

INVESTIGATIVE AUDIT

TOWN OF LAMONT

April 19, 2018



*Independently serving the citizens of
Oklahoma by promoting the
accountability and fiscal integrity of
governmental funds.*



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

TOWN OF LAMONT
GRANT COUNTY, OKLAHOMA
INVESTIGATIVE AUDIT
RELEASE DATE APRIL 19, 2018

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Executive Summary

WHY WE CONDUCTED THIS AUDIT

The Honorable Michael J. Fields, District Attorney for the 4th District of Oklahoma, requested the assistance of the Oklahoma State Auditor and Inspector in conducting an investigative audit of the books and records of the Town of Lamont.

WHAT WE FOUND

Payroll (Page 2)

Internal controls over the payroll process were completely lacking. The hours reported by employees, payments made to employees, and leave taken by employees were not properly reviewed, approved or tracked.

Our analysis of the pay records for three Town employees, Cynthia Morris, Cassie Shaw, and Kacy Wallace, resulted in improper payments of \$5,225.00, \$4,914.26, and \$2,924.28, respectively.

The improper payments consisted of unearned overtime pay, sick leave sold, unearned vacation pay and double-billed work hours.

Expenditures (Page 21)

The Town could not provide invoices for seven of the 17 transactions reviewed and purchase orders could not be provided for transactions occurring between May 2015 and June 2016.

For at least a seven-month period, checks were printed with scanned, computerized signatures. As a result, the review and authorization process for payments made was circumvented.

Public Works Revenue (Page 24)

The Town failed to reconcile bank accounts on a monthly basis and some deposits were not made daily as required by law.

The July 2015 utility payments owed by trustees and town employees appeared to have been received timely and paid in full. Additional utility payments reviewed appeared to have been credited to the Town's records and deposited into the PWA bank account.

Other Issues (Page 26)

The Town was delinquent in their tax payments to the Internal Revenue Service, the Oklahoma Tax Commission and the Oklahoma Employment Security Commission.



Oklahoma State Auditor & Inspector

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

April 19, 2018

The Honorable Michael J. Fields
District Attorney, District 4
114 West Broadway
Enid, Oklahoma 73701

District Attorney Fields:

Pursuant to your request and in accordance with the requirements of **74 O.S. § 212(H)**, we performed an investigative audit with respect to the Town of Lamont for the period July 1, 2014 through June 30, 2016.

Because the procedures of an investigative audit 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 Lamont for the period July 1, 2014 through June 30, 2016.

The goal of the State Auditor and Inspector is to promote accountability and fiscal integrity in state and local government. Maintaining our independence as we provide this service to the taxpayers of Oklahoma is of utmost importance.

This report is addressed to, and is for the information and use of, the District Attorney as provided by statute. This report is also a public document pursuant to the Oklahoma Open Records Act, in accordance with **51 O.S. §§ 24A.1, et seq.**

Sincerely,

A handwritten signature in blue ink that reads "Gary A. Jones". The signature is written in a cursive style with a long, sweeping underline.

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

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Town Officials

(as of June 30, 2016)

Jeff Tebow Mayor
Luke Blanton Trustee
Chad Mendenhall Trustee
Mark Sproull..... Trustee
Lynda Theilen..... Trustee
Michelle Woodson Town Clerk/Treasurer

(as of date of release April 19, 2018)

Jeff Tebow Mayor
Luke Blanton Trustee
Whitney Johnson Trustee
Lynda Theilen..... Trustee
Rick Yeager Trustee
Erica Gibson Town Clerk/Treasurer

Introduction

The Town of Lamont (the “Town”) is organized under the statutory town board of trustees form of government, as outlined in **11 O.S. §§ 12-101, et seq.**

Title 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 Town is governed by the board of trustees, (hereinafter “Board”), which consist of five members who are elected at large without regard to their place of residence within the corporate limits of the Town.

The Lamont Public Works Authority (the “PWA” or “Authority”) is a public trust established under **60 O.S. §§ 176 et seq.** The Authority provides water, sewer, and trash services to the residents of the Town. The Town Board members, or trustees, also serve as the Board for the Authority.

The Town operates on a fiscal year that begins on July 1 and ends on June 30.

In a letter dated May 5, 2016, District Attorney Michael J. Fields requested that the Office of the State Auditor and Inspector (“SA&I”) conduct a special investigative audit pursuant, to **74 O.S. § 212(H)**, in regard to allegations received of employees being paid for work that they did not perform.

It was alleged that employees had received payment for inappropriate redemptions of sick leave and vacation leave in the form of cash payments.

The Lamont Chief of Police filed a Lamont Police Department “Incident/Offense Report” and subsequently provided supporting information to the Oklahoma State Bureau of Investigation which concluded that a follow-up investigation was warranted.

Based on these events, and in accordance with the request by District Attorney Fields, SA&I has conducted an investigative audit primarily related to the concern of alleged payroll and leave fraud, along with the additional objectives listed in the accompanying *Table of Contents*. The results of our investigation are included in the following report.

Objective I Payroll

Summary of Findings:

Cynthia Morris Payroll Analysis

- Cynthia Morris worked overtime and received overtime pay in lieu of comp time without prior approval by the Board, as required by Town policies and procedures.
- Cynthia Morris received \$9,253.50 in unauthorized overtime payments. These payments were for overtime that was worked but never approved by the Board.
- Cynthia Morris received \$2,536 in unearned overtime payments for time claimed as overtime that did not qualify as overtime.
- Cynthia Morris was paid \$4,461.50 in improper payments related to sick leave, of which \$3,422.50 consisted of sick leave sold in violation of town policy, and an additional \$1,039 of sick leave was paid on days where Morris' total time exceeded eight hours.
- Cynthia Morris' timesheet reflected that sick leave was claimed for an improper purpose.
- We found no exception with Cynthia Morris' use of vacation time. Per our review, when Morris terminated employment with the Town she was owed \$2,080 for unused vacation time.
- Cynthia Morris' holiday pay records contained multiple compensating errors. As a result, Morris was owed \$253 in holiday pay.
- It appears that Cynthia Morris received \$560.50 in payments from the Town for 28.1 work hours that were also work hours paid for by the U.S. Postal Service.

