

TOWN OF CORNISH

JEFFERSON COUNTY

SPECIAL AUDIT REPORT

JULY 1, 2000 THROUGH SEPTEMBER 15, 2003

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STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

November 13, 2003

Board of Trustees
Town of Cornish
P.O. Box 333
Cornish, Oklahoma 73456

Transmitted herewith is the Special Audit Report of the Town of Cornish, Jefferson County, Oklahoma. We performed our special audit in accordance with the requirements of **74 O.S. 2001, § 227.8**.

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 Town.

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 ensure 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, reading "Jeff A. McMahan".

JEFF A. McMAHAN
State Auditor and Inspector

table of contents

	page
Board of Trustees	4
State Auditor and Inspector's Report	5
Introduction	6
Concerns, Findings and Recommendations	7

BOARD OF TRUSTEES

- Jack Ferguson. Mayor
- Devene Scroggins Trustee
- Lela Hendricks Trustee
- Pam Ferguson Clerk
- Lisa Shepard Treasurer



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

Honorable Mayor and Board of Trustees
Town of Cornish
P.O. Box 333
Cornish, Oklahoma 73456

Pursuant to the Board of Trustees' request and in accordance with the requirements of **74 O.S. 2001, § 227.8**, we conducted a special audit with respect to the Town of Cornish, Jefferson County, Oklahoma, for the period July 1, 2000 through September 15, 2003.

The objectives of our special audit primarily included, but were not limited to, "possible mishandling of the Town of Cornish and Cornish Public Works Authority funds and equipment." 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 Town of Cornish for the period July 1, 2000 through September 15, 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 Town taken as a whole.

This report is intended to provide information to the Mayor, Board of Trustees and Administration of the Town. 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. McMahan".

JEFF A. McMAHAN
State Auditor and Inspector

September 25, 2003

INTRODUCTION

The Town of Cornish, Oklahoma is organized under the statutory town board of trustees form of government, as outlined in **11 O.S. 2001, § 12-101, *et seq.*** The members of the Board of Trustees, Town Clerk and Town Treasurer serve as the Board of Trustees for the Cornish Public Works Authority.

11 O.S. 2001, § 12-101, states:

"The form of government provided by Sections 12-101 through 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."

The Town and the Authority are 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 Town of Cornish, primarily those records relating to the Board of Trustees' concerns. The results of the special audit are in the following report.

CONCERNS, FINDINGS AND RECOMMENDATIONS

CONCERN: *Possible mishandling of Town funds and Cornish Public Works Authority (CPWA) funds and equipment.*

BACKGROUND: After the former Town clerk resigned in December 2002 (she had been Town clerk since July 2000), the Town elected officials began to question the former clerk about irregularities they noted in the operation of the CPWA. The irregularities included delinquent vendor bills, lack of records, and missing equipment. It also became evident to the officials that she had not reading her own water meter. The Town sent her a water bill based on the current reading and agreed to allow her to pay out the water bill. When she made the first partial payment on the bill she included a letter to the current Town clerk which stated she would pay back any money she had taken if they would give her an amount. She also stated she had some of the CPWA equipment at her house which she would return.

On May 20, 2003, the Town Board of Trustees sent a request to our office for an investigative audit. They contacted the District Attorney's office and presented the information they had obtained for his review.

The District Attorney (District 6) assigned an investigator to meet with the former clerk based on information provided by the Trustees. On June 8, 2003, the investigator met with the former clerk, at which time she admitted to writing checks to herself to which she was not entitled. The investigator had her review all cancelled checks from July 2000 until April 2002 to note those she had earned and those which were checks she had converted to her personal use. The amount of checks she admitted to converting to her own personal use totaled approximately \$12,000, according to the investigator.

