

TOWN OF DAVIDSON

JANUARY 1, 2005 THROUGH
DECEMBER 31, 2007

SPECIAL AUDIT



Oklahoma State Auditor
& Inspector

TOWN OF DAVIDSON
TILLMAN COUNTY
SPECIAL AUDIT REPORT
JANUARY 1, 2005 THROUGH DECEMBER 31, 2007

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STATE AUDITOR AND INSPECTOR

STEVE BURRAGE, CPA
State Auditor

MICHELLE R. DAY, ESQ.
Chief Deputy



2300 N. Lincoln Boulevard State Capitol, Room 100 Oklahoma City, OK 73105-4801 Phone (405) 521-3495 Fax (405) 521-3426 www.sai.ok.gov

September 17, 2009

Honorable John Wampler
District Attorney – District No. 3
101 N. Main, Rm 104
Altus, Oklahoma 73521

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

A report of this type tends to be critical in nature; however, failure to report commendable features in the present accounting and operating procedures of the entity should not be interpreted to mean they do not exist.

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 blue ink, reading "Steve Burrage", is positioned above the printed name.

STEVE BURRAGE, CPA
STATE AUDITOR & INSPECTOR

TABLE OF CONTENTS

	PAGE
Town Board of Trustees.....	ii
State Auditor and Inspector's Report	1
Introduction	2
Objectives, Findings, and Recommendations	3

INDEX OF OBJECTIVES

I. Determine whether irregularities exist in water, sewer and trash revenue.	3
II. Determine whether there are irregularities in the checks issued to former Clerk.....	6
III. Determine if there are irregularities in payments received from the former Clerk and her relatives.	10
IV. Determine whether receipted funds are being deposited.....	11
V. Determine if there are irregularities in water vending meter collections.	11
VI. Determine if there are violations of the Open Meeting Act	12
VII. Determine if audits are being performed for the Town and DPWA.....	13

**TOWN OF DAVIDSON
TILLMAN COUNTY
SPECIAL AUDIT REPORT**

JANUARY 1, 2005 THROUGH DECEMBER 31, 2007

TOWN BOARD OF TRUSTEES

Jim ReedMayor

Richard Marshall..... Trustee

Tony Velez..... Trustee

Judie Goodknight Clerk/Treasurer
As of January 1, 2008

Keri Sparks..... Former Clerk/Treasurer
October 1994 through December 31, 2007

STATE AUDITOR AND INSPECTOR

STEVE BURRAGE, CPA
State Auditor

MICHELLE R. DAY, ESQ.
Chief Deputy



2300 N. Lincoln Boulevard State Capitol, Room 100 Oklahoma City, OK 73105-4801 Phone (405) 521-3495 Fax (405) 521-3426 www.sai.ok.gov

Honorable Jim Reed, Mayor
Town of Davidson
P.O. Box 172
Davidson, Oklahoma 73530-0172

Dear Mr. Reed:

Pursuant to the District Attorney's request and in accordance with the requirements of **74 O.S. § 212(H)**, we performed a special audit with respect to the Town of Davidson, Tillman County, Oklahoma for the period January 1, 2005 through December 31, 2007.

The objectives of our special audit primarily included, but were not limited to, the objectives noted in the index of the table of contents. Our findings related to these procedures are presented in the accompanying report.

Because the above procedures do not constitute an audit in accordance with generally accepted auditing standards, we do not express an opinion on the account balances or financial statements of the Town of Davidson for the period January 1, 2005 through December 31, 2007. 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 Town.

This report is intended solely for the information and use of the District Attorney, the Town Board of Trustees and its administration 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. § 24A.1 et seq.)** and shall be open to any person for inspection and copying.

Sincerely,

A handwritten signature in blue ink, reading "Steve Burrage", is positioned above the printed name.

STEVE BURRAGE, CPA
STATE AUDITOR & INSPECTOR

September 18, 2008

JANUARY 1, 2005 THROUGH DECEMBER 31, 2007

INTRODUCTION

The Town of Davidson, Oklahoma 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 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 Oklahoma State Auditor and Inspector (OSAI) conducted a special audit of the records of the Town, primarily those records relating to the objectives expressed by the District Attorney. The results of the special audit are in the following report.