Cassie Shaw Payroll Analysis

- We found no evidence that Cassie Shaw received any overtime pay.
- Cassie Shaw improperly sold back \$4,222.50 in sick leave and improperly claimed an additional \$30 of sick leave on a day where Shaw's total time worked exceeded eight hours.

- **Cassie Shaw was paid for 44.12 hours of vacation pay, valued at \$661.76, in excess of vacation time accrued.**
- **Cassie Shaw did not receive any improper holiday pay.**

Kacy Wallace Payroll Analysis

- **We found no evidence that Kacy Wallace received any overtime pay.**
- **Kacy Wallace improperly sold 155 hours of sick leave valued at \$2,015.**
- **Kacy Wallace sold 54 hours of unearned vacation time valued at \$701.93.**
- **Kacy Wallace did not receive any improper holiday pay.**
- **It appears that Kacy Wallace received a minimum of \$207.35 in payments from the Town for 14.95 work hours that were also hours worked with Grant County.**

Overall Payroll Controls

- **Based upon a review of bank statements, payroll records, and timesheets, neither the hours reported by employees, including time worked, holiday leave, sick leave, overtime, and vacation, nor the payments made to employees were properly approved.**
- **Based upon a review of payroll records and time sheets, neither the vacation and sick hours *earned* nor the vacation and sick hours *used* by employees were properly calculated or tracked by the Town.**

Background

We reviewed the Town's records as they related to payroll to determine if:

- Town policies and procedures were complied with; and
- Payroll and leave related payments were appropriate.

Two versions of the Town's 'Personnel Policies and Procedures' were in effect during the audit period. The first version covered the time from the beginning of the audit period, July 1, 2014, until May 31, 2015. The second version was in effect from June 1, 2015, until the end of the audit period, June 30, 2016.

The ‘Personnel Policies and Procedures’ included, but were not limited to, definitions of the standard work week, overtime, sick leave, vacation leave, and holiday pay, along with the status of diverse types of employees, including full-time, part-time, temporary, and permanent.

Both versions of the policies and procedures, in general, addressed the same subject matter. However, in some cases issues were addressed with various levels of detail. Instances of material differences that are pertinent to this audit will be specifically noted when relevant; otherwise, congruence between manuals can be assumed.

The town clerk processed payroll twice per month based upon timesheets turned in by each individual employee. Most of the timesheets reviewed were signed by the employee, but there was no indication of review or approval by either the town clerk or a trustee.

There were numerous discrepancies between how time was logged on the timesheets and in which category the employee was paid per the pay stub (i.e. sick, vacation, holiday, overtime). Our final analyses were based on the categories documented on the pay stubs, which had little to no effect on the overall overpayments reported.

Payroll was processed using Quicken/QuickBooks and payments were made by check from the General Fund and PWA bank accounts. Between January 2015 and August 2015, several payroll payments were made by direct deposit. All checks, including payroll checks, required two signatures for approval, the town/clerk treasurer and a trustee.

Policies and procedures required that all vacation time and absences be approved via a “Leave of Absence” request form requiring signature by the employee and approval by the department head or mayor.

Policies and procedures also required *prior* approval of overtime; in addition, the policies in effect as of June 1, 2015, required employees to take comp time in lieu of overtime, unless a specific authorization for overtime payment was received. Policy did not allow for the sale of sick leave.

Both Mayor Jeff Tebow and Trustee Lynda Theilen stated they had not approved any overtime worked or any payments for overtime. They were not aware that town employees were being paid for overtime. Mayor Tebow stated that there were occasional instances where employees would have had to work overtime by exception, but not on a routine basis.

Employees Reviewed

The *alleged* payroll discrepancies discovered pertained to employees Cynthia Morris, Cassie Shaw, and Kacy Wallace. Shaw and Wallace are Cynthia Morris' daughters. During portions of our audit period, town financial transactions were managed exclusively by these individuals. All three individuals declined to be interviewed for this audit.

Cynthia Morris began working for the Town in April 2008. During the audit period, her primary duties included maintenance related support for the PWA. It also appeared that she agreed to perform the town clerk/treasurer duties beginning around January 2015. Morris' last day of paid employment with the Town was December 10, 2016.

Cassie Shaw began work as the town clerk/treasurer in May 2010, reduced her work hours significantly after August 2014, and never worked more than 20 hours per month in 2015. It appears she ceased being the town clerk/treasurer in January 2015. Shaw was last paid by the Town on September 15, 2015.

Kacy Wallace was employed as the Town police officer from approximately May 2012 through October 2013, at which time she resigned. She was subsequently re-hired as a part-time reserve peace officer in July 2014, but began working for the Town in a non-peace officer capacity beginning September 2014.

Wallace did not work over 45 hours during any month in 2014, but appeared to assume some town clerk duties in January 2015, averaging 67 hours per month in 2015. Wallace's last day of paid employment with the Town was October 7, 2015.

The Town's Personnel Policies and Procedures defined employees as follows:

Full time Employee

An employee who works at least forty (40) hours per week on a regular annual schedule.

Part time Employee

An employee who works at least twenty (20) hours per week and less than forty (40) hours per week on a regular schedule throughout the year.

Temporary Employee

An employee who works any number of hours per week in positions declared to be seasonal or temporary in nature.

Permanent employee

Any reference to a permanent employee shall be defined only to mean a position with regularly scheduled hours and otherwise entitled to enumerated benefits.

Employee benefits were based on an employee's status as defined in Town policy. We determined each employee's status using a combination of available personnel records and hours documented as worked on time sheets.

