

# TOWN OF WEBBERS FALLS

JANUARY 1, 1995 THROUGH  
MAY 1, 2009

# SPECIAL AUDIT



Oklahoma State Auditor  
& Inspector

**TOWN OF WEBBERS FALLS**  
**SPECIAL AUDIT REPORT**  
**JANUARY 1, 1995 THROUGH MAY 1, 2009**

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# STATE AUDITOR AND INSPECTOR

STEVE BURRAGE, CPA  
State Auditor

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Chief Deputy



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February 10, 2010

Mr. Larry Moore  
District Attorney  
Muskogee County Courthouse  
Muskogee, Oklahoma 74401

Transmitted herewith is the Special Audit Report of the Town of Webbers Falls, Webbers Falls, Oklahoma. We performed our special audit in accordance with the requirements of **74 O.S. 2001, § 212(h)**.

A report of this type tends to be critical in nature. Failure to report commendable features in the accounting and operating procedures of the entity should not be interpreted to mean that 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 insure 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 of the State Auditor and Inspector.

STEVE BURRAGE, CPA  
STATE AUDITOR & INSPECTOR

**TOWN OF WEBBERS FALLS  
MUSKOGEE COUNTY, OKLAHOMA  
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**OBJECTIVES**

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**BOARD OF TRUSTEES**

Jewell Horne .....Mayor  
Bob Ogg ..... Vice Mayor  
Loren Dwyer .....Member  
Henry Tipken .....Member  
Dennis Berton .....Member

# STATE AUDITOR AND INSPECTOR

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Board of Trustees  
Town of Webbers Falls  
PO Box 179  
Webbers Falls, Oklahoma 74470

Pursuant to the District Attorney's request and in accordance with the requirements of **74 O.S. 2001, § 212(h)**, we performed a special audit with respect to the Town of Webbers Falls, for the period January 1, 1995 through May 1, 2009.

The objectives of our special audit primarily included, but were not limited to, the areas noted in the District Attorney's request. 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 Webbers Falls for the period January 1, 1995 through May 1, 2009. 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 of Webbers Falls taken as a whole.

This report is intended solely for the information and use of the District Attorney and the Administration of the Town of Webbers Falls 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. 2001, § 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 located below the "Sincerely," text.

STEVE BURRAGE, CPA  
STATE AUDITOR & INSPECTOR

February 10, 2010

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**INTRODUCTION**

The Town of Webbers Falls, 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 11-12-101 through 11-114 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 powers, functions, rights, privileges, franchises and immunities granted, or which may be granted, 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 Office of the State Auditor and Inspector (OSAI) conducted a special audit of the records of The Town of Webbers Falls, primarily those records relating to concerns expressed by the District Attorney in his request.

The results of the special audit are in the following report.



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**I. OBJECTIVE**

Review payments to Town Board Members.

Between January 1, 1995 and May 1, 2009 the Mayor and other members of the Town's governing board were paid \$505,309.08 from Town funds for salary, car allowances, insurance, and bonuses. The focus of our objective was to determine if the payments being made to the Town Board members were authorized and proper.

**Review of appropriate laws and Constitutional requirements.**

In order to determine the validity of the payments to the Town Board we reviewed the provisions of Oklahoma Statutes and the Constitution of Oklahoma related to salaries and compensation of Town Board members.

**Oklahoma Statute 11 O.S. § 12-113** provides the compensation of all elective town officials be fixed by town ordinance. **Oklahoma Statute 11 O.S. §§ 14-105 and 106** require town ordinances to be published within 15 days of the passage of the ordinance.

**Article 23 § 10** of the **Constitution of Oklahoma** provides, in part, that no salary of any public official shall be changed after his or her election or appointment during his or her term of office "unless by operation of law enacted prior to such election or appointment."

**Oklahoma Statute 11 O.S. § 14-101** provides that a governing board may enact ordinances, rules and regulations so long as those rules and regulations do not conflict with the Constitution and laws of Oklahoma.

**The Town Board votes to start receiving compensation.**

The Town Board began the practice of voting themselves compensation in 1995 with the vote of the Town Board, during a special meeting held on April 10, in which the Board passed Ordinance #4-10-95 authorizing the mayor to receive a salary.

Although state law requires the salaries of town officials be set by ordinances and that the ordinances be published "within 15 days after passage" we found no indication the ordinances were published.

Additionally, in many cases it appears board members, specifically Mayor Horne, voted on and/or received raises during their terms of elected office contrary to the provisions of the Constitution of Oklahoma.



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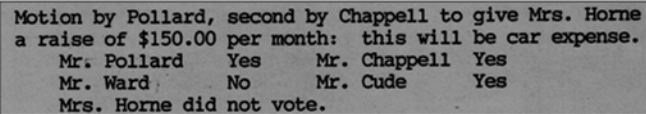
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We reviewed the circumstances surrounding payments being made to members of the Town Board and have addressed the payments for each year from 1995 through 2009.

**Calendar Year 1995**

The June 6, 1995 Town Board meeting minutes reflect the Board voted in favor of granting Mayor Horne compensation of \$500.00 per month. A check register attached to the June 22, 1995 meeting minutes indicates Mayor Horne received a net pay of \$458.84.

On December 5, 1995, the Board voted to give Mayor Horne a “raise” of \$150.00 per month with the notation “this will be car expense”, as shown in the image below:



Motion by Pollard, second by Chappell to give Mrs. Horne  
a raise of \$150.00 per month: this will be car expense.  
Mr. Pollard Yes Mr. Chappell Yes  
Mr. Ward No Mr. Cude Yes  
Mrs. Horne did not vote.

During the 1995 year, Mayor Horne received a total of \$3,650.00 in compensation, as shown in the table below:

Name	Salary	Car Expense	Total
Jewel Horne	\$3,500.00	\$150.00	\$3,650.00

**Calendar Year 1996**

From January 1996 through December 1996, Mayor Horne continued receiving a \$500.00 monthly salary and an additional \$150.00 monthly car allowance. In total Mayor Horne received \$7,800.00 in compensation for the year, as shown in the table below:

Name	Salary	Car Expense	Total
Jewel Horne	\$6,000.00	\$1,800.00	\$7,800.00

**Calendar Year 1997**

On May 6, 1997, the Board voted in favor of paying Johnny Pollard \$125.00 per month for the use of his car. Then on September 2, 1997, the Board voted to raise Pollard’s salary to \$200.00 per month.

