities. The segregation of the City and authority collections would assure money is properly deposited to the correct account. These are two (2) separate entities governed by different boards.

**RECOMMENDATION:** We recommend the City establish a policy to prohibit the personal use of City-owned cell phones.

## APPENDIX

**APPENDIX A**

RECEIPT DATE	AMOUNT DEPOSITED	TOTAL AMOUNT PER WORK ORDER	VARIANCE
<b>FISCAL YEAR 2001-02</b>			
07/16/01	\$1,130.00	\$1,300.00	(\$170.00)
08/14/01	1,315.00	1,345.00	(30.00)
09/17/01	0.00	200.00	(200.00)
10/15/01	0.00	1,000.00	(1,000.00)
12/11/01	0.00	470.00	(470.00)
01/14/02	250.00	900.00	(650.00)
03/05/02	0.00	200.00	(200.00)
03/06/02	0.00	200.00	(200.00)
03/11/02	210.00	410.00	(200.00)
03/18/02	600.00	1,445.00	(845.00)
04/01/02	10.00	210.00	(200.00)
04/22/02	200.00	400.00	(200.00)
04/25/02	400.00	200.00	200.00
04/29/02	0.00	200.00	(200.00)
05/06/02	420.00	620.00	(200.00)
05/07/02	0.00	800.00	(800.00)
06/14/02	400.00	800.00	(400.00)
06/25/02	0.00	250.00	(250.00)
(1)	0.00	250.00	(250.00)
<b>TOTAL FY 02</b>			<b>(\$6,265.00)</b>

RECEIPT DATE	AMOUNT DEPOSITED	TOTAL AMOUNT PER WORK ORDER	VARIANCE
<b>FISCAL YEAR 2002-03</b>			
08/05/02	0.00	2,200.00	(2,200.00)
08/09/02	210.00	740.00	(530.00)
09/09/02	0.00	600.00	(600.00)
09/16/02	0.00	1,290.00	(1,290.00)
10/01/02	0.00	10.00	(10.00)
10/09/02	0.00	200.00	(200.00)
10/31/02	1,400.00	1,300.00	100.00
12/16/02	0.00	10.00	(10.00)
12/20/02	20.00	10.00	10.00
12/28/02	0.00	10.00	(10.00)
12/30/02	0.00	675.00	(675.00)
01/16/03	175.00	200.00	(25.00)
03/14/03	2,425.00	2,625.00	(200.00)
04/15/03	0.00	400.00	(400.00)
(1)	0.00	250.00	(250.00)
(1)	0.00	200.00	(200.00)
(1)	0.00	400.00	(400.00)
(1)	0.00	200.00	(200.00)
(1)	0.00	200.00	(200.00)
<b>TOTAL FY 03</b>			<b>(\$7,290.00)</b>
<b>FISCAL YEAR 2003-04 (JULY 1, 2003-AUGUST 31, 2003)</b>			
08/08/03	0.00	200.00	(200.00)
08/11/03	1,895.00	2,095.00	(200.00)
<b>TOTAL FY 04</b>			<b>(\$400.00)</b>
<b>TOTAL</b>			<b>(\$13,955.00)</b>

(1) – Work orders did not document receipt number or date. We reviewed receipt reports to determine if amount was deposited.

APPENDIX B

RECEIPT NO.	AMOUNT	CITY'S RECEIPT REFLECTS
496	\$85.00	No receipt located
497	85.00	Different individual's utility payment and incorrect date
508	85.00	Different amount and individual's utility payment
509	85.00	Different amount and individual's utility payment
512	85.00	Fine payment for different individual
513	85.00	Different amount and individual's utility payment
517	85.00	No receipt located
518	85.00	Different amount and individual's utility payment
520	85.00	No receipt located
522	85.00	CDBG project and incorrect date
523	85.00	Utility transfer and incorrect date
524	85.00	No receipt located
525	85.00	No receipt located
526	85.00	Fine payment for different individual
527	85.00	Different amount and individual's utility payment
531	112.00	No receipt located
533	85.00	Fine payment for different individual
536	95.00	Payment for 1 fine receipted, no receipt for other fine
539	85.00	Fee for yard sale permit
540	85.00	Different amount and individual's utility payment
542	85.00	Different amount and individual's utility payment
543	85.00	Boat permit
545	55.00	No receipt located
549	85.00	Different amount and individual's utility payment
552	140.00	No receipt located
554	75.00	No receipt located
556	85.00	No receipt located
560	110.00	Only portion of cash receipted
563	85.00	No receipt located
564	67.00	No receipt located
<b>TOTAL</b>	<b>\$2,609.00</b>	