

INVESTIGATIVE AUDIT REPORT

# TOWN OF STONEWALL

Release Date June 20, 2017



*Independently serving the citizens of  
Oklahoma by promoting the  
accountability and fiscal integrity of  
governmental funds.*



Oklahoma State  
Auditor & Inspector  
Gary A. Jones, CPA, CFE

**TOWN OF STONEWALL**  
**PONTOTOC COUNTY, OKLAHOMA**  
**INVESTIGATIVE AUDIT REPORT**  
**RELEASE DATE JUNE 20, 2017**

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This publication, issued by the Oklahoma State Auditor and Inspector's Office as authorized by **74 O.S. § 227.8**, has not been printed but is available on our agency's website ([www.sai.ok.gov](http://www.sai.ok.gov)) and in the Oklahoma Department of Libraries Publications Clearinghouse Digital Prairie Collection, (<http://digitalprairie.ok.gov/cdm/search/collection/audits/>) pursuant to **65 O.S. § 3-114**.



## Report Highlights

### WHY WE CONDUCTED THIS AUDIT

The Town Board of Trustees requested the assistance of the Oklahoma State Auditor and Inspector in conducting an audit of the Town of Stonewall. The Board expressed concerns related to Jeanne Braum, the former clerk/treasurer, involving improper compensation and possible misappropriation of cemetery funds.

### KEY FINDINGS

- Jeanne Braum received \$4,701.23 in compensation for which there were no Time Card Reports available to support the payments. (Pg. 3)
- Jeanne Braum was compensated \$2,949.67 for hours in excess of the hours reflected on her time records. (Pg. 3)
- Jeanne Braum was issued \$600 for insurance stipends in excess of the amount authorized by the Board. (Pg. 4)
- Jeanne Braum appeared to have been paid an extra \$200 Christmas Bonus outside of Board approval. (Pg. 4)
- Jeanne Braum received \$3,193.85 in gross pay for unused vacation leave in violation of Town policy. (Pg. 5)
- Jeanne Braum was issued twenty-seven payroll advances totaling \$7,150. Records show there was a total of \$2,580 in payroll advances that had not been repaid. (Pg. 7 and 8)
- Jeanne Braum was issued two checks totaling \$792.90 in which there was no documentation to determine the authorized purpose. (Pg. 8)
- Cemetery cash collections of \$1,910 could not be traced to deposit in the Cemetery Perpetual Fund bank account. (Pg. 11)
- The Treasurer's Reports submitted to the Board of Trustees did not include the Cemetery Perpetual Fund cash collections that had not been deposited. (Pg. 11)



# Oklahoma State Auditor & Inspector

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June 20, 2017

To the Board of Trustees of the Town of Stonewall:

Pursuant to your request, and in accordance with the requirements of **74 O.S. § 227.8**, we performed an investigative audit of the Town of Stonewall for the period July 1, 2013 through March 31, 2016.

The objectives of our investigation primarily included, but were not limited to, the areas noted in the Board's request. The results of the investigation, related to these objectives, are presented in the accompanying report.

Because the procedures of an investigative audit 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 Stonewall for the period July 1, 2013 through March 31, 2016.

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

This document is a public document pursuant to the Oklahoma Open Records Act, in accordance with **51 O.S. §§ 24A.1, et seq.**

Sincerely,

A handwritten signature in blue ink that reads "Gary A. Jones". The signature is written in a cursive style with a long, sweeping underline.

GARY A. JONES, CPA, CFE  
OKLAHOMA STATE AUDITOR & INSPECTOR

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**TOWN OFFICIALS**

(As of March 31, 2016)

Jim Mills..... Mayor  
William Nichols ..... Trustee  
Janet Truitt..... Trustee  
Richard Dickerson ..... Trustee  
Lori Roundtree ..... Trustee  
Dennis Heath ..... Town Administrator

## INTRODUCTION

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

**11 O.S. § 12-101 states:**

The form of government provided by Sections 11-12-101 through 11-12-114 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 accordance with the Board's request the Office of the State Auditor and Inspector has conducted an investigative audit primarily related to the objectives listed in the accompanying *Table of Contents*.