Although the Board voted to provide Pollard with a salary and a subsequent raise, there were limited payments to him. We noted a total of \$925.00 in compensation for the 1997 calendar year.

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As with calendar year 1996, Mayor Horne earned \$7,800.00 in total compensation which included a monthly salary of \$500.00 and a \$150.00 monthly car expense.

Name	Salary	Car Expense	Total
Jewel Horne	\$6,000.00	\$1,800.00	\$7,800.00
John Pollard	\$0.00	\$925.00	\$925.00
Totals	\$6,000.00	\$2,725.00	\$8,725.00

**Calendar Year 1998**

During 1998, Mayor Horne was paid \$7,800.00 which included the previously noted \$6,000.00 in salary and \$1,800.00 for car expenses.

In addition to the \$7,800.00 in salary and car allowance, Mayor Horne received a bonus of \$107.65 in December 1998. Mayor Horne appeared to be the only member of the Town Board that received compensation from the Town during this year.

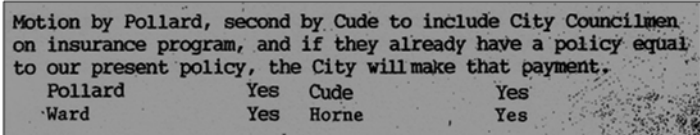
Name	Salary	Car Expense	Bonus	Total
Jewel Horne	\$6,000.00	\$1,800.00	\$107.65	\$7,907.65

**Calendar Year 1999**

During 1999, Mayor Horne continued drawing a salary of \$500.00 per month. In August, Mayor Horne's car expense amount was increased from \$150.00 per month to \$182.50 per month. Mayor Horne was also paid an additional \$135.35 bonus in December.

On March 2 the Board voted to include and pay for Board Members to be on the Town's

insurance program. Although the minutes shown above appear to indicate the Town was going to pay the premiums for Board members already having policies, Board Member Eddie Ward began receiving \$182.11 a month for insurance in April.



Motion by Pollard, second by Cude to include City Councilmen on insurance program, and if they already have a policy equal to our present policy, the City will make that payment.

Pollard	Yes	Cude	Yes
Ward	Yes	Horne	Yes

In April, Board Member John Pollard began receiving a monthly car allowance of \$176.00. Then in July, Board Member Pollard began receiving a salary of \$200.00 a month. Board Member Pollard also received a \$107.65 bonus in December.

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Name	Salary	Car Expense	Bonus	Insurance	Total
Jewel Horne	\$6,000.00	\$1,962.50	\$135.35	\$0.00	\$8,097.85
John Pollard	\$1,200.00	\$1,948.70	\$107.65	\$0.00	\$3,256.35
Eddie Ward	\$0.00	\$0.00	\$0.00	\$910.55	\$910.55
Totals	\$7,200.00	\$3,911.20	\$243.00	\$910.55	\$12,264.75

**Calendar Year 2000**

The Town was unable to provide payroll records for the 2000 year. Since payroll records were unavailable, we relied on check registers attached to Board minutes to determine if Board Members were receiving compensation.

These records reflect Mayor Horne continued receiving a salary of \$500.00 per month and a car allowance of \$182.50 per month. Beginning in September, Mayor Horne's car allowance increased to \$210.00 per month.

Based on the net payment amounts indicated in the check registers, it appears Board Member Pollard was still receiving a \$200.00 per month salary. In September, Board Member Pollard's car allowance increased from \$176.00 to \$227.50.

Both Mayor Horne and Pollard received bonuses in December of \$175.00 each.

Name	Salary	Car Expense	Bonus	Total
Jewel Horne	\$6,000.00	\$2,628.06	\$175.00	\$8,803.06
John Pollard	\$2,750.00	\$2,646.00	\$175.00	\$5,571.00
Totals	\$8,750.00	\$5,274.06	\$350.00	\$14,374.06

**Calendar Year 2001**

On February 6, 2001, the Board passed Ordinance #2-6-2001 which established salaries, raises, health insurance, and retirement for the Board, as shown in the image below.

An Ordinance establishing salaries, raises, Health insurance, and retirement for the Board of Trustees of the Town of Webbers Falls, Okla, providing for increase in such salaries and providing an effective date. 2-6-2001.

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At the start of the year, Mayor Horne continued receiving a \$500.00 monthly salary as well as a

\$210.00 car allowance. On June 5, 2001 the Board voted to “raise Mayor’s salary from \$710.00 to \$1,000.00”. The previous compensation as a “car allowance” now appears to be considered a “salary.”

Old business: Motion by Pollard, second by Chappell to raise Mayor's salary from \$710.00 to \$1,000.00.  
Chappell Yes Pollard Yes  
Ward Yes Cude

Beginning in June, Mayor Horne began receiving \$1,000.00 per month as a salary. On September 4, 2001, the Board voted to give Mayor Horne the authority to make decisions related to “salary raises.”

Council gave Mayor Horne the authority to make decision on salary raises. Tyrone Williams met with Council about being hired as policeman. Tyrone Williams will be checked out. Mayor will report to board.

Beginning in September, Mayor Horne appears to have given herself and Board Member John Pollard a raise. Mayor Horne’s salary increased to \$1,400.00 a month, and Pollard’s salary increased to \$500.00 a month.

Although Mayor Horne’s car allowance was merged into a salary compensation package, Board Member Pollard continued to receive a monthly car allowance of \$227.50. We noted, however, the \$227.50 car allowance was now being referred to as “insurance.”

Both Mayor Horne and Pollard received additional compensation in December of \$271.13 and \$215.30 respectively.

Name	Salary	Insurance Expense	Extra December Payment	Total
Jewel Horne	\$11,355.00	\$1,470.00	\$271.13	\$13,096.13
John Pollard	\$4,200.00	\$2,730.00	\$215.30	\$7,145.30
Totals	\$15,555.00	\$4,200.00	\$486.43	\$20,241.43

**Calendar Year 2002**

During 2002, Mayor Horne continued to be paid \$1,400.00 per month until March when her salary increased \$550.00 to \$1,950.00 per month.

Board Member John Pollard also continued receiving \$500.00 per month until March when his monthly salary increased by \$550.00 to \$1,050.00 per month. Board Member Pollard continued receiving \$227.50 per month treated at various times as either car expense or insurance.

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During 2002, three more Board members were added to the Town's payroll. Board Members Larry Chappell and Eddie Ward began receiving \$550.00 per month in March. Board Member Richard Cude began receiving \$200.00 a month salary, as well as an additional \$303.00 monthly noted as insurance.