- Cynthia Morris appeared to be a full-time employee for all but the last two months of her employment with the Town. She was eligible to accrue vacation and sick leave at the full-time employee rate. There was a job application on file for Morris from April 2008. Board minutes were not available before January 2014, so official approval of Morris' hiring could not be verified. We found no evidence that Morris was ever bonded.

- Cassie Shaw appeared to be a part-time employee for six months and a temporary employee for 15 months, between January 2014 through September 2015, the 21 months of her employment reviewed. As a part-time employee, she was eligible to accrue vacation and sick leave at a rate proportional to the number of hours worked per month. There was a job application on file for Shaw from May 2010. Since board minutes were not available prior to January 2014, official approval of Shaw's hiring by the Board could not be verified. There was a surety bond for Shaw for the period of October 2013 to October 2014.

- Kacy Wallace was re-hired¹ by the Town's police department in July 2014. Commencing with the pay period ending September 30, 2014, Wallace began reporting time for non-police work, appearing to become a Town employee at this time. We found no evidence of a "new" job application and no approval of Wallace's employment was found in the Board minutes.

Between September 2014 and October 2015, Wallace appeared to be a temporary employee for 11 of the 14 months she was employed. During February, March, and May 2015, the number of work hours reported qualified Wallace for part-time status. As a part-time employee Wallace accrued vacation and sick leave at a rate proportional to the number of hours worked in those months.

Cynthia Morris Payroll Analysis

We analyzed the pay records of Cynthia Morris for the period January 1, 2014 through June 30, 2016,² to determine if payments received for overtime, sick leave, holiday pay, and vacation were appropriate.

¹ Wallace had been previously employed by the Town's police department from May 2012 through October 2013.

² Although the audit period began July 1, 2014, the payroll analysis was performed for a calendar year beginning January 1, 2014.

We also compared Morris’ Lamont timesheets to time recorded with other outside employment, reviewing for possible double-billing of hours worked.

The total net of improper payments made to Cynthia Morris was \$5,225.

Summary of Cynthia Morris Payroll Analysis ³							
Calendar Year	Unearned Overtime Payments	Sick Leave Sold	Sick Leave in Excess of 8-Hour Day	Unearned Holiday Pay	Unused Vacation	Double Billed Time	Total
2014	\$926.00	\$722.50	\$339.00	\$417.00	\$0	\$90.50	\$2,495.00
2015	\$1,490.00	\$2,700.00	\$680.00	(\$830.00)	\$0	\$287.00	\$4,327.00
2016	\$120.00	\$0	\$20.00	\$160.00	(\$2,080.00)	\$183.00	(\$1,597.00)
Total	\$2,536.00	\$3,422.50	\$1,039.00	(\$253.00)	(\$2,080.00)	\$560.50	\$5,225.00

Overtime

Finding

Cynthia Morris worked overtime and received overtime pay in lieu of comp time without prior approval by the Board, as required by Town policies and procedures.

As per Town policies and procedures, all overtime had to be approved *prior* to being worked. We found no evidence that Morris ever received *prior* approval to work overtime.

Effective June 1, 2015, policy also required employees to utilize comp time in lieu of receiving cash overtime payments. Policy described one exception to this, a waiver to make a cash overtime payment could be made at the “sole discretion of the elected official”. No official waivers were found.

According to Mayor Tebow and Trustee Theilen no overtime or overtime cash payments were ever authorized for Morris.

Finding

Cynthia Morris received \$9,253.50 in unauthorized overtime payments. These payments were for overtime that was worked but never approved by the Board.

As noted above, all overtime worked required prior approval. Morris was paid a total of \$9,283.50 in overtime pay that was worked but that did not receive prior approval.

³ Morris often worked on holidays and her corresponding paystub indicated “Overtime” pay in lieu of “Holiday” pay. This resulted in increasing “Unearned Overtime” and reducing “Unearned Holiday Pay” by equal amounts; this had no effect on the “Total” column.

As noted in the summary table above, we did not include the entire amount of overtime paid Morris as improper. Although no prior approval was received on any overtime pay, we only questioned as improper the \$2,536 of unearned overtime noted in the finding below.

Finding

Cynthia Morris received \$2,536 in unearned overtime payments for time claimed as overtime that did not qualify as overtime.

As per the Fair Labor Standards Act, overtime is earned when an individual works over 40 hours in a *work week*. A *work week* is defined as seven consecutive 24-hour periods and is a fixed and regularly recurring period.

Overtime claimed by Morris was calculated erroneously. The calculations were based on which fund⁴ her hours were billed to instead of using total hours worked. She also used a bi-monthly pay period instead of a 40-hour *work week* to calculate overtime.

- Morris claimed overtime if she logged 40 hours or more against one fund during a pay period. For example, if she worked 70 hours in a bi-monthly pay period, 60 hours in the PWA Fund and 10 hours in the General Fund, Morris would claim 20 hours of overtime for the hours billed to the PWA even though the total hours worked for the period was only 70. Overtime is determined by total hours worked, not by the fund billed.
- Employees were paid twice per month, so, with the exception of February, all pay periods would have included either 15 or 16 calendar days. Morris' overtime was calculated on the basis of a *pay period* instead of a *work week*; she treated a 15-16 day pay period as being equivalent to two work weeks.

We re-calculated the number of hours worked by Morris in each seven-day period, a *work week as defined by the Fair Labor Standards Act*, utilizing her original timesheets. This process enabled us to determine actual overtime earned which was compared to overtime claimed. As a result, it was determined that between January 1, 2014 and June 30, 2016, Morris claimed 268 unearned overtime hours, resulting in \$2,536 of improper overtime payments.

On Morris' February 1-15, 2014 timesheet, Morris claimed, and was paid, 8.5 hours of overtime out of the PWA Fund. The 8.5 hours of overtime was calculated on PWA time only, reporting 48.5 hours worked, resulting in 8.5 hours of overtime.