The results of our inquiry are included in the following report and were prepared for the Town Board along with officials with oversight responsibilities.

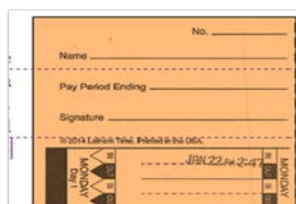
**OBJECTIVE I Clerk/Treasurer Compensation**

**Background**

During our audit period, July 1, 2013 through March 31, 2016, the Town utilized an automated time and attendance system for tracking employee time. Employees are provided cards, which resemble credit cards that are inserted into the card reader to record an employee's time in and time out.



The automated timekeeping system's software generates a 'Time Card Report' which reflects the time and attendance for each employee. The software provides a breakdown of the employee's time in and time out, total daily hours, and total hours for each pay period.



On October 12, 2015, the Board approved the purchase of an additional time recording system, a 'clock-in time system'. This system was purchased to provide a *secondary method* of tracking employee time. The image shown at left is an example of the time card utilized in the 'clock-in time system'.

For the period November 2015 through March 2016, there were only five payroll periods in which records from the 'clock-in time system' were provided. The small number of records that were provided were inaccurate and incomplete. As a result we relied on the automated timekeeping systems Time Card Reports in our audit test work.

**Finding**

**In many instances, former clerk/treasurer Jeanne Braum bypassed the automated timekeeping system and manually input her time in and/or time out.**

Former clerk/treasurer Jeanne Braum had administrative rights for the automated timekeeping software which provided her the ability to bypass use of the card reader and input, edit, and/or delete her own time and hours recorded.

Although the Town installed the automated timekeeping system to account, track, and verify employee time and attendance, there were numerous instances in which Braum bypassed the system and manually input her time. Several of the instances in which time was manually recorded included Saturdays and Sundays.



There appeared to be no independent review of time records, and no controls were in place to verify the validity of manually input hours.

**Finding**

**Jeanne Braum received \$4,701.23 in compensation for which there were no Time Card Reports available to support the payments.**

We requested Time Card Reports generated from the automated timekeeping software for the time periods beginning June 28, 2013 through March 4, 2016, records for several payroll periods were missing.

The table reflects payroll checks issued to Jeanne Braum in which there were no Time Card Reports provided to support the payments.

Date	Check #	Amount	Payroll Period
12/11/14	5355	\$881.00	11/28/14 to 12/12/14
10/30/15	5800	\$1,033.36	10/16/15 to 10/30/15
12/11/15	5849	\$791.00	11/27/15 to 12/11/15
1/22/16	5894	\$1,077.74	1/8/16 to 1/22/16
3/4/16	5963	\$918.13	2/19/16 to 3/4/16
<b>Total</b>		<b>\$4,701.23</b>	

Town of Stonewall Employment Policy states in relevant part:

All hourly wage employees are required to complete time cards to record their hours worked. **Undocumented work will not be compensated.** [Emphasis added]

Title **51 O.S. § 24.A.4** also requires that records be maintained for all transactions. The statute states:

In addition to other records which are kept or maintained, every public body and public official has a specific duty to keep and maintain complete records of the receipt and expenditure of public funds reflecting all financial and business transactions related thereto, except that such records may be disposed of as provided by law.

In an interview, Jeanne Braum could not provide an explanation for the missing records.

**Finding**

**Jeanne Braum was compensated \$2,949.67 for hours in excess of the hours reflected on her time records.**

For the period July 2013 through March 2016, we re-calculated Jeanne Braum's time and pay as reflected on her automated Time Card Reports to her actual compensation. During this time, Braum was paid \$2,949.67 for hours worked in excess of the hours documented on those Reports.

In an interview, Jeanne Braum was unable to provide a reason for the discrepancies. Braum claimed that she maintained a separate "booklet" to

record some of the hours she worked but she could not recall its whereabouts.

