

TOWN OF OAKLAND

JULY 1, 2007 THROUGH
JULY 31, 2008



SPECIAL AUDIT



Oklahoma State Auditor
& Inspector

TOWN OF OAKLAND
MARSHALL COUNTY
SPECIAL AUDIT REPORT
JULY 1, 2007 THROUGH JULY 31, 2008

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STATE AUDITOR AND INSPECTOR

STEVE BURRAGE, CPA
State Auditor

MICHELLE R. DAY, ESQ.
Chief Deputy



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October 21, 2009

Citizens/Petitioners
Town of Oakland

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

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 that reads "Steve Burrage".

STEVE BURRAGE, CPA
STATE AUDITOR & INSPECTOR

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**TOWN OF OAKLAND
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**TOWN BOARD OF TRUSTEES
AS OF JULY 31, 2008**

Margarette Redwine.....Mayor
Samuel Dishmon..... Trustee
Kirk Hallmark..... Trustee
Larry Rothenberg..... Trustee
John Moss..... Trustee
Katie Nabors..... Clerk/Treasurer

**PUBLIC WORKS AUTHORITY BOARD OF TRUSTEES
AS OF JULY 31, 2008**

Margarette Redwine.....Chairperson
Samuel Dishmon..... Trustee
Kirk Hallmark..... Trustee
Larry Rothenberg..... Trustee
John Moss..... Trustee
Katie Nabors..... Water Clerk

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Honorable John Moss, Mayor
Town of Oakland
P.O. Box 541
Oakland, Oklahoma 73446-0541

Dear Mr. Moss:

Pursuant to a citizens' petition and in accordance with the requirements of **74 O.S. § 212(L)**, we performed a special audit with respect to the Town of Oakland, Marshall County, Oklahoma for the period July 1, 2007 through July 31, 2008.

The objectives of our special audit primarily included, but were not limited to, the objectives expressed by the petitioners. 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 Oakland for the period July 1, 2007 through July 31, 2008. 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 petitioners, 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 that reads "Steve Burrage".

STEVE BURRAGE, CPA
STATE AUDITOR & INSPECTOR

October 21, 2009

**TOWN OF OAKLAND
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INTRODUCTION

The Town of Oakland, 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 citizens/petitioners at their request. The results of the special audit are in the following report.

BOARD OF TRUSTEES FIDUCIARY RESPONSIBILITY

The Board of Trustees for the Town of Oakland as well as the Oakland Public Works Authority has an obligation to act in the best interest of the Town and/or the Authority as a whole. This fiduciary responsibility requires that all funds belonging to the Town and/or the Authority 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 and/or Authority. 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 Oakland and/or Oakland Public Works Authority.

OBJECTIVE

Review for possible violations of the Open Meeting Act (Town and PWA).

FINDING

During the examination of the Board agendas and minutes, OSAI noted a “Discussion Agenda” for the Town of Oakland. The agenda reflected a meeting to be held on October 29, 2007 at 7:00 p.m. It also reflected “Public Welcome” and “Discussion only: No Action”.

The agenda listed fourteen (14) items to be discussed and did not reflect the time and date it was posted. During an interview with the Town Clerk/Treasurer, she stated the agenda was posted on the door at Town Hall; however, she was not sure of the time and date posted. Further, she stated the individuals attending were the Board members, one (1) employee, and herself. She stated that there were no minutes taken.

OSAI was unable to determine if public notice of the meeting was posted in a timely manner as required by **25 § 311(A)(11)**. Further, a majority of the board members met to discuss Town business and minutes of the meeting were not recorded as required by **25 § 312(A)**.

25 § 311(A)(11) states:

11. Special meetings of public bodies shall not be held without public notice being given at least forty-eight (48) hours prior to said meetings. Such public notice of date, time and place shall be given in writing, in person or by telephonic means to the Secretary of State or to the county clerk or to the municipal clerk by public bodies in the manner set forth in paragraphs 2, 3, 4, 5 and 6 of this section. The public body also shall cause written notice of the date, time and place of the meeting to be mailed or delivered to each person, newspaper, wire service, radio station, and television station that has filed a written request for notice of meetings of the public body with the clerk or secretary of the public body or with some other person designated by the public body. Such written notice shall be mailed or delivered at least forty-eight (48) hours prior to the special meeting. The public body may charge a fee of up to Eighteen Dollars (\$18.00) per year to persons or entities filing a written request for notice of meetings, and may require such persons or entities to renew the request for notice annually. In addition, all public bodies shall, at least twenty-four (24) hours prior to such special meetings, display public notice of said meeting, setting forth thereon the date, time, place and agenda for said meeting. Only matters appearing on the posted agenda may be considered at said special meeting. Such public notice shall be posted in prominent public view at

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the principal office of the public body or at the location of said meeting if no office exists. Twenty-four (24) hours prior public posting shall exclude Saturdays and Sundays and holidays legally declared by the State of Oklahoma.

