

OSAGE COUNTY NUTRITION PROGRAM

SPECIAL AUDIT REPORT

SEPTEMBER 1, 2004 THROUGH OCTOBER 31, 2005

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STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

Jeff A. McMahan
State Auditor and Inspector

July 11, 2006

Honorable Larry Stuart
District Attorney – District No. 10
P.O. Box 147
Pawhuska, Oklahoma 74056

Transmitted herewith is the Special Audit Report of the Osage County Nutrition Program, Pawhuska, 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 Program.

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,

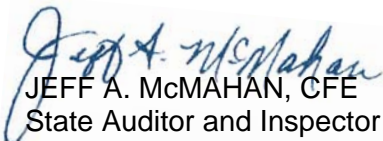

JEFF A. McMAHAN, CFE
State Auditor and Inspector

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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 deposits to the Osage County Nutrition Program..... 7*
- II. **CONCERN:** *Possible irregularities in expenditures of the Osage County Nutrition Program . 9*

GOVERNING BOARD

Clarence Brantley Chairman
District No. 1 County Commissioner

Scott Hilton..... Member
District No. 2 County Commissioner

Jim Clark Member
District No. 3 County Commissioner

NUTRITION PROGRAM

Laurie Wells Current Director
January 2006 to present

Doris Long..... Former Director
June 2005 – October 2005

Lenda James Former Director
Retired May 2005



STATE OF OKLAHOMA

OFFICE OF THE AUDITOR AND INSPECTOR

Jeff A. McMahan
State Auditor and Inspector

Mr. Clarence Brantley, Chairman
Osage County Board of County Commissioners
Osage County Courthouse
600 Grandview Street
Pawhuska, Oklahoma 74056

Dear Mr. Brantley:

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 Osage County Nutrition Program, Pawhuska, Oklahoma for the period September 1, 2004 through October 31, 2005.

The objectives of our special audit primarily included but were not limited to, the areas noted in the index of specific concerns and are presented in their entirety in italics as they were communicated to us. 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 Osage County Nutrition Program for the period September 1, 2004 through October 31, 2005. 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 do not extend to any financial statements of the Program taken as a whole.

This report is intended solely for the information and use of District Attorney Larry Stuart, the Osage County Board of County Commissioners, and the Administration of the Osage County Nutrition Program 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,

A handwritten signature in blue ink that reads "Jeff A. McMahan".

JEFF A. McMAHAN, CFE
State Auditor and Inspector

June 22, 2006

INTRODUCTION

The Osage County Nutrition Program, located in Pawhuska, Oklahoma, provides hot, nutritionally balanced lunches served at 6 congregate nutrition sites (Cedar Ridge, Fairfax, Hominy, Shidler, Skiatook, Barnsdall) or delivered by volunteers to those who are homebound in Osage County. The congregate sites also provide recreation, nutrition education and social service information. The Osage County Nutrition Program receives most of its funding from the Tulsa Area Agency on Aging (TAAA) through the Older American Act federal funds.

The State Auditor and Inspector conducted a special audit of the records of the Osage County Nutrition Program, 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.

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HISTORY OF EVENTS – BACKGROUND FOR SA&I’S INVESTIGATIVE AUDIT: On October 12, 2005 the Director of the Osage County Nutrition Program admitted to the District 1 Osage County Commissioner that she had been embezzling funds from the Fairfax Nutrition site (The Director admitted to \$8,000.00). The admission appears to have been initiated by an upcoming audit by the Tulsa Area Agency on Aging (TAAA) who administers the Nutrition Program’s funding. The Director was immediately suspended without pay pending an investigation of the Nutrition Program’s funds.

We received an Osage County District Attorney’s request, dated October 13, 2005, to perform an audit of the Osage County Nutrition Program. Our objective was to determine the amount taken by the former Director and if any other irregularities existed within the Nutrition Program’s account.