BOARD OF TRUSTEES FIDUCIARY RESPONSIBILITY

The Board of Trustees for the Town of Davidson/Davidson Public Works Authority (DPWA) has an obligation to act in the best interest of the Town as a whole. This fiduciary responsibility requires that all funds belonging to the Town be handled with scrupulous good faith and candor. Such a relationship requires that no individual shall take personal advantage of the trust placed in him or her. When the Board of Trustees accepts responsibility to act in a fiduciary relationship, the law forbids them from acting in any manner adverse or contrary to the interest of the Town/DPWA. Further, the Town Clerk/Treasurer has a fiduciary responsibility to perform all statutory duties in maintaining accurate, complete, and reliable records for the Town of Davidson/DPWA.

TOWN OF DAVIDSON
TILLMAN COUNTY
SPECIAL AUDIT REPORT
JANUARY 1, 2005 THROUGH DECEMBER 31, 2007

OBJECTIVE	Determine whether irregularities exist in water, sewer and trash revenue.
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FINDING

The Davidson Public Works Authority (DPWA) is responsible for the operation of the water, sewer and trash service in the Town of Davidson. Currently, DPWA has over 300 customer accounts.

When payments are made for utilities, such as water and sewer, the payments are entered and posted into a computer system. DPWA does not issue receipts for utility payments and relies on the posting reports for billing and collection purposes.

Although all funds received by DPWA should be deposited into the DPWA bank account, OSAI found, in some instances, where DPWA funds were deposited into one of the Town's bank accounts.

OSAI compared the posted utility billing collections to the DPWA and Town accounts and was unable to account for \$65,018.83 that appears to have been collected and not deposited, as shown in the table below:

Calendar Year	Total not Deposited by Year
2005	\$18,815.26
2006	\$23,837.68
2007	\$22,365.89
Total:	<u>\$65,018.83</u>

21 O.S. § 341 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: 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...

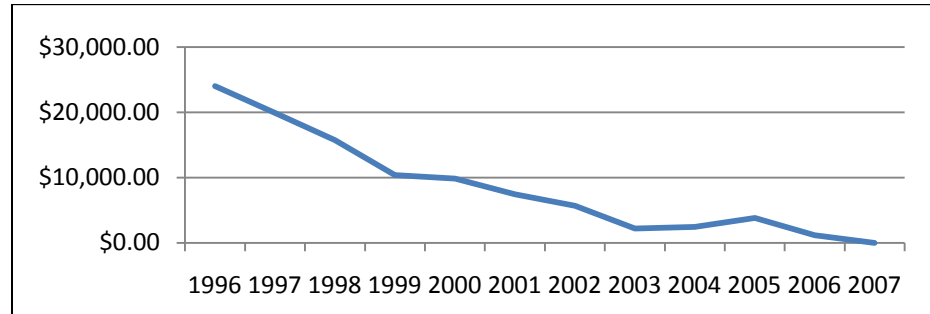
...shall, upon conviction, thereof, be deemed guilty of a felony...

Due to the manner in which utility payments were collected, OSAI was unable to determine if all or part of the funds posted but not deposited, were in the form of cash, checks or money orders.

**TOWN OF DAVIDSON
TILLMAN COUNTY
SPECIAL AUDIT REPORT**

JANUARY 1, 2005 THROUGH DECEMBER 31, 2007

From prior year records, OSAI determined the amount of cash being deposited each year, from 1996 through 2007, had declined, as reflected in the following graph:



Keri Sparks served as the Clerk/Treasurer from October 1994 through December 31, 2007. In 1996, the first year in which reliable records were available, OSAI found cash deposits totaling \$24,018.02. In each year since 1996, the cash deposit amount dropped until, in calendar year 2007, no cash was deposited at all.

A new Town Clerk/Treasurer was appointed on January 1, 2008, and assumed the duties formerly held by Sparks. During the first eight (8) months of 2008, cash in the amount of \$16,751.07 was deposited as a result of utility billing collections.

The \$16,751.07 deposited during the first eight (8) months of 2008 represents a monthly collection average of just over \$2,000.00 per month. Similarly, the cash deposits in 1996, totaling \$24,018.02, also represent cash deposits of just over \$2,000.00 per month.

During the twelve (12) year period from 1996 through 2007, the records reflect a total of \$102,772.00 cash being deposited. The twelve (12) year period represents one hundred forty-four (144) months.

If the actual cash collection amount for this time period was \$2,000.00 per month, on average, the total cash deposits would have been \$288,000.00, a variance of \$185,228.00.