25 O.S. § 312(A) states, in part:

A. The proceedings of a public body shall be kept by a person 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.

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

FINDING During OSAI examination of the Town of Oakland (the Town) and Oakland Public Works Authority (the PWA) agendas and Board minutes, the following exceptions were noted:

- The Town's agendas for the meeting of November 5, 2007 and May 5, 2008 included executive session items. The executive session items were not specific and did not state the provision of the Statute authorizing the executive session as required by **25 § 311(B)**.
- The Town and PWA minutes did not clearly reflect the business conducted, including listing the claims to be approved for payment, items being approved, and listing bids received and awarded as required by **25 O.S. § 312**, previously cited.

25 § 311(B), states:

B. 1. All agendas required pursuant to the provisions of this section shall identify all items of business to be transacted by a public body at a meeting, including, but not limited to, any proposed executive session for the purpose of engaging in deliberations or rendering a final or intermediate decision in an individual proceeding prescribed by the Administrative Procedures Act.

2. If a public body proposes to conduct an executive session, the agenda shall:

- a. contain sufficient information for the public to ascertain that an executive session will be proposed;
 - b. identify the items of business and purposes of the executive session;
- and

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c. state specifically the provision of Section 307 of this title authorizing the executive session.

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

FINDING OSAI noted that the special meetings for January 28, February 11, March 11, April 14 and 23, May 12, and June 17 and 23, 2008 were posted as Town of Oakland and Oakland Public Works Authority. The minutes reflect there was business conducted for both the Town and PWA, but there is no designation which Board is conducting the meetings.

The Town of Oakland and Oakland Public Works Authority are two separate entities with a governing body for each entity. OSAI finds no authority that allows the Board of Trustees for the Town of Oakland to conduct and approve business for Oakland Public Works Authority and vice versa. Even though you may have the same individuals serving on both boards, you still have two independent entities that each need to succinctly comply with the Open Meeting Act.

RECOMMENDATION OSAI recommends the Town of Oakland and Oakland Public Works Authority only conduct business pertaining to the particular entity at a meeting properly posted for the entity and each entity comply with the Open Meeting Act.

OBJECTIVE

Review for possible Open Records violations.

FINDING OSAI obtained signed affidavits from two (2) individuals relating to the Open Records request. The affidavit from individual #1 states, in part:

By letter dated March 3, 2008, I requested information from the Town of Oakland and Oakland Public Works Authority. On March 4, 2008 at 4:45 p.m., I received a telephone call from Town attorney, David Mordy, asking that I cut down my request and stating that I am not entitled to all the information requested, but not specifying what items I was entitled to and why. On March 7, 2008, I received a letter from Town Clerk, Katie Nabors, advising me of a \$10.00 per hour search fee, which I disputed by letter dated March 6, 2008. I have not received information requested as numbers 5 and 6, even after a subsequent written request dated July 10, 2008.

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Letter dated March 3, 2008, items 5 and 6:

5. Names, dates of hire, position hired, rate of pay hired as of and raises, if any, if any given to any or ALL employees of the Town of Oakland, whether hired or elected.

6. Names, dates of hire, position hired, rate of pay hired as of and raises, if any, if any given to any or ALL employees of the Oakland Public Works Authority, whether hired or elected.

Letter dated March 7, 2008 to citizen from Clerk/Treasurer:

Am willing to comply with your request for records from the Town of Oakland, however be advised that the Search fee for these is \$10.00 per hour as well as .25 cents per sheet for me copying the records for you.

Please let me know by return mail if these rates are acceptable with you. The affidavit from individual #2 states, in part:

I have been denied public records; upon request in writing and verbally.