CONCERNS, FINDINGS AND RECOMMENDATIONS

I. CONCERN: *Possible irregularities in deposits to the Osage County Nutrition Program.*

FINDING: We obtained the Fairfax Nutrition Program bank statements for the period June 2004 thru October 2005. We traced each deposit for daily donations from clients at each site to a Miscellaneous receipt in the County Treasurer’s office for the Nutrition account. However, it was noted that not all of the Fairfax site donations had been deposited with the County. It was found that the former Director had diverted the Fairfax donations and deposited the monies into another account named the Osage County Advocates for the Elderly. The deposits are as follows:

Deposit				
<u>Date</u>	<u>Check No.</u>	<u>From</u>		<u>Amount</u>
11/22/04	143	Fairfax Services		\$ 424.47
12/13/04	144	Fairfax Services		900.45
01/31/05	145	Fairfax Services		908.17
03/21/05	147	Fairfax Services		**919.22
04/07/05	148	Fairfax Services		1177.52
05/05/05	149	Fairfax Services		928.00
06/07/05	150	Fairfax Services		902.42
07/07/05	151	Fairfax Services		913.29
08/05/05	152	Fairfax Services		844.43
09/07/05	153	Fairfax Services		1022.45
09/26/05	154	Fairfax Services		596.58
10/05/05	155	Fairfax Services		**434.06
		Total Funds Diverted		<u>\$9971.06</u>

** - See *Attachments No. 1 and No. 2* for Miscellaneous Receipt documentation.

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The Osage County Nutrition Program is an active member of the Osage County Advocates for the Elderly (the Advocates). The group was formed in 1997 to promote and increase the quality of life for the elderly. The Advocates operate on donations only and use those donations to host an annual free Senior Health Fair in the early spring with the Project Director as the Chair of the Health Fair and the Nutrition Site furnishing the meal.

The following are other irregularities noted during our examination:

- The Advocate account was opened on April 19, 1999; however, it was opened with the County Federal tax identification number. This appears invalid since the Advocate group is a non-profit organization, a completely separate entity from the County. When the Advocate account was opened, bank records indicate checks required two signatures for approval. At some point in time the former Director became the only required signature for check approval (Bank records do not reflect the date of change).
- While reviewing County Treasurer's miscellaneous receipts, we noted that two receipts had been altered to conceal the fact that Fairfax's deposit had not been deposited into the County's depository. **See Attachments No. 1 and No. 2**

It appears the former Director diverted Nutrition funds to the Advocate account for personal expenses. While reviewing the Advocate account, we noted expenditures for personal items of the former Director. They are as follows: **See Attachment No. 3**

<u>Date</u>	<u>Check Number</u>	<u>Amount</u>	<u>Payee</u>	<u>Purpose</u>	<u>Signed By</u>
12/20/2004	OTC/withdrawal	\$ 610.00	Myself Only	Not Denoted	Doris Long
03/23/2005	OTC/withdrawal	300.00	Myself Only	Not Denoted	Doris Long
02/09/2005	318	118.61	City of Pawhuska	Utility Assistance	L.James/Doris Long
07/08/2005	291	129.09	City of Pawhuska	Not Denoted	Doris Long
08/05/2005	299	<u>204.93</u>	City of Pawhuska	Not Denoted	Doris Long

OTC=Over the Counter Withdrawal \$1,362.63

We traced the above City of Pawhuska payments back to City utility records and found payments to the account of the former Director's spouse. A City utility clerk also verified it was the former Director who had remitted the payments to the City.

We also noted numerous automatic clearing house (ACH) debits on a monthly basis to U.S. Cellular, Dish Network, and SBC. The Advocate account had no invoices or supporting documentation to verify these expenditures. There were other questionable expenses in the Advocate account, but due to time restraints, we did not contact the vendors. However, it appears that most of the diverted funds were used for the former Director's personal expenses.

The above finding appears to be in violation of **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 and shall be punished by a fine of not to exceed Five Hundred Dollars (\$500.00), and by imprisonment in the State Penitentiary for a term of not less than one (10 year nor more than twenty (20) years and, 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.”