**TOWN OF DAVIDSON
TILLMAN COUNTY
SPECIAL AUDIT REPORT**

JANUARY 1, 2005 THROUGH DECEMBER 31, 2007

The following table was prepared based on projected cash revenue of \$24,000.00 per annum (\$2,000 per month) and reflects the variance for each of the years from 1996 through 2007.

Year	Actual Cash Deposits	Projected Cash Received	Variance
1996	\$24,018.02	\$24,000.00	\$18.02
1997	\$19,926.64	\$24,000.00	(\$4,073.36)
1998	\$15,730.56	\$24,000.00	(\$8,269.44)
1999	\$10,417.13	\$24,000.00	(\$13,582.87)
2000	\$9,874.83	\$24,000.00	(\$14,125.17)
2001	\$7,467.06	\$24,000.00	(\$16,532.94)
2002	\$5,678.87	\$24,000.00	(\$18,321.13)
2003	\$2,228.00	\$24,000.00	(\$21,772.00)
2004	\$2,463.82	\$24,000.00	(\$21,536.18)
2005	\$3,800.59	\$24,000.00	(\$20,199.41)
2006	\$1,166.48	\$24,000.00	(\$22,833.52)
2007	\$0.00	\$24,000.00	(\$24,000.00)
Totals	\$102,772.00	\$288,000.00	(\$185,228.00)

During fieldwork, OSAI staff found personal bank records that were being kept at Town Hall. These records included six (6) different bank accounts including:

- Keri Sparks, BancFirst Frederick.
- Keri Sparks & husband, First State Bank, Davidson.
- Keri Sparks & daughter, First State Bank, Davidson.
- Keri Sparks & daughter, First State Bank, Davidson.
- Keri Sparks & son, First State Bank, Davidson.
- Keri Sparks & husband, First National Bank, Altus.

Five (5) of the six (6) accounts list a mailing address of P.O. Box 15, Davidson, OK and four (4) of the six (6) accounts are held at the only bank in Davidson.



One account, in the name of Keri Sparks, was held with BancFirst of Frederick, OK. The mailing address for this account was a post office box in Manitou, Oklahoma.

The bank records found at the Town Hall for this account included bank statements for the period from January 2006 through January 2007.

During this period, deposits totaling \$11,162.50 were made to the account including \$6,472.50 in deposits that appear to be cash.

JANUARY 1, 2005 THROUGH DECEMBER 31, 2007

The records left at Town Hall also included a bank account held at First State Bank of Altus, Oklahoma in the name of Keri Sparks' husband, individually. Bank deposit slips for this account include:

- \$3,000.00 cash deposited on 1/9/2006.
- \$1,000.00 cash deposited on 2/27/2006.
- \$400.00 cash deposits on 12/7/2006.

From the limited bank statements left at Town Hall, another \$989.00 cash was shown as deposited during 2006 in three (3) accounts. Two (2) in the name of Keri Sparks and her daughter and one in the name of Keri Sparks and her son.

During fieldwork, OSAI noted one employee, Keri Sparks, served as both the Clerk/Treasurer and the DPWA Clerk. Therefore, she was responsible for receipting, depositing and reconciling all money paid to the Town and DPWA.

This lack of segregation of duties may not be a unique finding in entities of this size; however, it does not alleviate the fiduciary responsibility of the Town Board to put proper controls in place to ensure financial transactions are handled appropriately. This would include, but not be limited to, ensuring all funds collected are being deposited. While having procedures to offset the lack of segregation of duties may not prevent funds from being misappropriated, it would enable the Town and DPWA to detect the misappropriation in a timely manner.

RECOMMENDATIONS OSAI recommends DPWA adopt and implement accounting procedures to clearly reflect the types of payments being collected and develop and implement procedures to provide for an independent reconciliation and accounting of all funds received.

OSAI recommends the proper authorities review this finding to determine what action, if any, may be required.

OBJECTIVE

Determine whether there are irregularities in the checks issued to the former Clerk.