**Finding                      Jeanne Braum was issued \$600 for insurance stipends in excess of the amount authorized by the Board.**

On June 23, 2014, the Board authorized a \$100 per month insurance stipend for full-time employees for FY14-15. The FY15-16 stipend was also authorized as \$100 per month through the budget process.

Check Number	Check Date	Amount	Additional Payment
5125	7/3/14	\$100	
5163	7/31/14	\$100	\$100
5395	1/15/15	\$100	
5416	1/23/15	\$100	\$100
5554	5/7/2015	\$100	
5566	5/20/15	\$100	\$100
5581	6/1/15	\$100	
5584	6/18/15	\$100	\$100
5719	9/2/15	\$100	
5747	9/25/15	\$100	\$100
5881	1/12/16	\$100	
5920	1/29/16	\$100	\$100
<b>Total</b>			<b>\$600</b>

Although the Board authorized stipend was \$100 per month, there were six instances in which Jeanne Braum was paid a second stipend in the same month. The extra stipend pay totaled \$600.

The table illustrates the months in which Jeanne Braum was issued two \$100 stipends.

In an interview, Braum confirmed the stipend was \$100 a month. When she was asked about the additional \$100 payments, she thought the Board approved “something” but she could not recall any additional information.

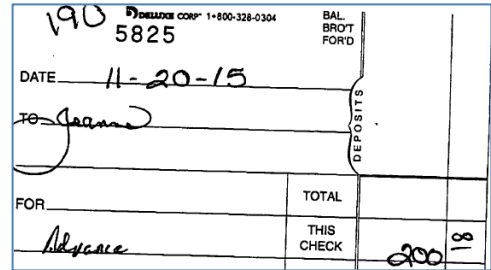
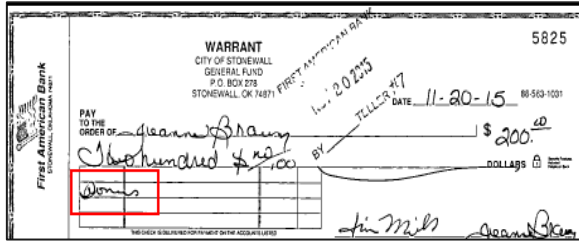
We found no evidence the Board approved any additional stipend pay for Braum.

**Finding                      Jeanne Braum appeared to have been paid an extra \$200 Christmas Bonus outside of Board approval.**

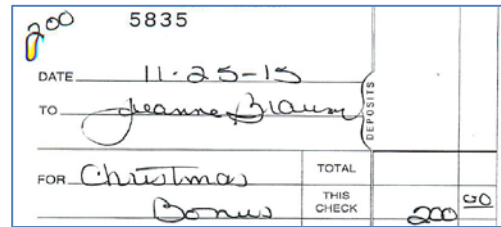
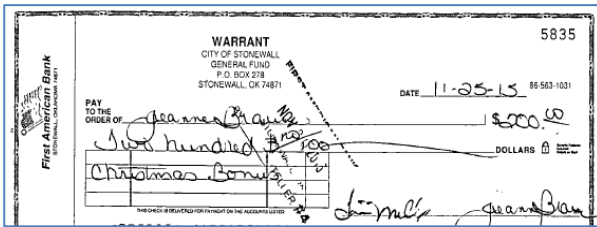
On November 20, 2015, the Board voted in favor of providing a \$200 Christmas bonus for full-time employees. The minutes read:

**3. Discuss/Vote on Christmas Bonuses:** Nichols motioned for the full time employees to receive a \$ 200.00 bonus and part time employees to receive a \$ 100.00 bonus and Prince seconded for approval.  
Vote taken: Nichols, Mills, Roundtree and Prince                      Nay – none, all approve

Check #5825 dated November 20, 2015, was issued to Jeanne Braum in the amount of \$200. The purpose of the check as noted in the description was “Bonus”. The check stub for the same check reflected the check was issued for an “Advance”.