Three Board Members and Mayor Horne all received bonuses in December totaling \$1,356.81, as shown in the table below.

Name	Salary	Insurance		Total
		Expense	Bonus	
Jewel Horne	\$22,300.00	\$0.00	\$698.90	\$22,998.90
John Pollard	\$11,750.00	\$2,730.00	\$329.45	\$14,809.45
Larry Chappell	\$5,500.00	\$0.00	\$163.73	\$5,663.73
Richard Cude	\$2,000.00	\$3,030.00	\$0.00	\$5,030.00
Eddie Ward	\$5,500.00	\$0.00	\$164.73	\$5,664.73
Total	\$47,050.00	\$5,760.00	\$1,356.81	\$54,166.81

**Calendar Year 2003**

Mayor Horne continued to receive \$1,950.00 a month salary. Board Members Pollard and Ward continued receiving their salaries of \$1,050.00 and \$550.00, respectively. Board Member Pollard also continued receiving a \$227.50 monthly payment noted as "insurance."

Board Member Larry Chappell continued receiving his salary of \$550.00 per month until May when his salary was increased to \$700.00 per month. In November, his salary appeared to have reverted back to the \$550.00 per month amount.

Richard Cude continued to receive \$200.00 a month in salary and \$303.00 monthly "insurance" payment until May when the insurance payment increased to \$403.00.

In addition to the salaries and other compensation, four Board Members also received bonuses in December totaling \$1,330.79, as shown in the following table.

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Name	Salary	Insurance		Total
		Expense	Bonus	
Jewel Horne	\$23,400.00	\$0.00	\$675.90	\$24,075.90
John Pollard	\$12,600.00	\$2,730.00	\$327.45	\$15,657.45
Larry Chappell	\$7,500.00	\$0.00	\$163.72	\$7,663.72
Richard Cude	\$2,400.00	\$4,436.00	\$0.00	\$6,836.00
Eddie Ward	\$6,600.00	\$0.00	\$163.72	\$6,763.72
Total	\$52,500.00	\$7,166.00	\$1,330.79	\$60,996.79

**Calendar Year 2004**

The Town was unable to provide payroll records for 2004. Since payroll records were unavailable, we relied on check registers attached to the board meeting minutes. The Town was also unable to provide check registers for June through November. We compared the May and December check register amounts to determine likely payments for the June through November period.

Based on the records that were available, it appears likely Mayor Horne continued receiving a salary of \$1,950.00 per month. It also appears likely Board Member Pollard continued receiving a \$1,050.00 per month until March. In March, Board Member Pollard's salary appears to have decreased to \$550.00 per month. However, he then began receiving two "insurance" payments a month of \$292.54 and \$277.50.

We also found, based on the check registers available, it appears Board Member Chappell also continued receiving a salary of \$550.00 per month. Board Member Cude also continued receiving a \$200.00 a month salary and an additional \$403.00 monthly for "insurance."

Board Member Ward appeared to receive his \$550.00 monthly salary for January and February.

Name	Salary	Insurance		Total
		Expense	Bonus	
Jewel Horne	\$23,400.00	\$0.00		\$23,400.00
John Pollard	\$7,600.00	\$5,745.52		\$13,345.52
Larry Chappell	\$6,600.00	\$0.00		\$6,600.00
Richard Cude	\$2,400.00	\$4,836.00		\$7,236.00
Eddie Ward	\$1,100.00	\$0.00		\$1,100.00
Total	\$41,100.00	\$10,581.52		\$51,681.52

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**Calendar Year 2005**

On March 15, 2005 the Board voted to approve a Resolution requiring compensation of "all elected City Officers including the Mayor and Council Members be fixed by Ordinance".

Mayor Horne continued to be paid a \$1,950.00 monthly salary through March. In March, Mayor Horne's salary increased to \$2,650.00 per month.

Board Members Pollard and Chappell continued to receive salaries of \$550.00 per month. Board Member Pollard received "insurance" payments of \$292.54 a month until October when the amount decreased to \$229.77. Board Member Cude also continued to receive his \$200.00 monthly salary. In November, Board Member Cude's "insurance" payment decreased from \$403.00 to \$340.23.

On May 10, 2005, Matt Myers was sworn in as a new board member replacing Board Member Eddie Ward. At the same meeting, according to the meeting minutes, the Mayor asked Board Member Myers if he wanted to be compensated.

**The Mayor asked Mr. Myers if he wanted to draw compensation for serving on Council. He said that he did.**

In June, Board Member Myers began receiving a salary of \$550.00 a month and, beginning in October, a monthly payment for \$292.54 for "insurance."

Name	Salary	Insurance	Total
		Expense	
Jewel Horne	\$30,400.00	\$0.00	\$30,400.00
John Pollard	\$6,600.00	\$3,384.94	\$9,984.94
Larry Chappell	\$6,600.00	\$0.00	\$6,600.00
Richard Cude	\$2,400.00	\$4,710.46	\$7,110.46
Matt Myers	\$3,850.00	\$752.08	\$4,602.08
Total	\$49,850.00	\$8,847.48	\$58,697.48

**Calendar Year 2006**

During 2006, Mayor Horne continued to receive her salary of \$2,650.00 per month. Board Members Pollard, Chappell and Myers also continued receiving their salaries of \$550.00 per month. Board Member Cude continued receiving his salary of \$200.00 per month.



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In addition to their monthly salaries, Board Members Cude, Pollard and Myers were also paid for “insurance” at monthly rates of \$340.33, \$229.77 and \$229.77, respectively.

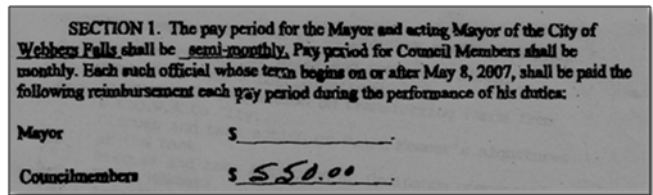
Board Members Pollard, Chappell, Cude and Myers received bonuses in December totaling \$875.20.