FINDING

OSAI reviewed payments from five (5) accounts that were under the custody of Sparks to determine if payments made to Sparks were proper and authorized payments. The accounts OSAI reviewed included:

- Town Operating Main account
- DPWA account
- Davidson Fire Department account
- Davidson Fire Truck Grant account
- Hackberry Flat Waterline Grant account

**TOWN OF DAVIDSON
TILLMAN COUNTY
SPECIAL AUDIT REPORT
JANUARY 1, 2005 THROUGH DECEMBER 31, 2007**

For her duties as the former Clerk/Treasurer and DPWA Clerk, Spark's net pay was \$345.40 paid bi-monthly from the Town's main operating account. Sparks also received \$36.17, after taxes, from the DPWA account.

During the two year period from November 2005 through November 2007, twenty (20) payments were made to Sparks that appear to be unauthorized and improper. These payments, which were made in addition to her recognized salary, are detailed in the following table:

Bank Account	Ck Date	Ck #	Purpose	Amount
DPWA	11/22/2005	1027	longevity	\$1,000.00
DPWA	11/12/2006	1033	longevity	\$1,000.00
DPWA	1/26/2007	5190	salary	\$892.50
Town Operating Main	3/1/2007	2053	salary	\$345.40
DPWA	3/13/2007	5199	salary	\$846.07
DPWA	5/2/2007	5203	salary	\$1,389.36
Town Operating Main	5/7/2007	2127	salary	\$872.56
Town Operating Main	6/6/2007	2128	salary	\$652.56
Town Operating Main	6/13/2007	1487	longevity pay	\$1,500.00
Town Operating Main	6/13/2007	1488	salary - bonus	\$1,200.00
DPWA	6/29/2007	1037	salary	\$896.43
DPWA	7/9/2007	1038	salary	\$896.43
DPWA	7/30/2007	1039	salary	\$896.43
DPWA	8/22/2007	1041	salary	\$896.43
DPWA	9/7/2007	1042	salary	\$896.43
DPWA	10/1/2007	1045	salary	\$896.43
DPWA	10/3/2007	1046	salary	\$345.40
DPWA	10/31/2007	1048	salary	\$896.43
DPWA	11/25/2007	1049	salary	\$896.43
DPWA	11/25/2007	1050	longevity	\$1,300.00
Total:				\$18,515.29

In addition to the payments to Sparks made under the auspices of salary, bonuses or longevity, four (4) additional payments were made to Sparks as shown in the table below:

Bank Account	Ck Date	Ck #	Purpose	Amount
DPWA	12/1/2006	1035	reimbursement for supplies	\$1,610.95
DPWA	1/8/2007	1036	reimbursement for supplies	\$1,918.62
Town Operating Main	2/15/2007	2050	reimburse doors openers supplies	\$2,415.69
DPWA	5/17/2007	5204	No purpose shown	\$2,974.00
Total:				\$8,919.26

**TOWN OF DAVIDSON
TILLMAN COUNTY
SPECIAL AUDIT REPORT
JANUARY 1, 2005 THROUGH DECEMBER 31, 2007**

62 O.S. § 310.1(B) states, in part:

...The appropriate officer shall attach the itemized invoice together with delivery tickets, freight tickets or other supporting information to the original of the purchase order and, after approving and signing said original copy of the purchase order, shall submit the invoices, the purchase order and other supporting data for consideration for payment by the governing board.

OSAI reviewed each of these four (4) payments to determine if the payments were properly supported by itemized invoices as required by **62 O.S. § 310.1(B)**. In each instance, no supporting documentation was found for these payments.

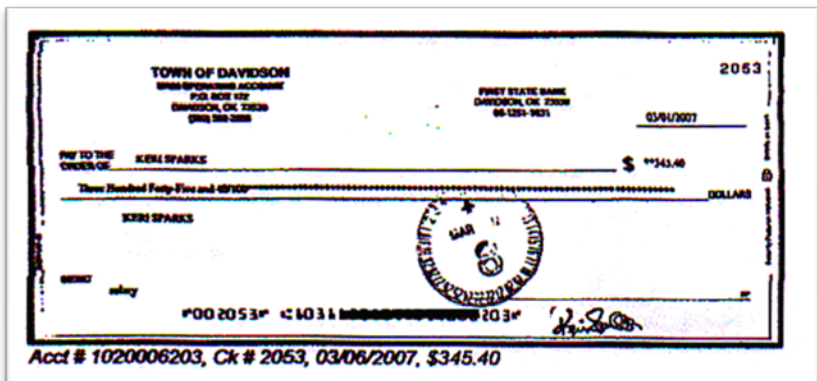
62 O.S. § 310.1(B) also provides, in part:

All invoices submitted shall be examined by the governing board to determine their legality. The governing board shall approve such invoices for payment in the amount the board determines just and correct.