Furthermore, **19 O.S. Supp. 2002, § 641** states in part,

“If any county treasurer or other officer or person charged with the collection, receipt, safekeeping, transfer or disbursement of the public money, or any part thereof, belonging to the state or to any county, precinct, district, city, town or school district of the state shall convert to the officer’s or person’s own use or to the use of any other person, body corporate or other association ... or if any person shall advise, aid, or in any manner knowingly participate in such act, such county treasurer, or other officer or person shall be guilty of an embezzlement. Upon conviction thereof, such county treasurer or other officer or person shall be punished as provided in subsection C of Section 1451 of Title 21 of the Oklahoma Statutes.”

RECOMMENDATION: We recommend the proper authorities review this finding to determine the appropriate action necessary.

II. CONCERN: *Possible irregularities in expenditures of the Osage County Nutrition Program.*

FINDING: The Nutrition Program maintains a U.S. Cellular account for a mobile phone at the Pawhuska office. During our examination, we noted 3 payments by the Nutrition Program for the former Director’s, Lenda James, mobile phone bill. She retired from the Program in May 2005. The payments are as follows:

<u>Date</u>	<u>Purchase Order No.</u>	<u>Amount</u>
09-30-05	61605	\$137.65
11-07-05	62510	36.83
12-30-05	63309	<u>46.21</u>
	Total	<u>\$220.69</u>

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In addition, Doris Long, the Director who followed Mrs. James, had her spouse and daughter on the Nutrition Program's U.S. Cellular account. However, the expense was not paid for by County purchase order. It appears the mobile phone payments for her family were paid through the Advocate's account with the Fairfax donation deposits.

RECOMMENDATION: We recommend the proper authorities review this finding to determine if further action is needed.

FINDING: Subsequent to the former Director's termination, the Nutrition Program received an invoice from Hometown T.V. & Appliance, Pawhuska, Oklahoma, in the amount of \$119.99. The invoice was for a Eureka vacuum cleaner for the Fairfax Nutrition site. The invoice is signed by the former Director. However, the Fairfax site never received the vacuum cleaner and does not have carpet at its location. The current Director contacted all of the Nutrition sites and was informed that they had not received a vacuum cleaner either. The invoice has not been paid by the County to this date. It appears the former Director may have obtained the vacuum cleaner for personal use.

RECOMMENDATION: We recommend the proper authorities review this finding to determine if further action is warranted.

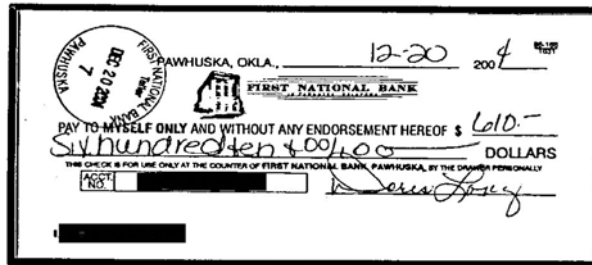
* * *

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.

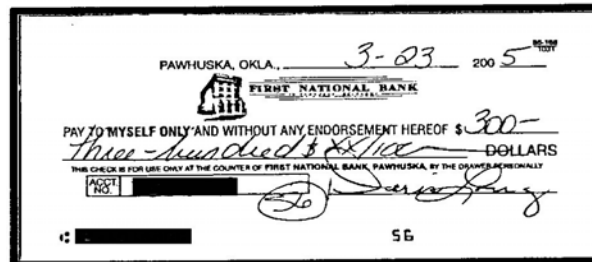
The inclusion of cites to specific statutes or other authorities within this report does not, and is not intended to, constitute a determination or finding by the State Auditor and Inspector that the Nutrition Program or any of the individuals named in this report or acting on behalf of the Nutrition Program 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 Nutrition Program'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.

OSAGE COUNTY NUTRITION PROGRAM
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ATTACHMENT No. 3



Acct # [REDACTED] Debit, 12/20/2004, 610.00



Acct # [REDACTED] Debit, 03/23/2005, 300.00

The Over the Counter Withdrawals (OTC) shown above, were found in the Advocates account bank statements.