⁴ The PWA Fund or the General Fund.

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Instead, hours claimed should have been based on combined PWA and General Fund time, 23 hours *worked* in the General Fund plus 48.5 hours *worked* in the PWA Fund, for a total of 71.5 hours *worked*, less than the 80 hours necessary to claim overtime. The nine hours of sick leave reported would not be included in the calculation of overtime pay.

TOWN OF LAMONT										
TIME RECORD										
FOR THE PERIOD <u>2-1-14</u> TO <u>2-15-14</u> PAY RATE <u>\$17.00</u>										
EMPLOYEE <u>Cynthia Morris</u>										
DATE	WT	SW	STREET	PARK	GF	OTHER	IN	OUT	HOUR	WORK DONE
	4.00				1.00		12:30	5:30	5.00	Change out 2nd valve in WTP, tighten belts on large belt
2-15-14	.50						6:30	7:00	.50	call Kille Robinson WTP head machine, daily log.
	4.50				1.00				5.50	Gen Fund
	37.00	7.00			22.00				66.00	PWA 23.00
	41.50	7.00			23.00				71.50	Sick leave 9.00
										32.00
	48.50									48.50

Cynthia Morris

Sick Leave

Finding

Cynthia Morris was paid \$4,461.50 in improper payments related to sick leave, of which \$3,422.50 consisted of sick leave sold in violation of town policy, and an additional \$1,039 was paid on days where Morris' total time exceeded eight hours.

Sick leave accrued at a rate of eight hours per month for full-time employees and proportionally for part-time employees. Sick leave could be carried forward from year-to-year, but policies and procedures ***did not authorize the sale of sick leave.***

We calculated sick leave earned, and tracked sick leave used or paid out, from January 1, 2014 through June 30, 2016, using a combination of timesheets and payroll records. It appears that Morris earned sufficient sick leave to cover the *legitimate* sick leave used during this time period.

However, Morris appeared to sell sick leave in violation of Town policy and claim sick leave on days where the total hours claimed in one work day exceeded eight hours.

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Some examples of how the improper sick leave was claimed are shown below:

Example 1 - On June 17, 2015, Morris was paid \$2,600 for 130 hours of sick leave sold outright.

Employee		
Cynthia K Morris,	[REDACTED]	Lamont, OK 74643
Earnings and Hours	Qty	Rate
Hourly Sick	<u>130.00</u>	<u>20.00</u>
Hourly		
Overtime (x1.5) hourly		

Example 2 - During the payroll period ending February 28, 2014, Morris sold 42.5 hour of sick leave; time “added on” arbitrarily at the bottom of her timesheet.

TIME RECORD										
FOR THE PERIOD 2/16/14 TO 2/28/14										
EMPLOYEE Cynthia Morris										
DATE	WT	SW	STREET	PARK	GF	OTHER	IN	OUT	HOUR	WORK DONE
2-28-14	SA						10:30	7:00	50	WTP need meter daily log, logon - need meter
		21.00	6.50						37.50	
		22.00	6.50						37.50	Funeral 9.00
										Holiday pay 9.00
		28.50							9.00	
										+ sick 37.00
									40.00	+ sick 11.50
										40.00
										31 Reg 9.00

Example 3 - At times, sick leave and work hours claimed in a normal work day exceeded eight hours. The timesheet shown below, reflects four hours sick leave and 10 hours worked, which resulted in 14 total hours claimed on April 13, 2015. Sick leave plus total hours worked cannot exceed eight hours in one work day. Thus, the four hours sick leave claimed would have been unallowed.

4-13-15	21.50	50				1.50	7:00	11:30	4.50	Funeral, WTP re
										Personal Expense
									1.00	Make Bank d
	4.00						11:30	12:30	1.00	Sick leave
							1:00	5:00	4.00	
4-13-15	.50					1.50	8:50	9:30	7.50	Paul Muel re
										Board meeting

Finding

Cynthia Morris' timesheet reflected that sick leave was claimed for an improper purpose.

On February 10, 2014, the justification for four hours of sick leave taken stated "took car to service". Using sick leave to get one's car repaired would not appear authorized.

2-10-14				4.00			4.00	Sick Leave	took car to service
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Vacation

Finding

We found no exception with Cynthia Morris' use of vacation time. Per our review, when Morris terminated employment with the Town she was owed \$2,080 for unused vacation time.

According to Town policies and procedures, full-time employees earned twelve days of paid vacation *after five years of continuous employment*. In our recalculation of Morris' vacation time, it appeared that she had accrued 104 hours of vacation as of June 2016⁵, valued at \$2,080. We found no evidence that this amount had been paid Morris.

Holiday Pay

Finding

Cynthia Morris' holiday pay records contained multiple compensating errors. As a result, Morris was owed \$253 in holiday pay.

The Town's policies and procedures state that all "regular" and/or "full-time" employees shall receive holidays with pay, and that "temporary and part-time" employees were not eligible for paid holiday benefits. Morris was a regular, full-time employee and was authorized holiday benefits.

Policies and procedures did not specify a pay rate for holidays. However, it appeared that holidays not worked were paid at a regular pay rate, and that holidays worked were paid at a rate of 150 percent of regular pay, or at time and a half.

Some of the issues noted in our analysis of Morris' holiday leave included the following:

- Some holidays *worked* were paid at 200 percent, instead of 150 percent of the regular hourly pay rate. However, some holidays *worked* were paid at the regular hourly pay rate instead of at 150 percent.

⁵ Morris' final day of employment was December 10, 2016. She did not accrue any leave between June 2016 and her final day.

- Some holidays *not worked* were paid at 150 percent of regular hourly pay instead of 100 percent of regular hourly pay.
- For some holidays, the total time claimed, holiday worked and holiday not worked, exceeded eight hours.
- On occasion, authorized holiday pay was not taken.