Former Clerk/Treasurer Sparks would prepare a list of checks to be presented to the Board for approval. OSAI reviewed the records related to these payments and it appears Sparks did not include these checks on the list of checks submitted to the Board for approval.

OSAI reviewed the actual checks paid to Sparks and interviewed the Board members in an effort to determine when and how signatures were being affixed to checks that were apparently not being presented to the Board.

Board Member Richard Marshall stated that on some occasions, he would sign blank checks and Sparks would fill in those checks at a later time. Additionally, OSAI found some instances where checks were written and processed by the Town's bank with only the signature of Sparks appearing on the check, as shown in the image below.



The DPWA account utilized a large format checkbook with three (3) checks per page and corresponding check stubs. OSAI found some instances where the information on the stubs was incomplete, incorrect or misleading, as noted in the following examples:

- The stub for check 5199 reflected payment to the City of Frederick for water. A single line was drawn through the stub entries as if to indicate the check was voided. This check was processed by the bank, payable to Sparks, in the amount of \$846.07.
- The stubs for checks 5201 and 5202 each reflected the date, “Keri Sparks” and the amounts, \$36.17. The next two subsequent checks, 5203 and 5204 were documented with “Keri” and no other information. These checks were payable to Sparks in the amounts of \$1,389.36 and \$2,974.00.

OSAI obtained an Affidavit from the current Town Clerk/Treasurer stating that when she attempted to prepare W2 reports, she found checks made payable to Sparks in which no taxes were withheld.

The Affidavit states (referring to a conversation with Sparks):

She said she shouldn’t have taken the checks but she couldn’t stop taking them, and that was the reason she had to quit.

An unnumbered check, dated 12/27/2006, was payable to Sparks in the amount of \$476.32 from the Davidson Fire Department account for reimbursement of supplies. No documentation was found supporting the payment, and there was no indication the payment was approved by the Town Board. The check was a single signature check signed by Sparks.

51 O.S. § 24A.4, 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 any public funds reflecting all financial and business transactions relating thereto, except that such records may be disposed of as provided by law.

The Town was unable to provide bank statements for the period January through July 2005 for the Davidson Fire Department account and the Davidson Fire Truck Grant account. The Town was unable to provide bank statements for the Hackberry Flat Waterline Grant account for the time period January through June 2005.

OSAI found the Town Board exercised little or no oversight relating to the expenditure of funds. Any member of a governing board who willingly signs a blank check, literally, has relinquished all internal controls and all checks and balances over the expenditure process.

**TOWN OF DAVIDSON
TILLMAN COUNTY
SPECIAL AUDIT REPORT**

JANUARY 1, 2005 THROUGH DECEMBER 31, 2007

RECOMMENDATION OSAI recommends the Town and DPWA adopt internal controls sufficient to assure that all payments are properly supported, properly approved and authorized by law. Further, OSAI recommends the Town and DPWA implement procedures to ensure all payments require at least two signatures.

OSAI recommends the proper authorities review this finding to determine what action, if any, may be required.

OBJECTIVE

Determine if there are irregularities in payments received from the former Clerk and her relatives.

FINDING

Former Clerk/Treasurer Keri Sparks was responsible for receiving, documenting and depositing payments for utility billing. When a utility payment is received, an entry was made and the payment was “posted” to the computer system. Those funds should have then been deposited in the DPWA bank account.

OSAI examined posting reports and bank records for the 2005, 2006 and 2007 calendar years to determine if payments made by Sparks and her relatives were posted and deposited. OSAI found \$9,764.79 in payments had been posted but not deposited.

Check#	Account	Posted Amount
# 78	Keri Sparks & Spouse	\$2,966.40
# 237	Keri Sparks & Spouse	\$1,803.23
# 72	Keri Sparks' Father	\$2,360.26
# 250	Keri Sparks' Father	\$956.42
# 212	Keri Sparks' Brother	\$1,678.48
Total:		\$9,764.79

OSAI could not determine if funds were received and not deposited or if no funds were received and payments improperly recorded. The \$9,764.79 total amount is included in the total amounts posted but not deposited previously noted in this report.

See **21 O.S. § 341** regarding embezzlement and false accounts, cited on page 7 of this report.