Name	Salary	Insurance		Total
		Expense	Bonus	
Jewel Horne	\$31,800.00	\$0.00	\$0.00	\$31,800.00
John Pollard	\$6,600.00	\$2,757.24	\$218.30	\$9,575.54
Larry Chappell	\$6,600.00	\$0.00	\$219.30	\$6,819.30
Richard Cude	\$2,400.00	\$4,083.96	\$218.30	\$6,702.26
Matt Myers	\$6,600.00	\$2,757.24	\$219.30	\$9,576.54
Total	\$54,000.00	\$9,598.44	\$875.20	\$64,473.64

**Calendar Year 2007**

Beginning in May, Henry Tipken and Stan Cowan replaced Richard Cude and Larry Chappell on the Town Board.

On May 8, 2007, the Board voted in favor of compensation for the Town Board members remaining the same. The Board also passed Ordinance #5-8-07 establishing the pay period for the Mayor at semi-monthly and monthly for Board members. The rate of pay for the Mayor was blank.



Also in May new Board Member Stan Cowan took over as Mayor and began receiving a salary of \$2,650.00 per month. Former Mayor Horne’s salary was reduced to \$550.00 per month.

Outgoing Board Members Cude and Chappell received their same rate of pay through April 2007. All other Board members, including the newly elected members, received \$550.00 a month. Pollard, Myers and Tipken received an additional \$229.77 through August 2007.

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On August 14, 2007, the Board voted to no longer allow Board members the option of receiving compensation in lieu of taking the insurance offered by the Town.

Health Insurance: Matt Myers made the motion that as a council member, if you do not take insurance plan offered by the Town, you do not receive money in lieu of insurance. It was seconded by Henry Tipken. Roll call vote. All yes.

The total 2007 compensation paid to the board members is reflected in the table below.

Name	Salary	Insurance	
		Expense	Total
Jewel Horne	\$15,700.00	\$0.00	\$15,700.00
John Pollard	\$6,600.00	\$1,838.16	\$8,438.16
Larry Chappell	\$2,200.00	\$0.00	\$2,200.00
Richard Cude	\$800.00	\$1,361.32	\$2,161.32
Matt Myers	\$6,600.00	\$1,838.16	\$8,438.16
Stan Cowan	\$20,500.00	\$0.00	\$20,500.00
Henry Tipken	\$4,400.00	\$689.31	\$5,089.31
Total	\$56,800.00	\$5,726.95	\$62,526.95

**Calendar Year 2008**

In October, Board Member Horne resumed the position of Mayor. A new board member, Loren Dwyer, filled the board member position vacated by Stan Cowan.

The meeting minutes do not reflect any discussion concerning the vacancy by Board Member Cowan. Payroll records indicated Cowan resigned on September 12. Cowan had received \$2,650.00 per month up until his resignation in September.

Upon resuming the duties of Mayor, Board Member Horne's \$550.00 per month salary was increased to \$2,650.00 per month. Board Members Pollard, Myers, Tipken and Dwyer each received a \$550.00 per month salary.

Four Board Members and Mayor Horne all received bonuses in December totaling \$2,153.00.

The total 2008 compensation paid to the Board Members is reflected in the table below.

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Name	Salary	Bonus	Total
Jewel Horne	\$12,900.00	\$430.60	\$13,330.60
John Pollard	\$6,600.00	\$430.60	\$7,030.60
Matt Myers	\$6,600.00	\$430.60	\$7,030.60
Stan Cowan	\$22,450.00	\$0.00	\$22,450.00
Henry Tipken	\$6,600.00	\$430.60	\$7,030.60
Loren Dwyer	\$1,100.00	\$430.60	\$1,530.60
Total	\$56,250.00	\$2,153.00	\$58,403.00

**Calendar Year 2009**

The meeting minutes for the May 8, 2009 meeting indicated the Town Board had realized there was not a valid ordinance on file concerning payments being made to themselves. The meeting minutes are reflected in the image below.

Discuss and take action on an ordinance to establish compensation for elected officials. Troy Poteete wrote Ordinance 5-8-2009A. In the past there was not a valid ordinance on file. This new ordinance must be published in 15 days. Board decided that the trustees would stay at \$550.00 a month and that the Mayor would get \$650.00 per month and that the city clerk/treasurer would be paid \$450.00 monthly.

Consequently, the Board adopted Ordinance #5-8-2009-A establishing a pay rate of \$550.00 per month for each Trustee and \$650.00 per month for the Mayor. Ordinance 5-9-2009-A was published, as required by **11 O.S. § 14-106**.

Name	2009 Salaries prior to May, 2009
Jewel Horne	\$10,600.00
John Pollard	\$2,200.00
Matt Myers	\$2,200.00
Henry Tipken	\$2,200.00
Loren Dwyer	\$2,200.00
Total	\$19,400.00

Prior to the passage of Ordinance #5-8-2009-A, the Mayor and Board Members had been compensated \$19,400.00 during the year, as shown in the table at left.

On May 12, 2009, subsequent to the passage of the Ordinance establishing the salaries for the Town Board of Trustees, Board Members Myers and Tipken resigned. However, on May 13, 2009, Board Member Tipken rescinded his resignation.

On May 26, 2009, Board Member Dennis Berton was nominated as Mayor during a meeting with three Trustees. After that nomination, Mayor Horne walked out of the meeting, leaving the remaining two Trustees without a quorum and unable to continue with the vote on the nomination.

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On June 9, 2009, Board Members Horne and Tipken resolved to stop receiving their pay as Trustees until after an investigation by the District Attorney's Office was completed. The Town's payroll records reflect May 15, 2009, was the last time either Board Members Horne or Tipken were paid.

In July, 2009, Bob Ogg and Loren Dwyer were both elected to the Town Board. During the July 2009 meeting, the Board voted in favor of having Member Horne to serve as the Mayor.

As of July, 2009 the Town Board of Trustees consisted of:

- Jewell Horne, Mayor.
- Bob Ogg, Vice-Mayor.
- Loren Dwyer, Member.
- Henry Tipken, Member.
- Dennis Berton, Member.

Payroll records for the Town reflect Board Member Berton is currently the only Board Member receiving compensation.

The following table reflects the total compensation paid to the Board of Trustees.