1. Dated May 17, 2007: Clerk Katie Nabors said she would provide the information when she got around to it. Some information is not provided; because Mayor Redwine and other council members control the need to know, and to whom, and why.

I never received the information requested.

Based on the affidavits provided, it appears all records requested have not been provided as required by the **Oklahoma Open Records Act**.

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

OBJECTIVE

Review for possible irregularities in grant expenditures.

FINDING

The Town of Oakland applied for a Rural Economic Action Plan (REAP) grant to “remove/replace roof, remodel/enlarge restroom, install heat pump and duct work, and electrical work” to remodel Town Hall. On November 10, 2006, Southern Oklahoma Development Association (SODA) notified the Town that they had been awarded \$24,000.00 for this project. Contract number 06-0097, in the amount of \$24,000.00, between the Town and SODA for the remodel project was executed on March 20, 2006. The contract included a December 31, 2007 completion date for the project.

The Board of Trustees approved an action to seek bids for the remodel project. The bid packet reflected that sealed bids would be received at the office of the Town Clerk until 2:00 pm November 1, 2006 and that the bids were advertised on September 21 and 28, 2006.

At the November 6, 2006 Board meeting, the Board approved the opening of the bids. The only bids received and opened were from MBC Construction and Remodel with bids of \$29,876.00 for a 16 X 30 building and \$43,918.00 for a 16 X 40 building. The minutes reflect the Board stated that if MBC Construction and Remodel “can get workers comp, references, and bond ins., which checks out, they can go to work.” The Town received documentation from CompSource Oklahoma showing proof of workers’ compensation and employers’ liability insurance for MBC Construction and Remodeling as required by **61 § 103(B)**.

The bid was awarded to MBC Construction and Remodel for a 16 X 30 building and the contract was approved at the December 4, 2006 Board meeting. The contract between the Town and MBC Construction and Remodel states that the remodel of Town Hall would be done as particularly described in the information “To Potential Contractors” dated September 8, 2006, for a total bid price of \$29,876.00. Also, the minutes reflect the Board approved the non-collusion affidavit with the contractor.

During OSAI examination of the grant file, it was noted that there were two (2) different bid specifications, one dated September 8, 2006 and the other dated September 11, 2006. The contract between the Town of Oakland and MBC Construction and Remodel was based on the bid specifications dated September 8, 2006. The bid accepted does not agree with the specification listed.

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The following schedule documents the payments to MBC Construction and Remodel:

Date	Warrant #	Amount	Purpose
01/02/07	4574	\$ 5,000.00	1 st draw – 12/05/06
01/02/07	4586	3,500.00	2 nd draw – no invoice
02/05/07	4595	8,876.00	3 rd draw – 12/19/06
02/05/07	1601	4,750.00	4 th draw – no invoice
02/05/07	4603	4,750.00	5 th draw – 01/11/05
None	4609	1,000.00	Draw against final payment – 02/06/07
None	4612	2,000.00	Final payment – 02/23/07
Total		\$29,876.00	

In a letter to Southern Oklahoma Development Association, dated March 5, 2007, the current Mayor, Margarett Redwine states, “I also want you to know the remodel is finished and the building looks good.” Subsequently, a letter dated February 1, 2008 from Board of Trustees to MBC Construction and Remodel states:

On the Town Hall Remodel that you began on December 4, 2006 and finished the job on March 1, 2007. We have had the following problems since the construction ended.

1. Moisture coming up through slab floor.
2. Arch way [sic] between rooms sagging.
3. Leak in the arch way [sic] during last rain fall [sic] before Christmas.
4. Water leak on the south side of the building where the water came into the room at floor level.
5. Problems with the thermostat wiring in wall on the east side building and had to have the wiring repaired.

We have made several calls to Mr. Couch to advise him of the problems. Mr. Couch has made appointments to come and look at the problem, but he has never shown up for the appointments.

This letter is to advise you that these problems need to be addressed and corrected within ten (10) days from the date of this letter or the case will be referred to the Town Attorney for further action.

In examining the bid documents, contract, and payment for the Town Hall remodel project, the following exceptions were noted:

- Two (2) different bid specification sheets were documented.
- The bid submitted did not agree with the bid specifications.
- Ten percent (10%) of the invoice amount submitted for payment was not retained in accordance with the contract.
- Two (2) payments were not supported by invoices.
- Three (3) of the available invoices were not approved by the authorized Trustee in compliance with the contract terms.