After reconciling holiday pay earned and received, it appears that Morris was owed \$253.

Potential Double-Billing

Finding

It appears that Cynthia Morris received \$560.50 in payments from the Town for 28.1 work hours that were also work hours paid for by the U.S. Postal Service.

Cynthia Morris worked part-time for the U.S. Postal Service while employed with the Town. The U.S. Postal Service provided SA&I with detailed time logs to compare time worked for the Postal Service to Morris' town timesheets. The comparison identified 37 instances, totaling 28.1 hours, where Morris billed the Postal Service and the Town of Lamont for corresponding work hours. The 28.1 hours represents \$560.50 paid to Morris.

Some examples of the double-billed hours are noted below:

Example 1 - On November 4, 2014, Morris' Postal Service timesheet indicated that she worked from 7:00 AM to 3:05 PM. Her town timesheet indicated that she worked one hour from 6:00 AM to 7:00 AM and four hours from 1:00 PM to 5:00 PM. The time worked reflected a two hour and five-minute overlap in billed time.

Example 2 - On May 23, 2015, Morris' Postal Service timesheet indicated that she worked from 7:00 AM to 6:08 PM. Her town timesheet indicated that she worked from 6:00 AM to 12:00 PM. The time worked reflects five hours, 7:00 AM to 12:00 PM, overlap in billing of time.

Cassie Shaw Payroll Analysis

We analyzed the pay records of Cassie Shaw for the period January 1, 2014 through September 15, 2015, her last pay period, to determine if payments received for overtime, sick leave, vacation, and holiday pay were appropriate.

The total net of improper payments made to Cassie Shaw was \$4,914.26.

Summary of Cassie Shaw Payroll Analysis				
Calendar Year	Sick Leave Sold	Sick Leave in Excess of 8-hour Day	Unearned Vacation Sold	Total
2014	\$937.50	\$30.00	\$0	\$967.50
2015	\$3,285.00	\$0	\$661.76	\$3,946.76
Total	\$4,222.50	\$30.00	\$661.76	\$4,914.26

Overtime

Finding

We found no evidence that Cassie Shaw received any overtime pay.

We found no evidence that Cassie Shaw claimed any overtime. There was one week in which Shaw qualified for four hours of overtime but did not claim the time.

Sick Leave

Finding

Cassie Shaw improperly sold \$4,222.50 in sick leave and improperly claimed an additional \$30 of sick leave on a day where Shaw’s total time worked exceeded eight hours.

Sick leave accrued at a rate of eight hours per month for full-time employees and proportionally for part-time employees. Sick leave could be carried forward from year-to-year, but policies and procedures *did not authorize the sale of sick leave*.

Shaw was considered a part-time employee and earned a total of 36.16 hours of sick leave between January 2014 and September 2015. Because records were not available, it could not be determined how much sick leave Shaw had accrued as of January 2014.

During the audit period, Shaw used a total of 314 hours of sick leave. Of those, 30.5 hours were used properly, documented as actual sick leave hours taken during a work day. Two hours, valued at \$30, were taken on a day in which Shaw’s total time worked exceeds an 8-hour work day. Sick leave should not be used when the total time worked exceeds a normal work day. An additional 281.5 hours, valued at \$4,222.50, were sold back.

Regardless of the number of sick leave hours Shaw could have accrued as of January 2014, the 281.5 hours of leave sold would still not have been allowable under policy.

Some examples of the issues noted in Shaw’s sick leave reporting included the following:

Example 1 - At times sick leave was sold outright. In August 2015, 38 hours of sick leave were sold and paid with no regular work hours reported.

GENERAL FUND/TOWN OF LAMONT LAMONT, OK 74643				
Employee				
Cassie N Shaw, [REDACTED] int, OK 74643				
Earnings and Hours	Hours	Rate	Current	YTD Amount
Hourly Sick	38.00	13.00	494.00	2,717.00
Hourly Vacation	54.00	13.00	702.00	767.00
Hourly			0.00	809.25
	92.00		1,196.00	4,293.25

Example 2 - In at least eight instances, sick leave was either written in at the end of the timesheet or recorded on the paystub without being annotated for a specific work day. Three examples are shown below:

- For the July 15, 2015 pay period, Shaw claimed 13 regular hours worked and sold 50 hours sick leave. None of the sick leave was claimed for a specific day, but was reported as a total at the bottom of the timesheet and sold as a lump-sum.

Employee			
Ca: [REDACTED] 285 Jefferson, Lamont, OK 74643			
Earnings and Hours	Hours	Rate	Current
Hourly	13.00	13.00	169.00
Hourly Sick	50.00	13.00	650.00
	63.00		819.00

- For the June 30, 2015 pay period, Shaw logged only four hours worked on her timesheet. She was paid for the four hours worked and for 50 additional hours of “sold” sick leave per her paystub.

Earnings and Hours	Hours
Hourly	4.00
Hourly Sick	50.00
	54.00

- For the May 31, 2015 pay period, Shaw logged four hours worked, and noted "SL USED" on the timesheet, with no hours annotated. Thirty hours of sick leave was paid per the paystub.

IN	OUT	HOUR	WORK DONE
11:00			Directions updated @ LMS updates
	2:00	4	
			SL USED

Employee	
Cassie N Shaw, 12: [REDACTED] Lamont, OK 74	
Earnings and Hours	
Hourly	4.00
Hourly Sick	30.00
	34.00

Vacation

Finding

Cassie Shaw was paid for 44.12 hours of vacation pay, valued at \$661.76, in excess of vacation time accrued.

According to personnel policies and procedures, full-time employees earned ten days of paid vacation *after one year of continuous employment*. Part-time employees accrued vacation at a proportionate rate based on their regular work week hours. Vacation time could not be carried over from a previous year unless approved by the Board. We found no evidence that any vacation carry-forward had been approved by the Board.