RECOMMENDATION OSAI recommends the proper authorities review this finding to determine what action, if any, may be required.

JANUARY 1, 2005 THROUGH DECEMBER 31, 2007

OBJECTIVE Determine whether receipted funds are being deposited.

FINDING In addition to utilizing the computer system to post payments, receipts were also issued for water deposits and some utility payments. OSAI reviewed all receipt books available and found \$852.77 had been receipted and not deposited.

OSAI noted that receipts were being issued for rent collected for the former Clerk's father-in-law's rental properties.

The \$852.77 variance noted in this section is not included in previously noted test work.

See **21 O.S. § 341** regarding embezzlement and false accounts, cited on page 7 of this report.

RECOMMENDATION OSAI recommends DPWA adopt and implement accounting procedures to clearly reflect the types of payments being collected and develop and implement procedures to provide for an independent reconciliation and accounting of all funds received.

OSAI recommends the proper authorities review this finding to determine what action, if any, may be required.

OBJECTIVE Determine if there are irregularities in water vending meter collections.

FINDING DPWA operates a metered water outlet used to dispense water at a set rate. Periodically, DPWA employee Ruben Garza would retrieve and roll quarters from the metered water outlet. Garza then turned those funds over to Sparks.

During 2008, three (3) receipts were written for funds collected by Garza and submitted to the DPWA Clerk. The receipts issued in March, May and August totaled \$227.25.

According to Garza, the revenue from the metered outlet is generally \$350.00 to \$400.00 annually. Prior to 2008, no receipts were issued when funds were collected from the metered outlet and submitted to the DPWA Clerk.

Since no receipts were issued, OSAI is unable to make any determinations concerning additional funds that may have been received and not deposited. As noted previously in this report, no cash was deposited during the 2007 calendar year.

JANUARY 1, 2005 THROUGH DECEMBER 31, 2007

See **21 O.S. § 341** regarding embezzlement and false accounts, cited on page 7 of this report.

DPWA is currently issuing receipts for funds received from the metered outlet.

RECOMMENDATION OSAI recommends the proper authorities review this finding to determine what action, if any, may be required.

OBJECTIVE

Determine if there are violations of the Open Meeting Act.

FINDING

The Town was unable to provide a list of regularly-scheduled meetings filed with the Town Clerk after 1995.

25 O.S. § 311 provides:

- A. Notwithstanding any other provisions of law, all regularly scheduled, continued or reconvened, special or emergency meetings of public bodies shall be preceded by public notice as follows:

...

4. All municipal public bodies, including, but not limited to, public trusts and any other bodies with the municipality as beneficiary, shall give such notice to the municipal clerk of the municipality wherein they are principally located.

The Town and DPWA, was able to provide some, but not all, meeting minutes for OSAI to review.

25 O.S. § 312(A) 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. The minutes of each meeting shall be open to public inspection and shall reflect the manner and time of notice required by this act.

The September 13, 2005 DPWA meeting minutes reflect, in part, the following:

MINUTES: MINUTES FROM THE PREVIOUS MEETING WERE READ AND APPROVED.

THE CHECKS WERE WRITTEN FOR THE END OF THE MONTH AND PRESENTED TO THE BOARD FOR APPROVAL, AFTER DISCUSSION MOTION MADE, SECONDED AND APPROVED TO PAY THE BILLS AS WRITTEN.

JANUARY 1, 2005 THROUGH DECEMBER 31, 2007

RURAL WATER CUSTOMERS: THERE ARE SEVERAL RURAL CUSTOMERS THAT HAVE NOT HOOKED ON TO DAVIDSON WATER. SOME HAVE COMPLAINED ABOUT PAYING A MIN. BILL AND NOT USING ANY WATER. KERI ASKED JIM ABOUT THEM AND WHAT COULD BE DONE. IT WAS DECIDED THAT IF THEY ARE NOT HOOKED UP AND NOT USING ANY ATER [sic] THEY WILL ARE [sic] NOT TO BE BILLED.

25 O.S. § 305 states:

In all meetings of public bodies, the vote of each member must be publicly cast and recorded.

RECOMMENDATION OSAI recommends Town and DPWA officials obtain training and familiarize themselves with the requirements of the Open Meeting Act to ensure that all Town and DPWA transactions are carried out in a manner and method required by statutes.

OSAI recommends the proper authorities review this finding to determine what action, if any, may be required.