Year	Jewell Horne	John Pollard	Eddie Ward	Larry Chappell	Richard Cude	Matt Myers	Stan Cowan	Henry Tipken	Loren Dwyer
1995	\$3,650.00	\$	\$	\$	\$	\$	\$	\$	\$
1996	\$7,800.00	\$	\$	\$	\$	\$	\$	\$	\$
1997	\$7,800.00	\$925.00	\$	\$	\$	\$	\$	\$	\$
1998	\$7,907.65	\$	\$	\$	\$	\$	\$	\$	\$
1999	\$8,097.85	\$3,256.35	\$910.55	\$	\$	\$	\$	\$	\$
2000	\$8,803.06	\$5,571.00	\$	\$	\$	\$	\$	\$	\$
2001	\$13,096.13	\$7,145.30	\$	\$	\$	\$	\$	\$	\$
2002	\$22,998.90	\$14,809.45	\$5,664.73	\$5,663.73	\$5,030.00	\$	\$	\$	\$
2003	\$24,075.90	\$15,657.45	\$6,763.72	\$7,663.72	\$6,836.00	\$	\$	\$	\$
2004	\$23,400.00	\$13,345.52	\$1,100.00	\$6,600.00	\$7,236.00	\$	\$	\$	\$
2005	\$30,400.00	\$9,984.94	\$	\$6,600.00	\$7,110.46	\$4,602.08	\$	\$	\$
2006	\$31,800.00	\$9,575.54	\$	\$6,819.30	\$6,702.26	\$9,576.54	\$	\$	\$
2007	\$15,700.00	\$8,438.16	\$	\$2,200.00	\$2,161.32	\$8,438.16	\$20,500.00	\$5,089.31	\$
2008	\$13,330.60	\$7,030.60	\$	\$	\$	\$7,030.60	\$22,450.00	\$7,030.60	\$1,530.60
2009	\$10,600.00	\$2,200.00	\$	\$	\$	\$2,200.00	\$	\$2,200.00	\$2,200.00
<b>Total</b>	<b>\$229,460.09</b>	<b>\$97,939.31</b>	<b>\$14,439.00</b>	<b>\$35,546.75</b>	<b>\$35,076.04</b>	<b>\$31,847.38</b>	<b>\$42,950.00</b>	<b>\$14,319.91</b>	<b>\$3,730.60</b>

**Other issues related to compensation.**

The Board meeting minutes from the May 9, 2009 meeting included the language, "Discuss and take action on an ordinance to establish compensation for elected officials. Troy Poteete wrote Ordinance 5-8-2009A. In the past there was not a valid ordinance on file".

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Based on the meeting minutes, it appears the Board of Trustees recognized there was not a valid ordinance on file authorizing the payment of \$505,309.08 paid to the Board of Trustee members between April 10, 1995 and May 1, 2009.

In addition to the compensation noted in the previous table, Board Member Dennis Berton began receiving \$550.00 per month in compensation during his term of office, which appears to be contrary to **Article 23 § 10** of the **Constitution of Oklahoma**.

We previously noted the Board had not complied with the requirements of **11 O.S. § 14-106** concerning the publication of ordinances.

Although we have questioned the entire \$505,309.08 amount paid to the Board of Trustees based on the failure to follow the requirements of **11 O.S. §§ 14-105** and **106**, we also identified other issues that would also cause us to question the payments made to the Board of Trustee members even if they had complied with **11 O.S. § 14-105** and **106**.

**11 O.S. § 14-105** provides:

Every ordinance enacted by a governing body shall be entered in an ordinance book immediately after passage. The entry shall contain the text of the ordinance and shall state the date of passage, the page of the journal containing the record of the final vote on its passage, the name of the newspaper in which the ordinance was published, and the date of publication. Compilations or codes of municipal law or regulations need not be enrolled in full in the book of ordinances, but the ordinance adopting by reference or enacting such compilation or code shall be entered and a copy of the compilation or code shall be filed and kept in the office of the municipal clerk.

**11 O.S. § 14-106** provides:

No ordinance having any subject other than the appropriation of monies shall be in force unless published or posted within fifteen (15) days after passage. Every municipal ordinance shall be published at least once in full, except as provided for in Section 14-107 of this title. When publishing the ordinance, the publisher or managing officer of the newspaper shall prefix to the ordinance a line in brackets stating the date of publication as "Published \_\_\_\_\_", giving the month, day, and year of publication.

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**Article 23 § 10** of the **Constitution of Oklahoma** states, in relevant part:

Except wherein otherwise provided in this Constitution, in no case shall the salary or emoluments of any public official be changed after his election or appointment, or during his term of office, unless by operation of law enacted prior to such election or appointment [...]

**Salary increases contrary to Oklahoma Constitution.**

As outlined above, we found numerous cases where the Board of Trustees voted themselves raises during their current terms of office. In other cases, the payments to Board members increased without board action. These increases may be contrary to the Oklahoma Constitution.

Additionally, the Board of Trustees, on February 6, 2001, “passed” Ordinance 2-6-2001 which included language setting salaries, raises, insurance and retirement benefits for the Board of Trustees effective during their current terms of office. In this case the Board of Trustees passed an Ordinance which conflicts with the **Constitution of Oklahoma**.

**11 O.S. § 14-101** provides:

The municipal governing body may enact ordinances, rules and regulations not inconsistent with the Constitution and laws of Oklahoma for any purpose mentioned in Title 11 of the Oklahoma Statutes or for carrying out their municipal functions. Municipal ordinances, rules or regulations may be repealed, altered or amended as the governing body ordains.

In addition to salary increases and other compensation periodically referred to as either some type of insurance or car allowance, the Board also received bonuses totaling \$6,902.88. The bonuses, paid to the Board of Trustees, appear to have been approved as part of approving check registers during regular meetings.

**Ordinances for compensation did not fix the amount to be paid.**

**11 O.S. § 12-113** states:

The compensation of all elective town officials shall be fixed by ordinance.

The Board of Trustees passed several ordinances pertaining to compensation without specifically stating the amount the compensation was to be fixed at. These included:

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- On April 10, 1995, the Board issued Ordinance #4-10-95. The ordinance seemed to allow the Mayor to receive a salary without specifying an amount.
- On February 2, 1999, the Board issued Ordinance #2-2-1999. The ordinance was passed to provide Mayor Horne "Salary, Raises, Health Insurance, and Retirement". No amounts were provided.
- On February 1, 2001, the Board issued Ordinance #2-6-2001 establishing "salaries, raises, Health insurance, and retirement" for Board members with no amounts provided.
- On May 8, 2007, the Board issued Ordinance #5-8-07 to establish compensation for the Mayor and Board. The ordinance provided the amount of \$550.00 monthly compensation for Board members but no amount was disclosed for the Mayor.

**Compensation contrary to ordinance.**

In 1995, the Board of Trustees passed ordinance #4-10-95 authorizing the Mayor to receive a salary. The same ordinance states that no other Board Member shall receive compensation.