Five days later, on November 25, 2015, Jeanne Braum was issued check #5835 for \$200. The purpose of this check was noted as “Christmas Bonus”. The corresponding check stub also noted the payment was for a “Christmas Bonus”.



In an interview, Jeanne Braum could not recall any information concerning the extra \$200 payment.

**Finding**

**Jeanne Braum received \$3,193.85 in gross pay for unused vacation leave in violation of Town policy.**

Town policy precludes the payment of unused vacation leave prior to separation from employment, policy provides in relevant part:

No compensation is to be paid for unused vacation days. However, if the employee terminates for purposes of being laid off or resignation, any unused vacation days will be paid at the pro-rata rate for which the employee is receiving compensation.

Jeanne Braum received the following compensation for unused vacation leave while still employed with the Town.

**TOWN OF STONEWALL  
INVESTIGATIVE AUDIT  
DATE OF RELEASE: JUNE 20, 2017**

Check Number	Check Date	Check Amount	Gross Pay	Description <sup>1</sup>
4822	10/10/2013	\$338.55	\$385.00	1 week vacation pay
5079	5/16/2014	\$339.55	\$385.00	Vacation
5292	10/24/2014	\$322.37	\$372.90	1 week vacation
5312	11/6/2014	\$477.56	\$559.35	1 1/2 vacation
5341	11/28/14	\$322.37	\$372.90	1 WK VACATION
5624	6/26/2015	\$637.75	\$745.80	Vacation Pay
5695	8/10/2015	\$329.37	\$372.90	1 -wk vacation pay
<b>Total</b>		<b>\$2,767.52</b>	<b>\$3,193.85</b>	

As noted above, check #5624 was issued for "Vacation Pay". The notation of "Vacation Pay" was designated on the check stub not the actual check as shown below. On the same day check #5626 for regular payroll was also issued. Each check was signed by Jeanne Braum but countersigned by two different board members.

In an interview Mayor Jim Mills acknowledged he did not review supporting documentation when signing checks and was only interested with the payee named on the check. If both checks had been presented to only one board member the checks may have been questioned, since it would have appeared that Jeanne Braum was issued two payroll checks for the June 12, 2015 through June 26, 2015, payroll period.

Because each check was presented to a different board member, it gave the impression that each check being signed was a regular payroll check absent any knowledge of the check signed by the other board member.

<sup>1</sup> Descriptions are verbatim from the check, the check stub, or the corresponding purchase order.

**Finding**                      **There were no records accounting for Jeanne Braum’s vacation leave accruals, deductions, or balances.**

Although the payment of unused vacation leave to Jeanne Braum was prohibited by Town policy, we still attempted to verify leave balances. No records could be provided to support the amount of leave paid.

**Finding**                      **Jeanne Braum was issued twenty-seven payroll advances totaling \$7,150.**

Through twenty-seven separate payments, Jeanne Braum was issued a total of \$7,150 in payroll advances during the period July 1, 2013 through March 31, 2016.

**Article 10 § 15** of the **Oklahoma Constitution** provides in relevant part:

Except as provided by this section, the credit of the State shall not be given, pledged, or loaned to any individual...

There was also a provision for payroll advances in the Town’s employee policies. The Town policy related to advance pay states:

Advance pay is only authorized in emergency situations as a stop-gap to alleviate significant financial hardship and *should not be considered a form of a loan*. Advance pay will only be approved upon written request from the employee. The request must be submitted to the employee’s supervisor, who will forward the request with their recommendation to the city administrator. If authorized, the advance payment will be deducted in its entirety from the next paycheck. At no time may an employee receive advance pay and defer the deduction from their paycheck to the next pay period. [Emphasis added]

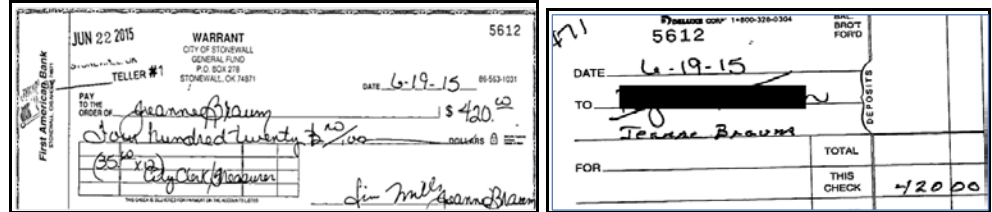
While the policy requires approval upon a written request from the employee, the town administrator stated at no time did he receive a written request or in any way authorize Jeanne Braum’s payroll advances.