OBJECTIVE

Determine if audits are being performed for the Town and DPWA.

FINDING

Since 2002, neither the Town nor DPWA have had audits performed as required by state law.

11 O.S. § 17-105(B) states:

The governing body of each municipality with an income of Twenty-five Thousand Dollars (\$25,000.00) or more to its general fund during a fiscal year and with a population of less than two thousand five hundred (2,500) as of the most recent Federal Decennial Census, and for whom an annual financial statement audit is not required by another law, regulation or contract, shall cause to be prepared, by an independent licensed public accountant or a certified public accountant, an annual financial statement audit in accordance with auditing standards generally accepted in the United States and Government Auditing Standards as issued by the Comptroller General of the United States, or an agreed-upon-procedures engagement over certain financial information and compliance requirements to be performed in accordance with the applicable attestation standards of The American Institute of Certified Public Accountants, and the fieldwork and reporting standards in Government Auditing Standards.

...

Such audit or agreed-upon-procedures engagement shall be ordered within thirty (30) days of the close of each fiscal year. Copies shall be filed with the State Auditor and Inspector within six (6) months after the close of the fiscal year in accordance with the provisions of

**TOWN OF DAVIDSON
TILLMAN COUNTY
SPECIAL AUDIT REPORT**

JANUARY 1, 2005 THROUGH DECEMBER 31, 2007

Sections 3022 and 3023 of Title 68 of the Oklahoma Statutes and with the governing body of the municipality.

The Town has not filed an audit with OSAI since 2002. OSAI has notified the Town of its lack of compliance. In a reply, dated August 24, 2007, to one such OSAI notification, former Town Clerk Keri Sparks wrote:

This letter is a follow up from a phone conversation on Fri. May 24, 2007 with Mrs. Marty [sic] Grubb. In request for an audit from the Town of Davidson at this time we are not able to supply the materails [sic] needed to prepare an audit. All of our records were destroyed in a storm back in May 2007. This office does not have any records from May 2007 back to the beginning of the Town. I now know that I will be keeping all the records here at my office.

During fieldwork, OSAI found no indication that the Town's records had been destroyed by "a storm". Because the Town has not prepared and filed an audit with OSAI, the Oklahoma Tax Commission has withheld \$3,799.81 in gasoline excise tax for the period FY 2004 through FY 2008.

60 O.S. § 180.1(A) states:

The trustees of every trust created for the benefit and furtherance of any public function with the State of Oklahoma or any county or municipality as the beneficiary or beneficiaries thereof must cause an audit to be made of the financial statements of the trust, such audit to be ordered within thirty (30) days of the close of each fiscal year of the trust. The audit shall be filed in accordance with the requirements set forth for financial statement audits in Section 212A of Title 74 of the Oklahoma Statutes.

60 O.S. § 180.2 (b) states:

Within thirty (30) days after the effective date hereof, each trust mentioned in Section 180.1 of this title shall certify to the State Auditor and Inspector the date of the close of its fiscal year.

DPWA has not filed an audit with OSAI since 2002.

One of the purposes of an independent audit is to serve as a control over the quality of information because:

1. It provides an independent check on the accounting information against established criteria presumably reflecting the user's needs and desires.
2. It motivates the preparer of the information to carry out the accounting process under his control in a way that conforms to the user's criteria since he (the preparer) knows his efforts will be subjected to independent, expert review.

**TOWN OF DAVIDSON
TILLMAN COUNTY
SPECIAL AUDIT REPORT
JANUARY 1, 2005 THROUGH DECEMBER 31, 2007**

In this instance there has been no independent audit performed; and therefore, no review of the Town's or DPWA's financial records. Without the statutorily-required independent audits and with little or no management oversight, there is little or no means of detecting abuse or misuse of funds coming under the control of the Town or DPWA.

RECOMMENDATIONS OSAI recommends the Town and DPWA seek a qualified independent auditor to perform an audit for both the Town and DPWA in accordance with state law.

OSAI recommends the proper authorities review this finding to determine what action, if any, may be required.

DISCLAIMER

Throughout this report there are numerous references to state statutes and legal authorities, which appear to be potentially relevant to issues raised by the petitioners 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 Town of Davidson/DPWA or any of the individuals named in this report or acting on behalf of the Town/DPWA have violated any statutory requirements 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 Town'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.



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