TOWN OF MANNSVILLE
JOHNSTON COUNTY, OKLAHOMA
CITIZENS PETITION REQUEST
SEPTEMBER 7, 2017
EXECUTIVE SUMMARY

The citizens of the Town of Mannsville requested an audit pursuant to 74 O.S. § 212(L). The objectives of the audit included a review of utility billing, Fire Station grant funds, payroll, general and petty cash expenditures and possible violations of the Open Meeting and Open Records Act. The scope of the audit was July 1, 2011 through December 31, 2015.

During our investigation cooperation from the Town was limited and the Town’s records were disorganized, incomplete, and at times missing. When records and transactions were available for review they often did not comply with law, ordinance, policy or best business practices.

Utility Billing (Page 5)

Shonda Barnes did not appear to effectively execute her statutory duties as the town treasurer in the collection, recording, and depositing of utility billing revenue. We were unable to locate receipts and billing stubs to support all transactions tested and several customer postings were not properly substantiated.

Internal controls over the collection and processing of utility revenues were inadequate and almost non-existent. Utility revenue deposits were held for days and in some instances weeks. Credit adjustments were posted to customer accounts without adequate supporting documentation and all collections receipted and posted did not appear to be deposited.

For the 16 months of utility billing tested, the overall possible loss of utility billing revenue was at least $10,000.

Grant Activity (Page 22)

A Rural Economic Action Plan Grant, or REAP Grant, of $35,000 was received by the Town for construction at the Town’s fire station. The reimbursement process of grant funds was mismanaged, and included submission of fictitious invoices to the granting agency, fabricated invoices presented to Johnston County for reimbursement, and questionable hours submitted to the granting agency for matching cost and labor.

The final REAP Grant had not been submitted for close-out as of March 2017, leaving more than $3,800 unclaimed by the Town. The overall questionable costs of these transactions were at least $7,200.
Payroll and Related Activity (Page 30)

Timesheets and accompanying payroll records were missing, incomplete, inaccurate, and supervisory approvals were not always documented. Shonda Barnes, town treasurer, was compensated $1,873 in overtime pay and $1,000 for work done as the town clerk without proper documentation or approved Town ordinances in place as required by statute.

Derek Gray, the fire chief, was compensated $2,557 in contract labor without an official contract with the Town. He was also credited for at least 57 hours of compensatory time valued at $855, and was paid $202 for nine hours of work before being officially employed with the Town or the Mannsville Public Works Authority. Gray also appeared to have been paid two pay checks for the same time period totaling $1,080.

The Town’s payroll taxes were not kept current, and social security taxes were not withheld for the benefit of Town employees as required.

The overall unearned pay was more than $7,500.

Open Records and Open Meeting Act (Page 48)

Documentation of Open Records requests were not provided precluding a determination as to whether all request had been fulfilled properly and in a timely manner.

All but four Board of Trustee meeting minutes were provided, but some of the minutes did not clearly summarize the proceedings of the meetings. Executive sessions were entered by the Board for unauthorized purposes and two unlawful executive sessions were noted.

General Expenditures and Petty Cash (Page 56)

A review of general expenditures, debit card, credit card, and petty cash transactions resulted in several findings. Numerous purchase orders were not properly completed, encumbered, or approved; and supporting documentation was often not provided. It was represented by Shonda Barnes that some purchase orders had been recreated.

Between March 2012 and December 2015, the town spent more than $29,000 on food purchases that were not properly supported with receipts and were not adequately documented as to their municipal purpose. Almost $15,000 of this was spent at two local food establishments for “inmate lunches”, a cost that was unallowable per an established contract with the Oklahoma Department of Corrections and questionable under state law.

Additional funds were spent on other questionable items including purchases of electronic related equipment, flowers and garden supplies, clothing, and two online subscriptions which appeared to have no documented municipal purpose.

The total questionable expenditures were more than $40,000.
Other Issues (Page 82)

In the completion of other audit work, issues were identified that were determined significant enough to include in our reporting.

The Town had not received their statutorily required annual independent audit or an agreed upon procedures engagement for five years. The last agreed upon procedures engagement was filed for the fiscal year ending June 30, 2011. Not complying with this statutory requirement also resulted in the loss of almost $8,000 in gas tax revenue.

Shonda Barnes and a former inmate worker sold at least $2,400 in scrap metal from MPWA property, with no evidence that the proceeds had been deposited in the MPWA or Town bank accounts.

Shonda Barnes established an unauthorized petty cash fund, with at least $900 of Town funds, to be used as an inmate commissary fund to provide money for the benefit of inmate workers who were assigned to the Town through an Oklahoma Department of Corrections Public Works Project. The law does not provide for the use of funds outside of municipal purposes and the contract with the Department of Corrections prohibited the providing of money or benefits to inmate workers.

The Mannsville Volunteer Fire Department maintains a bank account outside of the authority of the Town and all financial activity of the Department was not reported to, or approved by the Board. A questionable cash withdrawal of $2,300 was made from this account that was not properly documented.

An undocumented cash withdrawal of $254 was made by Shonda Barnes from the MPWA bank account.