As a part-time employee, Shaw earned vacation at a rate proportional to her worked hours. It appears that Shaw had accrued approximately 14.88 hours of vacation as of June 2015. She claimed 59 hours in July and August of 2015, resulting in 44.12 hours of unearned vacation time totaling \$661.76.

In August 2015, no timesheet was utilized to depict the payment for vacation time, 54 of the total 59 hours claimed were reflected on the pay stub even though Shaw did not work any hours during this month.

GENERAL FUND/TOWN OF LAMONT		
Employee		
Cassie N Shaw, [REDACTED] Lamont, OK 74643		
Earnings and Hours		Rate
Hourly Sick	38.00	13.00
Hourly Vacation	54.00	13.00

Holiday Pay

Finding

Cassie Shaw did not receive any improper holiday pay.

Personnel policies and procedures stated that all “regular” employees shall receive holidays with pay and that “temporary and part time” employees were not eligible for paid holiday benefits. Based on the number of hours worked by Shaw each month, she did receive some prorated holiday benefits. We found no evidence that any of the holiday time received by Shaw was improper.

Kacy Wallace Payroll Analysis

We analyzed the pay records of Kacy Wallace for September 1, 2014 through October 15, 2015, to determine if payments received for overtime, sick leave, vacation, and holiday pay were appropriate.

We also compared Wallace’s Lamont timesheets to time recorded with her outside employment at the Grant County Sheriff’s Office, reviewing for possible double-billing of hours worked.

The total net of improper payments made to Kacy Wallace was \$2,924.28.

Summary of Kacy Wallace Payroll Analysis				
Calendar Year	Sick Leave Sold	Unearned Vacation Sold	Double Billed Time	Total
2014	\$0.00	\$0.00	\$39.00	\$39.00
2015	\$2,015.00	\$701.93	\$168.35	\$2,885.28
Total	\$2,015.00	\$701.93	\$207.35	\$2,924.28

Overtime

Finding

We found no evidence that Kacy Wallace received any overtime pay.

We found no evidence that Wallace received any overtime pay. We noted one week where Wallace qualified for two hours of overtime but did not claim the time.

Sick Leave

Finding

Kacy Wallace improperly sold 155 hours of sick leave valued at \$2,015.

Sick leave accrued at a rate of eight hours per month for full-time employees and proportionally for part-time employees. Sick leave could be carried

forward from year-to-year, but policies and procedures *did not authorize the sale of sick leave*.

Wallace sold a total of 155 hours of sick leave on three separate occasions, valued at \$2,015.

On June 8, 2015, Wallace sold 95 hours of sick leave.

Employee				
Kacy D Wallace, Box 183, Lamont, OK 74643				
Earnings and Hours	Hours	Rate	Current	YTD Amount
Hourly Sick	<u>95.00</u>	13.00	1,235.00	1,235.00
Hourly Vacation	<u>50.00</u>	13.00	650.00	650.00
Hourly			0.00	4,803.50
Overtime (x1.5) hourly			0.00	97.50
	<u>145.00</u>		<u>1,885.00</u>	6,786.00

On June 30, 2015, Wallace was paid for 35 hours of sick leave; the sick leave was not used on specific days but merely written in at the bottom of her timesheet.

15 hrs VACATION			
35 hrs SICK LEAVE			

On July 31, 2015, Wallace did not report any sick leave on her timesheet, but was paid for 25 hours of sick leave per her pay stub.

Employee	
Kacy D Wallace, Box 183, Lamont, OK 74643	
Earnings and Hours	Hours
Hourly	13.25
Hourly Sick	25.00
Overtime (x1.5) hourly	
Hourly Vacation	
	<u>38.25</u>

Based upon the number of hours Wallace worked, she would have earned a total of 13.20 hours of sick leave during her employment period, September 1, 2014 through October 7, 2015. Although Wallace had accrued 13.20 hours of sick leave, no leave was actually taken during the course of normal work days resulting in all 155 hours of sick leave being sold improperly.

Vacation

Finding

Kacy Wallace sold 54 hours of unearned vacation time valued at \$701.93.

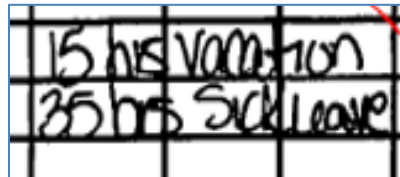
According to Town policy, full-time employees earned ten days of paid vacation *after one year of continuous employment*. Part-time employees accrued vacation at a proportionate rate based on their regular work week hours. Vacation time could not be carried over from a previous year unless approved by the Board. We found no evidence that any vacation carry-forward had been approved by the Board.

Wallace was considered a part-time employee and earned a total of 11.01 hours of vacation time at a rate proportional to her applicable work hours. Wallace sold 65 hours of vacation time. Applying the 11.01 of accrued vacation hours to the 65 sold hours resulted in 53.99 hours of vacation time paid that was not earned, valued at \$701.93.

On June 8, 2015, Wallace was paid for **50** hours of vacation time.

Employee				
Kacy D Wallace, [REDACTED] mont, OK 74643				
Earnings and Hours	Hours	Rate	Current	YTD Amount
Hourly Sick	95.00	13.00	1,235.00	1,235.00
Hourly Vacation	50.00	13.00	650.00	650.00
Hourly			0.00	4,803.50
Overtime (x1.5) hourly			0.00	97.50
Total	145.00		1,885.00	6,786.00

On June 30, 2015, Wallace claimed **15** hours of vacation time written at the bottom of the sheet, for a total of 65 hours of vacation sold in June 2015.



Holiday Pay

Finding

Kacy Wallace did not receive any improper holiday pay.

Personnel policies and procedures stated that all “regular” employees shall receive holidays with pay and that “temporary and part time” employees were not eligible for paid holiday benefits. Based on the number of hours worked by Wallace each month, she would **not** have been authorized holiday benefits. We found no evidence that Wallace received any improper holiday pay.