61 § 103(B) states:

B. Except as provided in subsection D of this section, public construction contracts less than Fifty Thousand Dollars (\$50,000.00) shall be let and awarded to the lowest responsible bidder by receipt of written bids. No work shall be commenced until a written contract is executed and proof of insurance has been provided by the contractor to the awarding public agency.

On March 12, 2008, the Town of Oakland filed case CJ-08-00071 against the construction company.

RECOMMENDATION OSAI recommends the Town Board establish policies and procedures to assure bid procedures are followed and contract provision are adhered to. Further, OSAI recommends the proper legal authority review this finding to determine what action, if any, may be required.

OBJECTIVE

Review for possible misappropriation of funds.

FINDING

During our examination of expenditures, OSAI noted the Town purchased seventy-two (72) books depicting the history of the Town of Oakland. The books were purchased in two (2) separate orders. The payment for the first twenty-four (24) books was made to Margarett Redwine, Mayor, in the amount of \$309.55 including sales tax of \$24.91. The invoice shows the books were ordered by Ms. Redwine on November 13, 2007 and received on November 16, 2007. On November 13, 2007, Ms. Redwine ordered forty-eight (48) books, which were received on December 5, 2007. The payment of \$615.36 was made directly to the vendor, Pronto Print, for this order.

Ms. Redwine stated the first twenty-four (24) books were purchased by her for the Centennial block party and the Town reimbursed her. There were citizens

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that had come to her wanting books; therefore, the Town ordered forty-eight (48) additional books.

OSAI reviewed the receipts to determine the total number of books sold. Receipts were issued for sixteen (16) books at the centennial block party on November 17, 2007, six (6) were sold from November 19 through December 6, 2007, and from December 7, 2007 through October 8, 2008, seven (7) books were sold for a total of twenty-nine (29) books. Katie Nabors, Clerk/Treasurer stated that Ms. Redwine gave her a book, but she donated it to the Madill Library. On October 8, 2008, OSAI visually verified ten (10) books were at Town Hall. A total of forty (40) books could be accounted for, leaving thirty-two (32) books that could not be traced to a receipt as being sold or be found on hand at Town Hall.

Katie Nabors, Clerk/Treasurer, stated that the twenty-four (24) books were purchased and sold at the Centennial celebration, then Ms. Redwine brought the other books to Town Hall in a plastic container. Ms. Nabors stated that the ten (10) books OSAI located at Town Hall were the remaining books brought to Town Hall by Ms. Redwine that had not been sold and there were no other books at Town Hall. Ms. Nabors stated that she did not think thirty (30) books would fit in the plastic container that was delivered by Ms. Redwine.

During an interview with Ms. Redwine, she stated that all books were shipped to Town Hall and then she returned the unsold books in a plastic container. She stated she did not have any of the books. While examining the receipts, OASI noted a receipt issued by Ms. Redwine on November 20, 2007 for the sale of a book. The receipt was Ms. Redwine's personal receipt and not a Town receipt. Ms. Redwine stated that she had sold a book to an individual over the weekend and brought the money to Ms. Nabors at Town Hall. After Ms. Redwine inspected the receipt, she stated that she did take some of the books with her to sell after the block party.

During OSAI's review of the Town Board of Trustees minutes, it appears there was no documentation to support the Board's approval directing the Mayor to compile and order books for the Centennial celebration. The minutes of the Oakland Public Works Authority, on December 3, 2007, under old business, reflected Ms. Redwine reporting they had made \$400.00 from the sale of books on the first publication.

The examination of the purchase orders, receipts, and interviews with Ms. Redwine, and Ms. Nabors, revealed the following exceptions:

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- There were thirty (30) books that could not be found. The missing books cost the Town \$12.82 each for a total loss of \$384.60.
- The Mayor was reimbursed for the cost of the first order of books.

RECOMMENDATION OSAI recommends the Town of Oakland and Oakland Public Works Authority develop internal controls including but not limited to, documenting approval of projects, requiring supporting documentation for expenditures, and establish policies and procedures to ensure the practice of purchasing items on a reimbursement basis is discontinued. OSAI further recommends that the proper legal authority review this finding to determine what action, if any, may be required.