FINDINGS: At the Trustees insistence, we continued the investigative audit in September 2003. The District Attorney's office gave us copies of the bank statements from May through December 2002 that had not been reviewed by the former clerk. On September 11, 2003, we met with the former clerk and had her review the cancelled checks for the May/December period. She identified another \$3,800 during the eight-month period that had been converted to her personal use. The total of checks the former clerk identified as not earned during her period of employment totaled \$16,615 as shown in the following schedule:

FISCAL YEAR	CKS. CONVERTED TO PERSONAL USE BY YEAR
2000	\$9,215.00
2001	5,525.00
2002	1,875.00*
TOTAL	<u>\$16,615.00</u>
*First six months	

We also compared the former clerk's salary, from what we were told by Town officials she was to receive for her various duties, to the total amount of checks written to her during the 30-month period she was employed by the Town as clerk, office manager and utility manager. As shown in the following schedule, the variance between what she should have been paid and what she actually paid herself is consistent with the above amount:

TOWN OF CORNISH
JEFFERSON COUNTY
SPECIAL AUDIT REPORT
JULY 1, 2000 THROUGH SEPTEMBER 15, 2003

Cks. To Clerk in Excess of Salary (FY 2001)	\$5,435.00
Cks. To Clerk in Excess of Salary (FY 2002)	9,630.00
Cks. To Clerk in Excess of Salary (FY 2003)	<u>1,737.00</u>
TOTAL OVERPAYMENTS FOR 30-MONTH PERIOD	<u>\$16,802.00</u>

We were unable to locate any minutes that documented the former clerk's salary primarily because the clerk did not keep minutes of Board meetings or kept very poor minutes. One of the statutory duties the clerk has is to "...keep the journal of the proceedings [minutes] of the Board of Trustees; and enroll all ordinances and resolutions passed by the board of trustees in a book or set of books kept for the purpose ..." (11 O.S. § 12-109.1.&2.).

We then attempted to determine if the amount noted above was the only monetary loss to the Town. The determination if any other money was missing from Town income could not be performed due to the lack of records. The former clerk apparently did not issue receipts for moneys received, did not have records of monthly water bills due, and did not maintain a delinquent accounts journal. We also could not locate purchase orders or vendor invoices that would identify equipment purchased and there was no inventory of Town-owned equipment.

We did note that during the period the former clerk served, deposits of cash were smaller than we would expect. Without receipts or any method to determine how much the Town should have received in utility income we could not verify that all cash received was being deposited. We did compare the cash deposited by month during the former clerk's term of office with the amount of cash deposited in the eight months since she resigned and found a significant variance in the amount of cash deposited in the last eight months and what had been deposited in the preceding 20 months, as shown in the Appendixes.

In the 30 months the former clerk held the office, she deposited \$4,209.50 in cash into the Town's accounts. In the eight plus months since she left, there has been \$5,222.60 deposited. This reflects an average monthly cash deposit of approximately \$210 while the clerk was in office versus a monthly cash deposit of about \$615 since her departure.

The Town Board of Trustees permitted the pre-signing of blank checks. They did not require the former clerk to provide adequate minutes in accordance with (25 O.S. § 312.A), which states:

"The proceedings of a public body shall be kept by a person so designated by such public body in the form of written minutes which shall be an official summary of the proceedings showing clearly those members present and absent, all matters considered by the public body, and all actions taken by such public body."

In addition, the Board of Trustees failed to insure records of receipts and expenditures of public funds were maintained and adequate to reflect the financial and business transactions of the Town (51 O.S. § 24A.5.).

RECOMMENDATION: We recommend the Board of Trustees familiarize themselves with the statutory requirements placed on the trustees to insure better control of Town funds. We further recommend the proper authorities review these findings.

APPENDIX

YEAR	MONTH	AMOUNT
2000	July	\$211.50
2000	August	280.00
2000	September	0.00
2000	October	121.00
2000	November	100.00
2000	December	57.00
TOTAL		\$769.50

YEAR	MONTH	AMOUNT
2001	January	\$81.00
2001	February	20.00
2001	March	0.00
2001	April	210.00
2001	May	680.00
2001	June	290.00
2001	July	580.00
2001	August	223.00
2001	September	111.00
2001	October	140.00
2001	November	145.00
2001	December	50.00
TOTAL		\$2,530.00

YEAR	MONTH	AMOUNT
2002	January	\$120.00
2002	February	175.00
2002	March	168.00
2002	April	127.00
2002	May	0.00
2002	June	0.00
2002	July	50.00
2002	August	40.00
2002	September	0.00
2002	October	0.00
2002	November	0.00
2002	December	230.00
TOTAL		\$910.00

YEAR	MONTH	AMOUNT
2003	January	\$691.00
2003	February	698.70
2003	March	615.10
2003	April	365.80
2003	May	886.00
2003	June	560.00
2003	July	623.00
2003	August	355.00
2003	September (part. mo.)	428.00
TOTAL		\$5,222.60