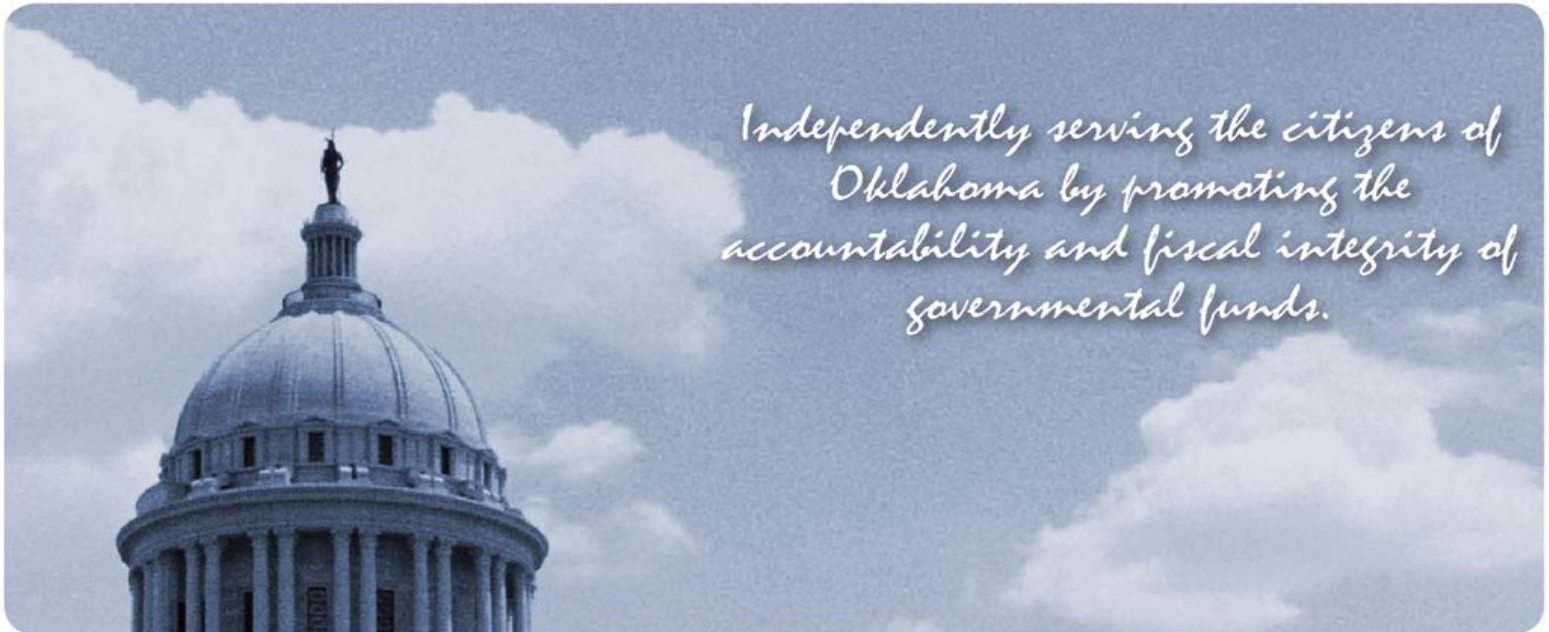


INVESTIGATIVE AUDIT

TOWN OF TERLTON

January 1, 2009 to April 30, 2014



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

TOWN OF TERLTON
PAWNEE COUNTY, OKLAHOMA
INVESTIGATIVE AUDIT REPORT
JANUARY 1, 2009 TO APRIL 30, 2014

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Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

January 13, 2015

The Honorable Rex Duncan
District Attorney, District 10
500 Harrison
Pawnee, OK 74058

District Attorney Rex Duncan:

Pursuant to your request and in accordance with the requirements of **74 O.S. § 212(H)**, we performed an investigative audit of the Town of Terlton for the period January 1, 2009 through April 30, 2014. Transmitted herewith is our report on that investigation.

The objective of our investigation primarily included, but was not limited to, the areas noted in your request. Our findings related to those objectives are presented in the accompanying report.

Because investigative 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 Terlton for the period January 1, 2009 to April 30, 2014.

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.

This document is a public document pursuant to the Oklahoma Open Records Act, and has been approved for release in accordance with **51 O.S. § 24A.12**.