Potential Double-Dipping

Finding

It appears that Kacy Wallace received a minimum of \$207.35 in payments from the Town for 14.95 work hours that were also hours worked with Grant County.

Kacy Wallace worked for the Grant County Sheriff’s office during the same time she was employed by the Town. The Grant County Sheriff’s office provided time logs⁶ which were compared to Wallace’s Lamont timesheets for a review of potential duplication of work hours. This comparison identified six instances totaling 14.95 hours, where Wallace billed the Town for the same work hours billed to Grant County. The 14.95 hours reflected \$207.35 paid to Wallace for time she was also paid for by Grant County.

For example, on March 1, 2015, Wallace claimed work time for Grant County between 8:00 AM and 4:00 PM and for Lamont between 8:45 AM – 7:15 PM, resulting in 7.25 hours of double-billed time. There were five additional instances of double-billed time ranging from .7 to 2.25 hours.

Grant County Timesheet

02/28/15	SAT	<input type="checkbox"/> Yes	08 : 00	16 : 30	:	:	8.5
03/01/15	SUN	<input type="checkbox"/> Yes	05 : 30	06 : 30	08 : 00	16 : 00	9
03/02/15	MON	<input checked="" type="checkbox"/> Yes	:	:	:	:	0

Lamont Timesheet

DATE	WATER	SEWER	STREET	PARK	GF	OTHER	IN	OUT	HOUR
FOR THE PERIOD 3/1/15 TO 3/15/15 PAY RATE \$									
EMPLOYEE Kacy Wallace									
3/1/15					1.0		8:45		
	4.5						7:15		10.5

There were a number of additional instances where double-billing could have occurred; however, in these instances it was impossible to ascertain whether the hours worked for the Town were in the AM or PM due to the incomplete nature of the Lamont timesheets.

Overall Payroll Controls

Finding

Based upon a review of bank statements, payroll records, and timesheets, neither the hours reported by employees, including time

⁶ The Grant County Sheriff’s Office was only able to provide approximately 75% of the requested time logs requested.

worked, holiday leave, sick leave, overtime, and vacation, nor the payments made to employees were properly approved.

There was no evidence indicating that payroll records for Cynthia Morris, Cassie Shaw, and Kacy Wallace were reviewed or approved by the Board.

Town policies and procedures required prior approval for the incurring of overtime, the carry-over of vacation time, and the use of vacation time. No evidence of approvals for any of these activities were found in Town records.

Finding

Based upon a review of payroll records and time sheets, neither the vacation and sick hours *earned* nor the vacation and sick hours *used* by employees were properly calculated or tracked by the Town.

The Town failed to comply with its own policies and procedures. Sick leave and vacation accrual rates used were incorrect. No distinction was made between employees that worked 40 hours per week and those that worked less than 40 hours per week. Unused vacation time was allowed to be carried forward indefinitely contrary to policy.

In addition, record keeping displayed numerous flaws. Shaw's available sick leave jumped from "zero" hours to 200 hours in one month. Wallace's available sick leave and vacation time jumped from "zero" hours to 80 and 40 hours respectively in one month, four months after becoming employed. Morris used 40 hours of vacation in one month, but her available vacation time was not reduced for the hours taken.

The Town should develop procedures to record and track all payroll activity, including but not limited to, time worked, leave taken, and holiday hours recorded. Employees work hours should be approved by an immediate supervisor or by the Board if necessary. Requirements of policy such as prior approval of overtime, accrual of leave, and use of vacation time should be discussed and followed.

Objective II Expenditures

Summary of Findings:

- **The Town could not provide invoices for seven of the 17 transactions reviewed.**
- **Purchase orders could not be provided for transactions occurring between May 2015 and June 2016.**
- **For at least a seven-month period, checks were printed with scanned, computerized signatures. As a result, the review and authorization process for payments made was circumvented.**

Background

We reviewed the Town's records to ascertain whether a sample of payments made to vendors were:

- Properly approved by the Board;
- Properly recorded and documented in the Town's records; and
- For valid municipal purposes.

We reviewed checks, debits, and bank transfers occurring during the audit period, and evaluated detailed, supporting documentation for 17 transactions totaling \$224,880.09.

The 17 transactions appeared to be for valid municipal purposes and were approved in the Board minutes. However, the records supporting the expenditures were filed haphazardly and many supporting documents were not maintained by the Town.

Finding

The Town could not provide invoices for seven of the 17 transactions reviewed.

Invoices should be retained by the Town for all expenditures made. Invoices should be submitted to the Board for approval and all records should be filed and maintained as required by law.

Statute requires invoices be obtained by a municipality in support of payments made. Title **11 O.S. 17-102(A)** states in part:

Any invoice against a municipality must be presented in writing and examined in the manner provided by municipal ordinance or in absence of such ordinance by other applicable law. The municipal ordinance shall establish an internal control structure adequate to provide reasonable assurance against unauthorized or illegal payments of invoices.

Additionally, **51 O.S. § 24A.4** requires complete records of the expenditure of funds be maintained. The statute states:

In addition to other records which are kept or maintained, every public body and public official has a specific duty **to keep and maintain complete records of the receipt and expenditure of any public funds** reflecting all financial and business transactions relating thereto, except that such records may be disposed of as provided by law. [Emphasis added]

The invoices that could not be provided by the Town were subsequently acquired directly from the vendors. The services received were verified, and we confirmed that the transactions in question were for valid municipal purposes.

Finding

Purchase orders could not be provided for transactions occurring between May 2015 and June 2016.

Per our research, and in discussion with the current town clerk/treasurer, it appears that purchase orders were not utilized from May 2015 through the end of the audit period, June 30, 2016.