Although we question the validity of the ordinance since it was not published as required by state law, the Board still voted in favor of paying Board Members compensation even though it was clearly against and in violation of their own previously passed ordinance.

On May 6, 1997, the Board voted in favor of paying John Pollard \$125.00 a month for the use of his car and then voted to raise his salary to \$200.00 a month on September 2, 1997. In 1999, Eddie Ward received compensation for "insurance."

Although Pollard did not receive any compensation from January 1999 through March 1999, Pollard began receiving \$176.00 a month for "car rental" in April 1999 and in July began receiving an additional \$200.00 a month for a total of \$376.00 per month. Additionally, the Board voted on September 2, 1997, to give Board Member Pollard a "raise."

On February 6, 2001, the Board voted to approve Ordinance #2-6-2001 which provided for the establishment of salaries, raises, health insurance and retirement for the Board Members. However, the Ordinance was not published and did not disclose the amounts of the salaries, raises, health insurance or retirement compensation.



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**Compensation not established by ordinance.**

Ordinance #4-10-95 was issued to authorize a salary for the Mayor. Aside from not being published in accordance with **11 O.S. § 14-106**, and not having been signed by any Board members, we have additional concerns about the validity of the ordinance.

**11 O.S. § 12-113** provides the compensation of town officers be established by ordinance. It appears that any amount paid to Board members as compensation would require the passage of an ordinance.

Ordinances passed by the Town pertaining to compensation did not show any amounts prior to May 2007. Since the amounts were not fixed or stated, there is no documentation to support that the amount of compensation was authorized and established by ordinance.

Moreover, although the Board approved the Mayor's salary of \$500.00 on June 6, 1995, the authorization was by Board action and not by ordinance as required by **11 O.S. § 12-113**.

In December 1995, the Mayor also began receiving a monthly travel allowance of \$150.00 by Board action only. In August 1999, the allowance was increased to \$182.50 and increased again to \$210.00 in September 2000 with no recorded Board action. On June 5, 2001, the Board voted to approve a salary increase for the Mayor from \$710.00 to \$1,000.00 which was by Board action only and not by ordinance.

All of these board actions and ordinances concerning the Mayor's various means of being compensated occurred during her terms of office and appear to violate **Article 23 § 10** of the **Constitution of Oklahoma**.

**Inconsistency between Board action and actual ordinance.**

The February 6, 2001 meeting minutes reflect:

Motion by Pollard, second by Cude to pass an Ordinance to reimburse Board Members and employees for mileage expense incurred in the course of conducting city business.

Since there was no vote recorded we don't know if this "Ordinance" was approved. However, we found two ordinances both identified as Ordinance #2-6-2001 ("the 2-6 Ordinances") in the Town's records.

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The first 2-6 Ordinance reflected:

Be it resolved, that an ordinance shall be passed to reimburse City employees for expenses incurred while conducting City business. It being necessary for the preservation of the unity of all employees.

The second 2-6 Ordinance reflected:

An Ordinance establishing salaries, raises, Health insurance, and retirement for the Board of Trustees of the Town of Webbers Falls, Okla, providing for increase in such salaries and providing an effective date. 2-6-2001.

When comparing the Board action from the minutes and the ordinance related to the Board, the two do not appear to be related. The minutes indicate the intent was to establish an ordinance authorizing mileage reimbursements for Board members and employees.

The second 2-6 Ordinance appears to establish salaries, salary increases, health insurance and retirement for Board members and does not appear to relate to mileage reimbursements.

Regardless of the intent, there was no vote recorded and no evidence that they had been published in accordance with the requirements of state law.

**Compensation contradicts Board action.**

On March 15, 2005, the Board voted to approve a Resolution requiring compensation of all elected officials to be fixed by ordinance in compliance with state law.

Although the Board voted to approve a resolution, the Town was unable to provide the actual resolution itself. Moreover, there was not another ordinance that related to compensation until 2007, two years later.

Although the March 15, 2005 minutes reflect the Board intended compensation to be fixed by ordinance, the mayor received an increase in salary in that same month from \$1,950.00 to \$2,650.00. The raise is reflected in the payroll for the second half of the month which is for the pay period immediately after the March 15<sup>th</sup> Board meeting.

When Board Member Matt Myers took office, he was asked if he wanted to receive compensation for serving on the Council, as reflected in the meeting minutes shown below:

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The Mayor asked Mr. Myers if he wanted to draw compensation for serving on Council. He said that he did.

Subsequently, Board Member Myers began receiving a \$550.00 per month salary starting in June, 2005. We found no ordinance setting Board Member Myers salary as required by state law.

Again, as in previously noted cases, it appears a Board Member began receiving a salary agreed upon during his elective term of office contrary to the provisions of **Article 23 § 10** of the **Constitution of Oklahoma**.

**Inconsistency between what Board voted on and what actually happened.**

On March 2, 1999, the Board voted to include Board members on the Town insurance program as reflected in the meeting minutes shown below.

Motion by Pollard, second by Cude to include City Councilmen on insurance program, and if they already have a policy equal to our present policy, the City will make that payment.

Pollard	Yes	Cude	Yes
Ward	Yes	Horne	Yes

Although the minutes seem to indicate the Town would pay the premiums for Board members already having policies, the Town made direct payments to Board members.

In April of 1999, Board Member Eddie Ward began receiving monthly payments of \$182.11, presumably for insurance. In 2001, Board Member Pollard also began receiving payments noted as "insurance." These payments appear to be in lieu of his car allowance. Subsequently, Board Members Cude and Myers were also receiving direct payments for insurance until August 2007, when the practice was discontinued by the Board.

**Council authorizing Mayor to determine raises.**

On September 4, 2001, the Board appears to have granted the Mayor the authority to determine salary increases. The minutes, previously cited and shown again below for convenience, do not specify whether the decision making authority pertained to employees or to employees and Board members.

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Council gave Mayor Horne the authority to make decision on salary raises. Tyrone Williams met with Council about being hired as policeman. Tyrone Williams will be checked out. Mayor will report to board.

However, there was no motion and no vote recorded.

During this same month, September, 2001, the Mayor's salary was increased \$400.00 from \$1,000.00 per month to \$1,400.00 per month. Board Member Pollard's salary was also increased \$300.00 per month from \$200.00 to \$500.00.

Six months later, in March 2002, the Mayor's salary increased again from \$1,400.00 to \$1,950.00 per month. Board Member Pollard's salary also increased from \$500.00 to \$1,050.00.