Sincerely,

A handwritten signature in blue ink, appearing to read "Gary A. Jones".

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

TABLE OF CONTENTS

INTRODUCTION1
OBJECTIVE2
OTHER ISSUES7

INTRODUCTION

The Town of Terlton is a small community in Pawnee County, Oklahoma with a population of 106 at the 2010 census. The Mayor and Trustees as of April 30, 2014, were:

Diana Tilley-Esparza..... Mayor
Nina Gill.....Trustee
Rhonda Walker..... Trustee/Clerk/Treasurer

On April 15, 2014, the State Auditor and Inspector’s office received a request from District Attorney Rex Duncan to conduct an investigation related to questionable transactions carried out by the Town of Terlton’s Clerk/Treasurer.

We met with Mayor Diana Tilley-Esparza on Tuesday, April 23, 2014, to discuss the investigation. According to Tilley-Esparza, Rhonda Walker was serving as the Terlton Clerk/Treasurer on April 16, 2014, when she was requested to relinquish the Town’s financial records. She had been appointed to the Town board to fulfill an unexpired term on July 14, 2009. She was voted to the position of Clerk/Treasurer on August 25, 2009.

Serving as Clerk/Treasurer, Rhonda Walker maintained the Town’s checkbook, paid the Town’s bills and provided financial reports to the Board. According to the Mayor, in the months leading up to April 2014, Walker stopped attending council meetings and returning phone calls and texts. These behaviors raised concerns prompting the Mayor to contact appropriate officials for assistance.

OBJECTIVE Determine if Town funds were misappropriated.

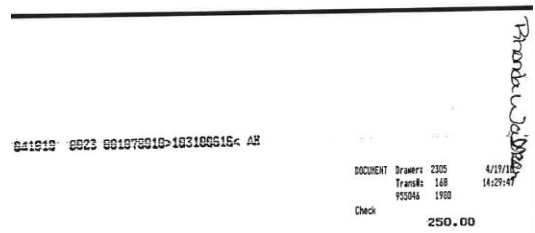
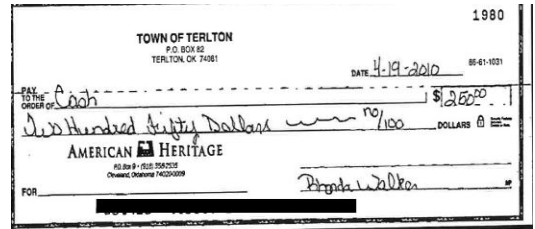
Disbursements

We obtained the Town of Terlton bank statements from American Heritage Bank for the period January 1, 2009 through April 30, 2014, along with copies of checks and deposit sources. All transactions were reviewed for appropriate purpose and supporting documentation.

Finding

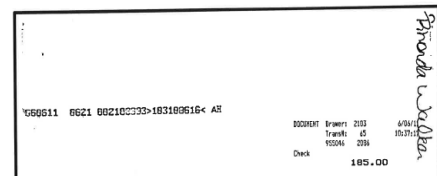
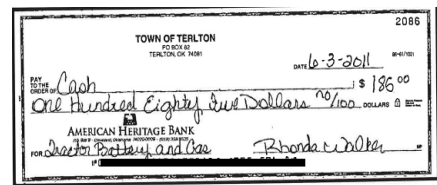
Our investigation identified a potential misappropriation of funds totaling \$77,506.40.

In our review of 411 transactions, we discovered 237 checks endorsed by Rhonda Walker made payable to “Cash”, as shown in the example here, made payable to “Rhonda Walker” or with no payee. One hundred and twenty-two of the checks endorsed by Walker included a note of explanation in the “Memo” line. We requested from Town officials receipts, invoices or any additional supporting documentation available in an attempt to substantiate these notes and transactions as legitimate. We also contacted vendors noted in the “Memo” line in an effort to obtain support for cash transactions.



Through this review we determined that \$925.10 in expenditures could possibly have been for official Town business. This amount was not included in the total questioned misappropriation. The individual issues encompassed in this evaluation are discussed below.

- Seven checks included a notation of “tractor repair” or “tractor parts” in the memo line. According to Mayor Tilley-Esparza, the Town owns a tractor that was used



for approximately three months ending July 2011. It was concluded that Check 2086 dated June 3, 2011 for **\$185**, could have been a legitimate payment to repair the tractor. No receipt or other supporting documentation was provided for this or any other transaction related to tractor maintenance. However, since this transaction occurred within the legitimate time period of when the tractor was in use, we did not include this amount as part of our questioned costs.