Mayor Jim Mills stated in an interview that he was aware Jeanne Braum had received some payroll advances but did not believe they were on a regular basis, and that they were generally around \$100.

As noted, Town policy provides that, *“the advance payment will be deducted in its entirety from the next paycheck.”* Of the twenty-seven payroll advances made, there were only two instances in which the advance repayment was deducted in its entirety from the next payroll check. Specific advance payment transactions included:

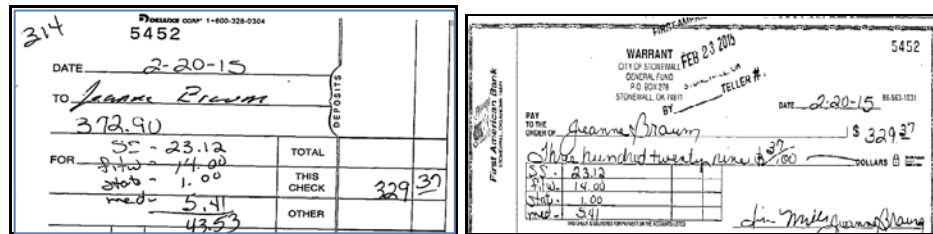


Documentation was insufficient to determine the purpose of the payment. According to Braum, check #5612 was back pay for attending board meetings.



According to the Town Administrator, monthly gratuities were paid to the mayor and trustees. He indicated Braum was compensated for board meetings by recording her time. He was unaware that she would have received a separate payment for board meetings.

The check and corresponding pay stub for check #5452 contained no descriptions, reflecting nothing but withholding calculations. The corresponding payroll for the period ended on February 20, 2015, and was paid on check #5443 issued on February 19, 2015.



In an interview, Jeanne Braum could not recall the purpose of check #5452, but thought it could have been compensation for unused vacation.

**Finding**

**There was a complete lack of oversight pertaining to the payroll and time keeping responsibilities of former town clerk/treasurer Jeanne Braum.**

Jeanne Braum was responsible for all aspects of the payroll system including maintaining time records, time reporting, preparing checks, and time reconciliations.

There was no independent verification of time reported by Jeanne Braum, or any review of her time records or the compensation she was paid. The only oversight of payroll related activity was through the budget process.

Although checks in question were all countersigned by a board member, generally by the mayor, there appeared to be no review of supporting documentation at the time of signing.

In an interview, Mayor Mills acknowledged he signed the checks but never looked at supporting documentation or inquired as to the purpose of the payments.

To provide more accountability for employee hours, on October 12, 2015, the Board voted in favor of adding a manual time clock as a secondary timekeeping system. As with the electronic timekeeping records, the manual 'clock-in' time records that were available for Jeanne Braum also showed there continued to be no review or oversight. The addition of another employee timekeeping system did not appear to provide any additional control over payroll disbursements.



**OBJECTIVE II Cemetery Funds**

**Background** The Town has established a Cemetery Perpetual Fund for collections from the sale of burial plots.

The receipt books for payments for cemetery burial plots also included collections for various donations, lease payments, police reports, etc. We used the description on the receipts to identify the collections for the sale of burial plots.

**Finding Cemetery cash collections of \$1,910 could not be traced to deposit in the Cemetery Perpetual Fund bank account.**

For the period July 1, 2013 through March 3, 2016, we reconciled receipts for burial plot collections to deposits in the Cemetery Perpetual Fund bank account. All receipts classified as cemetery collections were signed by “Jeanne Braum”.