The meeting minutes for these time periods do not reflect any discussions relevant to these pay raises.

The Board appears to have circumvented their duties as an oversight body by attempting to hand over their responsibility as a board to the Mayor by giving the Mayor the authority to determine salary increases without Board knowledge or approval. Also, by delegating the decision making process, the Board placed the Mayor in the position of authorizing her own salary increases. Moreover, the compensation increases to the Mayor and the Trustees were made contrary to statutory and constitutional requirements.

#### CONCLUSION

Overall, we found the Town does not appear to have complied with the requirements of **11 O.S. §§ 12-113, 14-105 and 14-106** concerning the payment of \$505,309.08 by the Town Board of Trustees to themselves. Moreover, it appears most, if not all, of the decisions related to compensation were made during the time the Trustees were already in office and may have also been in violation of the **Article 23 § 10** of the **Constitution of Oklahoma**.

#### Compensation from the East Central Oklahoma Water Authority.

The governing body for the Town of Webbers Falls also operates and maintains the East Central Oklahoma Water Authority (ECOWA). The ECOWA provides water and sewer services for the residents and businesses of Webbers Falls.

When individuals are elected as Board members of the Town of Webbers Falls, they automatically become Trustees to the ECOWA. Although ECOWA and the Town are two separate and distinct entities, the governing Board of the Town and ECOWA are made up of the same individuals.

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In addition to receiving compensation from Town funds, the Mayor and other Board members also received compensation from the ECOWA. The Mayor was the only Board member that received compensation on a monthly basis, and other members of the Board were paid what appear to have been bonuses in December.

Compensation for Board members from ECOWA funds appears to have been discontinued in April 2007.

ECOWA was unable to provide payroll records for January 1998 – June 1999, and July 2000 - June 2001. From the available ECOWA records, compensation received by the Mayor Horne and other Board members are reflected below:

<b>Year</b>	<b>Name</b>	<b>Amount</b>
May – December 1995	Jewell Horne	\$2,454.14
January – December 1996	Jewell Horne	\$3,600.00
January – December 1997	Jewell Horne	\$6,173.09
July – December 1999	Jewell Horne	\$6,402.78
January – June 2000	Jewell Horne	\$6,450.00
July – December 2001	Jewell Horne	\$7,700.00
January – December 2002	Jewell Horne	\$16,110.05
January – December 2003	Jewell Horne	\$15,824.47
January – December 2004	Jewell Horne	\$13,415.30
January – December 2005	Jewell Horne	\$8,425.00
January – December 2006	Jewell Horne	\$6,625.00
January – April 2007	Jewell Horne	\$2,300.00
	<b>Total</b>	<b>\$95,479.83</b>

Besides Mayor Horne, other Board members received compensation for bonuses in December. Because some records were not available, we could not verify if bonuses were paid in December 1998 and December 2000.

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The bonuses are reflected in the table to the right. From August 1999 through February 2002, Eddie Ward also received an additional \$3,653.50 in compensation labeled as an insurance reimbursement.

Again, the amounts do not reflect any compensation that may have been paid during July 2000 - June 2001, which could not be determined because of a lack of records.

Name	Bonus Amount
Eddie Ward	\$1,164.35
Larry Chappell	\$1,693.00
Richard Cude	\$1,255.60
John Pollard	\$1,424.05
Matt Myers	\$425.00
<b>Total</b>	<b>\$5,962.00</b>

The ECOWA is a legal entity separate and distinct from the town. Therefore, the compensation given to the Mayor and Board members by the trust would not be considered "salary or emoluments" of the officials of the town, which by law, must be set by ordinance. **11 O.S. §12-113.** (See A.G. Opinion No. 07-14.)

**Compensation from the East Central Oklahoma Gas Authority.**

The East Central Oklahoma Gas Authority (ECOGA) provides natural gas to the residents and businesses of Webbers Falls and Gore. The Board of Trustees for the ECOGA is comprised of members of the governing bodies for both Webbers Falls and Gore.

In addition to receiving compensation from Town funds and the ECOWA, Board members of the Town of Webbers Falls also received compensation from the ECOGA. Payroll records from calendar year 2002 forward reflect the Board received the following compensation:

Calendar Year	Jewell Horne	John Pollard	Ed Ward	Stan Cowan	Matt Myers	Yearly Totals
2002	\$1,469.45	\$1,358.80	\$	\$	\$	\$2,828.25
2003	\$546.25	\$546.25	\$546.25	\$	\$	\$1,638.75
2004	\$107.65	\$107.65	\$	\$	\$	\$215.30
2007	\$1,400.00	\$	\$	\$1,400.00	\$1,400.00	\$4,200.00
2008	\$2,800.00	\$	\$	\$4,900.00	\$4,200.00	\$11,900.00
<b>Totals</b>	<b>\$6,323.35</b>	<b>\$2,012.70</b>	<b>\$546.25</b>	<b>\$6,300.00</b>	<b>\$5,600.00</b>	<b>\$20,782.30</b>

The ECOGA is a legal entity separate and distinct from the town. Therefore, the compensation given to the Mayor and Board members by the trust would not be considered "salary or emoluments" of the officials of the town, which by law, must be set by ordinance. **11 O.S. §12-113.** (See A.G. Opinion No. 07-14.)

**RECOMMENDATION**

We recommend the appropriate legal authority review the above findings to determine what action, if any, may be required, and we have provided a copy of this report to the District Attorney.

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We recommend the Board obtain the training and assistance needed to develop and implement written policies and procedures to ensure complete and accurate records are maintained and to ensure its operations and ordinances are in compliance with statutory and constitutional law. We also recommend the Board take steps to ensure members are aware of the ordinances and adhere to their provisions.

**II. OBJECTIVE**

Determine if there has been a misappropriation of funds from the bridge memorial account.

In September 2002, the Town obtained a federal grant through the Oklahoma Department of Transportation for the “City of Webbers Falls I-40 Memorial Project Transportation Enhancement Project”.

The purpose of the project was to construct a memorial honoring those that lost their lives from the I-40 bridge collapse on May 26, 2002.



In addition, to the \$139,634 in federal funds, the Town also received donations. OSAI was able to identify a total of \$155,436 expended for the memorial which included costs for engineering, artist fees, and construction. On March 19, 2004 the remaining balance of \$438.38 was transferred to the general fund and the bank account was closed.