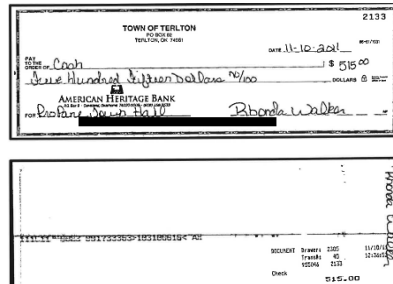
- Check 2093 dated July 11, 2011 for \$250, had the notation of “waterbill/lawyer.” A Town Official provided one invoice from the town’s attorney dated June 20, 2011, for **\$20.50**. This amount was excluded from questioned costs.
- Check 2155 dated March 9, 2012 for \$400, had the memo notation of “printer ink/Cleveland American.” We were provided one invoice from Cleveland American dated January 26, 2012, for **\$14.60**. This amount was excluded from questioned costs. No documentation was provided for the additional amount of the “Cash” payment.
- Several checks included the notation of “water bill” in the memo line. We obtained the water account history for the Town of Terlton for the period of January 2009 – April 2014. For this period, a total of \$705 of the Town’s water bill was paid in cash. We reduced the amount of misappropriated funds by the **\$705** of cash payments.

The following memo notations were also reviewed for possible reductions in questioned costs. However, no additional reductions above the \$925.10 noted above were found.

- There were several checks with notations in the memo line for materials such as “buy pipe town hall,” or “gym repair.” According to Mayor Tilley-Esparza, any construction materials purchased were done so by the contractors responsible for the job. No receipts were provided for any additional construction materials and no approvals were found in meeting minutes for cash payments of construction related activities.

- Several checks included memo notations for the purchase of “supplies.” No receipts were provided for any “supplies” purchased. We also observed no supplies stored at Town Hall.
- Numerous checks included “Terlton Fun Day” in the memo line. There were no receipts provided for “Fun Day” expenditures and we found no discussion or approval for these expenditures in the board minutes.
- A number of checks included notes in the memo line to retail stores including Sam’s Club, Home Depot, and Lowe’s. We were only provided one receipt related to these retail store purchases. This receipt could not be reconciled to any of the checks noted. We also found no approvals in the board minutes for any of these transactions.

- There were eleven checks totaling \$3,870 written to “Cash” with “propane” included in the memo line. We obtained the payment history from the Town’s propane provider. No cash purchases had been recorded in their records for the Town of Terlton.



- Check 2329 and 2317 totaling \$965 had notations in the memo line indicating they were payment to David Poulter. We interviewed Poulter who stated he never received cash for work done for the Town of Terlton.
- Check 2162, dated April 3, 2012, for \$375 included the memo notation of “new printer” and Check 2164 was written on April 10, 2012 for \$450, with the memo notation of “computer.” According to Mayor Tilley-Esparza, the Town neither purchase nor received a computer or printer. No receipts were provided for these purchases.

In summary, of the 122 checks evaluated with memo notations, we determined that \$925.10 could have been legitimate Town expenditures; leaving a potential misappropriation of funds totaling \$77,506.40.

During our review we noted three checks made payable to “Cash” had been endorsed by Rhonda Walker’s son.

Check 2336 dated December 26, 2013 for \$150, and Check 2324 dated October 4, 2013 for \$225, were endorsed by both Rhonda Walker and her son. Since Walker was an endorser on these transactions this \$375 was included in the total misappropriated fund amount noted above.

In addition, check 2365 dated November 19, 2013, in the amount of \$475, was payable to cash with a single endorsement by Rhonda Walker’s son. The cashing of this check was not attributed to Walker and this \$475 was not included in total questioned costs.

Deposits

We obtained copies of all deposit sources from the bank for the period of January 1, 2009 through April 30, 2014, to determine the source of Town revenue. The Town of Terlton did not receipt and deposit funds in the normal course of town business. The majority of Town income was franchise revenue received on an annual basis from Oklahoma Gas & Electric, alcohol beverage taxes paid by warrant through Pawnee County and direct deposit of cigar tax and city sales tax from the Oklahoma Tax Commission.