FINDING On May 21, 2008, the Town of Oakland entered into a promissory note in the amount of \$7,720.00 with Landmark Bank. The proceeds from the loan were for the purchase of a lawnmower and brush cutter. The note was signed by Katie Nabors, Clerk/Treasurer. The term of the loan is sixty (60) payments of \$144.16 each, maturing on May 21, 2013.

The minutes of the May 5, 2008 meeting noted the Town Board of Trustees approved the purchase of equipment, which included a riding lawnmower, push mower, and weed eater. At the May 12, 2008 special meeting, the Board of Trustees approved “Resolution #08/12” designating Katie Nabors, Clerk/Treasurer, and the official signer in all matters for the Town of Oakland.

On May 14, 2008, the Town of Oakland submitted a credit application to Landmark Bank for the purchase of a John Deere Z-track 810 mower and a Stihl FS90 brush cutter. The Town Trustees and the Clerk/Treasurer are listed as the “officers or principals” on the application. The application was signed by Katie Nabors, Clerk/Treasurer.

Purchase orders 189 and 190 were issued to Pettit Machinery on May 20, 2008, in the amounts of \$7,200.00 for the lawnmower and \$393.17 for the brush cutter. The accompanying documentation shows the lawnmower was delivered the same day.

Based on the documentation, the Town of Oakland borrowed money without an approving vote of the people, creating an indebtedness for subsequent fiscal years, which is a violation of **Article 10 § 26(a)** of the **Constitution of Oklahoma**, which states in part:

Except as herein otherwise provided, no county, city, town, township, school district, or other political corporation, or subdivision of the state, shall be allowed to become indebted, in any manner, or for any purpose, to an amount exceeding, in any year, the income and revenue

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provided for such year without the assent of three-fifths of the voters thereof, voting at an election, to be held for that purpose, nor, in cases requiring such assent, shall any indebtedness be allowed to be incurred to an amount, including existing indebtedness, in the aggregate exceeding five percent (5%) of the valuation of the taxable property therein, to be ascertained from the last assessment for state and county purposes previous to the incurring of such indebtedness: Provided, that if a school district has an absolute need therefore, such district may, with the assent of three-fifths of the voters thereof voting at an election to be held for that purpose, incur indebtedness to an amount, including existing indebtedness, in the aggregate exceeding five percent (5%) but not exceeding ten percent (10%) of the valuation of the taxable property therein, to be ascertained from the last assessment for state and county purposes previous to the incurring of such indebtedness, for the purpose of acquiring or improving school sites, constructing, repairing, remodeling or equipping buildings, or acquiring school furniture, fixtures or equipment; and such assent to such indebtedness shall be deemed to be a sufficient showing of such absolute need, unless otherwise provided by law. Provided further, that if a city or town has an absolute need therefore, such city or town may, with the assent of three-fifths of the voters thereof voting at an election to be held for that purpose, incur indebtedness to an amount, including existing indebtedness, in the aggregate exceeding five percent (5%) but not exceeding ten percent (10%) of the valuation of the taxable property therein, to be ascertained from the last assessment for state and county purposes previous to the incurring of such indebtedness, and such assent to such indebtedness shall be deemed to be a sufficient showing of such absolute need unless otherwise provided by law. Provided, further, that any county, city, town, school district, or other political corporation, or subdivision of the state, incurring any indebtedness requiring the assent of the voters as aforesaid, shall, before or at the time of doing so, provide for the collection of an annual tax sufficient to pay the interest on such indebtedness as it falls due, and also to constitute a sinking fund for the payment of the principal thereof within twenty-five (25) years from the time of contracting the same, and provided further that nothing in this section shall prevent, under such conditions and limitations as shall be prescribed by law[.]

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

FINDING During OSAI review of the Town of Oakland and Oakland Public Works Authority's (PWA) purchase orders and supporting documentation, the following exceptions were noted:

- Some Town Board members were reimbursed for the cost of fuel purchased for use in their personal vehicles instead of being paid a mileage reimbursement.
- Flowers were purchased with Town funds.
- Reimbursement for travel was not always supported by documentation of the nature of business conducted.
- Sales tax was paid on some purchases.
- Fuel was put into the Clerk/Treasurer and Mayor’s personal vehicle for conducting Town or PWA business. During the audit period, the Clerk/Treasurer’s fuel purchases totaled \$807.41.
- Itemized vendor invoices were not always attached to the purchase order as required by **62 § 310.1(B)**.
- Some purchases did not have documentation that the goods or services had been received as required by **62 § 310.1a**.
- The PWA paid an individual \$750.00 per month “for the use of his wastewater lab operators’ license to keep in compliance with [Oklahoma Department of Environmental Quality]”. There was no written contract for the service provided.
- A lease purchase agreement with the PWA is not approved by the Board each fiscal year.
- The Mayor and an employee purchased food at a local store. Some of the receipts reflected the food was for Department of Correction workers and some did not document who the food was for.