From a review of supporting documentation, it appears the expenditures from the memorial account were used for the purpose intended, which was for the construction and expenses related to the memorial.



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**III. OBJECTIVE**

Determine if there has been a misappropriation of funds from other federal grants.

One of the concerns expressed by the District Attorney was for us to review federal grants obtained by the Town to ensure grant proceeds were used for appropriate purposes. When we asked Town officials for grant records, we were shown several locations where the grant files were supposed to be kept.

When we examined the files, we found the records were disorganized, incomplete, missing, misfiled, and in disarray. We found, for example, some folders contained nothing more than a grant application with no supporting documentation and no indication that the grant had or had not been received.

In another case, we found a CDBG grant contract for a water and sewer project that was in a file labeled "Oklahoma Department of Transportation." We also found a vendor file containing invoices with no indication if the expenditures were, in some way, related to a grant or if so which grant.

One file titled "Bills paid by EODD" contained invoices that were not attached to purchase orders, purchase orders with no invoices, and two pay requests with no invoices attached. There was nothing in the file identifying what the payments, invoices, and purchase orders were related to. Therefore, we were unable to determine which grant these records may or may not apply to.

Because the Town has failed to maintain complete and accurate records concerning federal grants, we were limited and in most cases simply unable to perform any procedures related to federal grants. This includes determining the total number of grants, the specific grants received, accounting of grant revenue and expenditures, and making a determination on how grant proceeds were actually used.

**Bicycle/Pedestrian Path Grant.**

In addition to reviewing grants as a whole that were received by the Town of Webbers Falls, the District Attorney requested we specifically address the grant for the bicycle/pedestrian path and the sewer grant.

**67 O.S. § 207** states, in part:

The governing body of each county, city, town, village, township, district, authority or any public corporation or political entity whether organized and existing under charter or under general law shall

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promote the principles of efficient records management for local records. Such governing body shall, as far as practical, follow the program, established for the management of state records.

The Oklahoma Department of Libraries guidelines concerning document retention and grants provides, in part:

Description: File containing all financial documents concerned with the administration of a grant.

Description Retain in office until three (3) years after completion of grant activity, then destroy provided all audits have been completed and all applicable audit reports have been accepted and resolved by all applicable federal and state agencies and provided no legal actions are pending.

The grant award pertaining to the bicycle/pedestrian path project was dated March 7, 1995, over fourteen years ago. We found few records related to this project. From the limited records we did find, we were able to deduce some information related to the project.

In 1993, the Town applied for a federal grant passed through the Oklahoma Department of Transportation to construct a bicycle/pedestrian path along Highway 100, running north to the intersection of Highway 64. On March 7, 1995, the Town contracted with the Oklahoma Department of Transportation for \$61,136.00 in federal funding for the project.

Records show the project changed, and the funds were used to overlay a road through the park. The project appeared to be a joint effort with Muskogee County, and a total of \$76,420 was expended, including the \$61,136 in federal funds.

A letter from the Oklahoma Department of Transportation indicated they were aware the project was changed to overlay the road in the park. We were able to locate invoices for road materials: engineering, labor and equipment totaling \$63,633.11 which appeared to relate to a street overlay project.

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**Sewer Grant**

From the files, we were able to identify at least five different sewer projects. As in previous matters, some of the sewer projects date back beyond records retention requirements. Accordingly, limited records were available.

- **Sewer Project 1995.** From the records provided, the funding for the sewer project was not obtained from a federal grant but from a revenue note obtained by the East Central Water Authority in the amount of \$160,000.00. There is an agreement in the files between the Town of Webbers Falls and Shanks Excavating for the construction of a lift station and force main in the amount of \$136,526.54. Although we could not find documentation of expenditures, there was a fax from the architect which indicated that as of 10/27/95 there was \$18,431.08 balance left to be paid on the contract.

In a folder titled "Shanks," we found purchase orders related to the sewer project totaling \$148,394.89. However, there were no invoices or pay requests attached. It appears there may have been some type of change order increasing the original contract amount of \$136,526.54.

- **Sewer Project 1997.** Records show the East Central Oklahoma Water Authority (ECOWA) obtained a Rural Economic Action Plan Grant (REAP) in the amount of \$59,700 to extend and replace sewer lines. Although we found no invoices, there was a letter in the file from the Oklahoma Water Resources Board indicating the grant funds were expended appropriately.
- **Sewer Project 2000.** Records show the ECOWA obtained a REAP grant in the amount of \$149,600 for the rehabilitation of 2 pump stations and to replace deteriorated sewer pipe. We found 3 invoices attached to pay requests totaling \$20,600.
- **Sewer Project 2007.** We found a 2006-07 REAP grant application for water and sewer electric motors in the amount of \$69,950. We found documentation in files that appeared to be for the project totaling \$71,988.67. The majority of the expenditures could be identified as pump related which is consistent with the purpose of the grant; however, we could not verify that all expenditures pertained to the 2006-07 REAP grant.
- **Sewer Project 2008.** In the files we found a 2008 REAP grant in the amount of \$31,125 to repair a sewer line that collapsed. Documentation shows the grant period was extended to June 1, 2010. As of the date of this report, there have been no expenditures related to this grant. We

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were provided a quote from a construction company in the amount of \$31,000.

**Other Grants**

The majority of the grant files that could be found dated prior to 2002. We did locate documentation for the following grants that were within the records retention period.

- **Fire Department Grant.** On May 1, 2006, the Webbers Falls Fire Department received a federal grant passed through the State Department of Agriculture - Food and Forestry Services in the amount of \$5,142.86 for fire department operational expenses. Documentation shows the funds were used to purchase bunker gear which appears to be consistent with the purpose of the grant.
- **Water Line to Sequoyah County.** We found a file titled "Water Line to Sequoyah County" which appears to be another REAP Grant. Documentation shows that in 2006 the Town received \$49,932 in grant funds. Invoices from Ferguson Water Works show the grant funds were used to purchase pipe; however, we found no contract indicating the purpose of the grant.

**RECOMMENDATION**

The Town Board should implement internal controls to ensure federal grant records are maintained, organized, and complete. The Board should also ensure there is a method to track the federal grants received by the Town. Further, accounting records, such as ledgers, should be developed to account for revenue and expenditures for each grant received.

We have provided a copy of this report to the District Attorney for his review to determine what additional action may be necessary.

**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 District Attorney 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 or any of the individuals named in this

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report or acting on behalf of the Town have violated any statutory requirement 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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