As required by **62 O.S. § 310.1(A)**, purchase orders are required, and should be submitted or encumbered prior to the time a purchase is made. The statute states in part:

Unless otherwise provided by ordinance, officers, boards, commissions and designated employees of cities and towns...having authority to purchase or contract against all budget appropriation accounts as authorized by law **shall submit all purchase orders and contracts prior to the time the commitment is made**, to the officer charged with keeping the appropriation and expenditure records or clerk, who shall, if there be an unencumbered balance in the appropriation made for that purpose...[Emphasis added]

Town policy also requires the use of purchase orders. Section 7-105 states:

SECTION 7-105 PURCHASE ORDERS.

A. All officers and employees having authority to purchase or contract against all budget appropriation accounts as authorized by law shall submit all purchase orders and contracts prior to the time the commitment is made, to the town clerk, who shall, if there be an unencumbered balance in the appropriation made for that purpose, so certify in the following form:

Finding

For at least a seven-month period, checks were printed with scanned, computerized signatures. As a result, the review and authorization process for payments made was circumvented.

Town checks required two signatures for processing at the bank. In March of 2015, the signatures of a town employee and a board member were scanned into the computer. Between at least March 2015 and October 2015, checks were not presented for original signatures, but were signed utilizing an electronically-scanned signature block.

As a result, for at least seven months, there appeared to be no visually verified approval of payments at the time a check was signed.

Mayor Jeff Tebow and Trustee Lynda Theilen both acknowledged the use of scanned signatures. Per Mayor Tebow, he authorized the use of the scanned signature. According to Trustee Theilen, she consented to the practice even though she did not approve of the procedure.

Objective III Public Works Revenue

Summary of Findings:

- **Bank accounts were not reconciled monthly.**
- **Some deposits were not made daily as required by law.**
- **The July 2015 utility payments owed by trustees and town employees appeared to have been received timely and paid in full.**
- **Utility payments reviewed appeared to be credited in the Town's records and deposited into the PWA bank account.**

Background

Our review of utility revenues included determining if:

- Utility revenues received reconciled with utility revenues recorded and deposited;
- Utility revenues received were deposited daily in accordance with statute; and
- Utility revenues owed by trustees and employees were received.

From the beginning of the audit period, July 1, 2014, until April 27, 2015, customer utility bills were paid at the State Exchange Bank in Lamont. Subsequently utility bills were paid at Town Hall.

Finding

Bank accounts were not reconciled monthly.

There was no evidence that bank accounts had been properly reconciled since January 2015. Bank statements should be reconciled to the Town's records monthly.

Failure to properly reconcile monthly bank statements can result in unauthorized transactions occurring and not being discovered in a timely manner.

Per the current town clerk/treasurer, bank reconciliations have been brought up-to-date through March 2018.

Finding

Some deposits were not made daily as required by law.

During the month of August 2015, payments were receipted on 15 different days. Payments received on nine of those days were not all deposited daily as required by law. Depositing delays varied from two days to one week.

According to **11 § 12-110** all funds received should be deposited daily, the statute states in relevant part:

The town treasurer shall...Deposit daily funds received for the town in depositories as the board of trustees may designate...

Title **62 O.S. § 517.3(B)** also requires deposits daily stating in part:

The treasurer of every public entity shall deposit daily, **not later than the immediately next banking day**, all funds and monies of whatsoever kind that shall come into the possession of the treasurer by virtue of the office... [Emphasis added]

Finding

The July 2015 utility payments owed by trustees and town employees appeared to have been received timely and paid in full.

Utility billings for trustees and town employees who utilized Lamont utility services in July 2015 were traced to deposits. All eight accounts reviewed were verified as billed and paid in full in a timely manner.

Finding

Utility payments reviewed appeared to be credited in the Town's records and deposited into the PWA bank account.

We analyzed utility payments made for the July 28, 2015, billing cycle. We verified the amount owed as per each billing statement and compared that amount to the payment recorded in the Town's records.

We also reconciled payment receipts and detailed bank deposit records to determine whether the amount of funds received per Town records matched the amount of funds deposited into the bank. Revenues received appeared to have been deposited.

Objective IV Other Issues

Summary of Findings:

- **The Town made delinquent and improper tax payments to the Internal Revenue Service.**
- **The Town made delinquent tax payments to the Oklahoma Tax Commission and the Oklahoma Employment Security Commission.**

Finding

The Town made delinquent and improper tax payments to the Internal Revenue Service.

Internal Revenue Service (IRS) Payments were not made during the entire audit period, July 1, 2014 through June 30, 2016, resulting in delinquent tax balances due. There were also additional balances due from the quarter ending March 31, 2014.

Prior to the audit period, tax payments were made annually instead of quarterly, and were not made separately for General Fund payroll and PWA Fund payroll, resulting in improper payments for each fund.

The \$740.18 known delinquent IRS balance as of October 2017 has been paid in full. The current town clerk/treasurer is working with the IRS to ascertain any additional outstanding balances for the period of July 1, 2015 through March 31, 2017. Quarterly payments have been made since the quarter ending June 30, 2017.

Finding

The Town made delinquent tax payments to the Oklahoma Tax Commission and the Oklahoma Employment Security Commission.

Tax payments were not made to the Oklahoma Tax Commission and the Oklahoma Employment Security Commission between October 2015 and December 2016.

Both accounts were paid and current as of June 2017.

DISCLAIMER

In this report, there may be references to state statutes and legal authorities which appear to be potentially relevant to the issues reviewed by this Office. The State Auditor & Inspector has no jurisdiction, authority, purpose, or intent by the issuance of this report to determine the guilt, innocence, culpability, or liability, if any, of any person or entity for any act, omission, or transaction reviewed. Such determinations are within the exclusive jurisdiction of regulatory, law-enforcement, and judicial authorities designated by law.



OFFICE OF THE STATE AUDITOR & INSPECTOR
2300 N. LINCOLN BOULEVARD, ROOM 100
OKLAHOMA CITY, OK 73105-4896

WWW.SAI.OK.GOV