RECOMMENDATION OSAI recommends the Town and Public Works Authority establish proper purchasing procedures. All purchases should be properly requisitioned, encumbered, approved and received with proper supporting documentation attached. OSAI recommends that all travel reimbursements be on properly submitted and approved travel claims, based on actual miles traveled while conducting official business for the Town or PWA. We further recommend that all lease purchase agreements be approved on a yearly basis and a written contract be obtained for all contract services to be provided.

Objective **Review for possible irregularities in utility bills.**

FINDING OSAI reviewed monthly billing reports and Board minutes to determine if the water rates charged were approved by the Board. The water and sewer rates approved by the PWA as recorded in the minutes are as follows:

- August 6, 2007, Resolution no. 07-02:

Residential and Commercial Water Rate Schedule

- \$10.00 minimum for the first 1,000 gallons
- \$ 5.80 per 1,000 gallons for the next 1,000 gallons
- \$ 5.85 per 1,000 gallons for the next 1,000 gallons
- \$ 5.90 per 1,000 gallons for the next 1,000 gallons
- \$ 5.95 per 1,000 gallons for the next 1,000 gallons
- \$ 5.95 per 1,000 gallons for the next 1,000 gallons
- \$ 5.95 per 1,000 gallons for the next 1,000 gallons
- 8,000 to 12,000 gallons for \$6.25 per 1,000 gallons
- 13,000 to 20,000 gallons for \$6.50 per 1,000 gallons
- All over 20,000 gallons for \$6.75 per 1,000 gallons

Residential and Commercial Sewer Rate Schedule

- \$10.00 minimum flat rate for all gallons used

➤ January 7, 2008:

Board approved increasing sewer rates to \$12.00 for the first 5,000 gallons and 50 cents on every 1,000 gallons after.

➤ February 4, 2008

Board approved flat fee of \$10.00 for late payments.

The water rate schedule listed above goes up to 12,000 gallons then skips to 13,000 gallons, therefore, the schedule does not have a usage rate for 12,000 to 12,999 gallons used. Further, OSAI compared the approved rates for water and sewer usage to the monthly billing reports to determine if rates were properly applied. It was noted that the customers were being billed the \$10.00 for the first 1,000 of gallons used then the additional 1,000 gallon rate was billed at the amount approved for the 8,000 to 12,000 gallon usage rate of \$6.25. The sewer rate was being billed at \$12.00 for the first 5,000 gallons and then .01¢ to .04¢ per 100 gallons over the initial 5,000 gallons. This was an amount less than the approved rate.

Based on the approved water and sewer rates and the billing reports, it appears incorrect rates were entered into the billing program resulting in customers being overcharged for water usage and undercharged on sewer rates.

RECOMMENDATION OSAI recommends the Oakland Public Works Authority review customers' water and sewage accounts to determine the amounts that were over or under billed. OSAI further recommends the PWA review the billing program to assure

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billing rates are properly entered and that the Board takes action to correct the water and sewer usage rates.

FINDING

The Town of Oakland maintains a fire fund for the purpose of providing fire protection to the citizens. The fire fund is funded by a fee added to each utility customer's bill. At the regular Board meeting of the Oakland Public Works Authority on November 5, 2007, the Board approved increasing the fire fund rates from 25 cents to \$1.50 for each customer.

The fire fund is a special revenue fund under the Town of Oakland; therefore, OSAI finds no authority that allows the Oakland Public Works Authority to increase the rates.

RECOMMENDATION

OSAI recommends the Town determine if citizens have been overcharged for the fire fund and take action to approve the increase if that is the Town's desire.

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 Oakland/PWA or any of the individuals named in this report or acting on behalf of the Town/PWA 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/PWA'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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