We received a listing of franchise revenues received by the Town of Terlton from Oklahoma Gas & Electric for the time period under review. We were able to verify that all franchise checks had been deposited into the Town of Terlton checking account.

We also obtained a listing of all warrants issued by Pawnee County to the Town of Terlton. Warrants were traced to deposit in the Town’s bank account. We were able to verify all but one of the warrants had been deposited.

Finding

A Pawnee County warrant payable to the Town of Terlton was not deposited into the Town of Terlton checking account.

Warrant 000021 for Alcoholic Beverage tax in the amount of \$109.91 was issued to the Town of Terlton on September 3, 2010, and cleared the bank on September 9, 2010. This warrant was not deposited into the Town’s

**TOWN OF TERLTON
INVESTIGATIVE AUDIT
RELEASE DATE - JANUARY 13, 2015**

bank account. We were unable to determine into what account this warrant was deposited.

<p>Office of the County Clerk, To the County Treasurer:</p> <p>Warrant Registers <u>9-03-10</u></p> <p><u>Carrie Johnson</u> County Treasurer</p> <p><u>Bobby Briggs</u> By Deput</p> <p>First National Bank Of Pawnee</p>	<p>County of PAWNEE State of Oklahoma District: TERLTON</p> <p>Series: 2910-2011</p> <p>Pay: <u>Exactly one hundred nine and 81 / 100 Dollars</u></p>	<p>Payment No. <u>13</u></p> <p>Warrant Date: <u>9/3/2010</u></p> <p>Warrant Number: <u>000021</u></p> <p>Warrant Amount: \$ <u>109.91</u></p> <p>PAY TO: TOWN OF TERLTON LATINA HARROD TRU/SURRER BOX 82 TERLTON OK 74081</p> <p>Marceline Welch, County Clerk Co. Clerk By <u>Carrie Johnson</u> Deputy</p>
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RECEIVED
Clerk of Court
9/15/2010

TERLTON OK 74081

OTHER ISSUES

Financial Reporting

According to Town officials, Rhonda Walker, as the Town's Clerk/Treasurer was responsible for financial reporting to the Town Board. Financial reports were to be presented on a monthly basis.

The financial reports presented to the Board for August 2009 and September 2009, reconciled with the Town of Terlton's bank statements. There were no financial reports provided for October and November 2009. In December 2009, the financial report presented to the board did not reconcile to the Town's bank statements. No report was provided for January 2010.

Beginning in February 2010 and following through March 2012, the financial reports had balances that did not reconcile to the beginning and ending balances of the bank statements. Checks made payable to "Cash" were omitted from the financial reports, and payments reported did not agree with check numbers or amounts from the bank records.

As shown in the accompanying financial report, the April 2010 report did not include any cash transactions; however, there were three checks payable to "Cash", endorsed by Rhonda Walker and cashed in April 2010.

TOWN OF TERLTON	
<i>FINACIAL REPORT</i>	
<i>Board of Trustee</i>	
April 2010	
Beginning Balance \$39,206.22	
<i>Deposit</i>	
04/08 \$19.66	<i>Cigar Tax OK Tax Commission PPD</i>
04/08 \$1,229.03	<i>City Sales OK Tax Commission PPD</i>
04/30 \$10.15	<i>Interest Deposit</i>
04/24 \$47.01	<i>Alcoholic Beverages</i>
WITHDRAWALS	
1962 \$15.00	<i>Pawnee Rural Water Dist#2</i>
1963 \$125.00	<i>OG&E</i>
1964 \$46.62	<i>OG&E GYM</i>
1965 \$500.00	<i>Bill Keller Mowing</i>
1966 \$241.81	<i>IFC Insurance on Gym</i>
ENDING BALANCE	
\$38,277.79	

These financial reports were inaccurate and of no value in confirming the Town's financial information. No financial reports were provided for periods following March 2012.

Town Elections

As of the date of this report, the Town of Terlton had not held elections to fill the Town's trustee positions for at least the prior five year period. Officials from the Pawnee County Election Board verified that no elections had been held through the County Election Board since 2000.

The Town's current trustees are serving in their positions in an unofficial capacity. The Town of Terlton should hold elections for their Town Trustee positions, beginning with the next statutory election period as defined in **11 O.S. § 12-101-114** and **11 O.S. §16-101-114**.

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 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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