Receipt #	Date	Amount
590556	5/27/2014	\$600
590583	9/10/2014	\$5
631215	4/15/2015	\$250
631217	4/8/2015	\$250
631223	5/11/2015	\$250
631227	6/24/2015	\$5
631265	11/25/2015	\$300
631269	12/21/2015	\$150
631281	2/23/2016	\$100
		<b>\$1,910</b>

For the period July 1, 2013 through March 31, 2016, \$19,850 in *check* payments were reconciled to deposits in the cemetery bank account.

For the same period, \$1,910 in *cash* payments collected for cemetery burial plots could not be traced to deposit in the cemetery bank account. The table reflects the receipts for cash payments that could not be traced to deposit.

For the entire period reviewed, we noted only \$9 in cemetery cash receipts were deposited into the cemetery bank account. However, we did identify \$100 in cash deposited that had not been receipted.

**Finding The Treasurer’s Reports submitted to the Board of Trustees did not include the Cemetery Perpetual Fund cash collections that had not been deposited.**

The Board minutes reflected that Jeanne Braum, the former clerk/treasurer, submitted financial information to the Board for approval under the agenda item titled, “Treasurer’s Report”. Included in the financial information was a monthly financial report for the cemetery, which included a beginning balance, deposits, expenses and an ending balance.<sup>3</sup>

<sup>3</sup> See example of a Cemetery Fund financial report at Exhibit 1.

We noted receipts for cash collections, which could not be traced to deposit, were omitted from the reports. We cite the following examples:

- The Cemetery Financial Report for April 2015, reflected \$150 in deposits for the month, which reconciled to the total checks deposited. However, there was also \$500 in cash collections during the month that were not deposited and were not included in the monthly financial report.
- The Cemetery Financial Report for May 2015, reflected \$300 in deposits for the month, which reconciled to the total checks deposited. However, there was also a \$250 cash collection on May 11, 2015, that was not deposited and was not included in the monthly financial report.
- The Cemetery Financial Report for November 2015, reflected \$50 in deposits for the month, which reconciled to the total checks deposited. However, there was also a \$300 cash collection on November 25, 2015, that was not deposited and was not included in the monthly financial report.
- The Cemetery Financial Report for December 2015, reflected \$100 in deposits for the month, which reconciled to the total checks deposited. However, there was also a \$150 cash collection on December 21, 2015, that was not deposited and was not included in the monthly financial report.

**Finding**

**Receipts were not issued for all collections.**

During the process of reconciling receipts to deposits, we identified twenty-two *checks* totaling \$2,922.57 that were deposited into the Cemetery Perpetual Fund bank account, but could not be traced to a corresponding receipt.

Title **51 O.S. § 24.A.4** requires that records be maintained for all transactions. The statute states in relevant part:

In addition to other records which are kept or maintained, every public body and public official has a specific duty to keep and maintain complete records of the receipt and expenditure of public funds...

Receipts should be written for all collections and reconciled to deposits on a daily basis.

**Exhibit 1**

<b>TOWN OF STONEWALL</b>		
<b>Fiscal Year 2015/2016</b>		
<b>Financial Report for the Month of December</b>		
<b>CEMETERY FUND</b>		
<b>Beginning of Month</b>		<u>\$ 9,034.11</u>
Deposits		
Purchase/payment (plots)	\$ 100.00	
<b>Total Deposits</b>		<u>\$ 100.00</u>
Expenses		
██████████ gate	\$ 528.90	
SPWA	\$ 400.00	
Payroll	\$ 155.41	
<b>Total Expenses</b>		<u>\$ 1,084.31</u>
<b>End of Month</b>		<u><u>\$ 8,049.80</u></u>

**DISCLAIMER**

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In this report there may be references to state statutes and legal authorities which appear to be potentially relevant to the issues 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. Such determinations are within the exclusive jurisdiction of regulatory, law enforcement, and judicial authorities designated by law.



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