Total possible loss of revenue for other issues was almost $14,000.

Summary

The following pages of this report reflect the details of the individual transactions that support the findings and concerns addressed in this executive summary.

The breakdown in the management of the Town’s government, and the lack of oversight by a majority of the town trustees, appears to have resulted in a loss of public funds over several years.
September 7, 2017

To the Petitioners and Citizens of the Town of Mannsville:

In accordance with the requirements of 74 O.S. § 212(L), we performed a special audit with respect to the Town of Mannsville for the period July 1, 2011, through December 31, 2015.

The objectives of our audit primarily included, but were not limited to, the concerns noted in the citizens petition. The results of the audit are presented in the accompanying report.

Because the procedures of a special 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 Mannsville for the period of July 1, 2011, through December 31, 2015.

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

This report is a public document pursuant to the Oklahoma Open Records Act in accordance with 51 O.S. §§ 24A.1, et seq.

Sincerely,

GARY A. JONES, CPA, CFE
OKLAHOMA STATE AUDITOR & INSPECTOR
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Town Officials
(as of February 1, 2017)

Don Colbert ..................................................................................................... Mayor
Dean Copeland ............................................................................................... Trustee
Gary Glidewell ............................................................................................... Trustee
Shonda Barnes ................................................................................. Town Treasurer
Becky Harris .......................................................................................... Town Clerk
**Introduction**

The Town of Mannsville (hereinafter the “Town”) 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, reads:

The form of government provided by Sections 11-12-101 through 11-12-114 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 Mannsville Public Works Authority (the “MPWA”) is a public trust established under 60 O.S. §§ 176 *et seq*. The MPWA operates a utility service providing water, sewer, and garbage to the residents of the Town. The Town Board of Trustees (hereinafter the “Board”) serves ex-officio as the Board of Trustees for the MPWA.

**Timeline**

The initial investigation of the Town of Mannsville began **March 19, 2014**, with District Attorney Craig Ladd (“DA Ladd”) requesting the State Auditor and Inspector’s Office (“SA&I”) “perform an audit” of the Town of Mannsville, authorized by 74 O.S. § 212(H). On **March 28, 2014**, DA Ladd requested SA&I “hold off” on the audit until the concerns to be audited could be “sorted out”.

On **September 8, 2014**, DA Ladd confirmed that SA&I was to proceed per the initial audit request. A confirmation email stated, “my preference is that you would proceed with an audit as requested on March 19, 2014.” It was agreed that when staff was available SA&I would contact DA Ladd and begin the engagement.

On **November 12, 2014**, SA&I staff met with Shonda Barnes, who represented herself as the “Town Manager” for the Town of Mannsville. Barnes was presented a copy of the engagement letter that defined the audit process and the statutory authority of the request by DA Ladd. Barnes signed and dated the engagement letter as the “Treasurer” and, at that time, agreed to cooperate with the audit process.

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1 See request letter of March 19, 2014 at Exhibit 12, Page 104.
2 See email at Exhibit 11, Page 103.
3 See Engagement Letter at Exhibit 10, Page 102.
The following Monday, **November 17, 2014**, Shonda Barnes and Trustee Dean Copeland presented the SA&I staff a letter\(^4\) dated November 14, 2014, alleging that the District Attorney did not request the audit and that at the time of the initial request, March 2014, SA&I had refused to complete an audit. Barnes alleged that former State Representative Fred Stanley had spoken with DA Ladd on behalf of the Town, and was informed that no audit request had been made.

SA&I staff contacted DA Ladd who acknowledged he had spoken with former Representative Stanley, but verified he had requested the audit and provided a second letter confirming his request.\(^5\)

Beginning **November 20, 2014**, the Town was presented with an administrative subpoena requesting the records needed to proceed with the investigation. The records were not provided at that time. SA&I postponed the engagement until February 2015.

On **February 5, 2015**, SA&I staff met with DA Ladd to discuss the ongoing difficulties in obtaining records from the Town. It was agreed that subpoenas would be issued to both Mayor Don Colbert and Town Treasurer Shonda Barnes for the records not yet received.

A letter\(^6\) was sent to Mayor Colbert, dated **February 11, 2015**, notifying him of the continued lack of cooperation by Town officials.

A letter\(^7\) dated **April 24, 2015**, notified Mayor Colbert that the audit was in a pending status and that Town officials would be notified when the audit resumed. The letter assured Mayor Colbert that SA&I would return to complete the audit.

A letter\(^8\) addressed to SA&I and signed by Mayor Colbert dated **May 12, 2015**, explained that records thought to be missing had been found. The letter stated, “I do not have any explanation for this miraculous discovery.” The letter explained possible reasons for the missing records and that those involved in taking these files from Town Hall and returning them to the office, “should be accountable for their actions and should be prosecuted for the crimes they have committed”.

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\(^4\) See Town letter at Exhibit 8, Page 100.
\(^5\) See second District Attorney request letter at Exhibit 9, Page 101.
\(^6\) See letter at Exhibit 7, Page 99.
\(^7\) See letter at Exhibit 4, Page 96.
\(^8\) See letter at Exhibit 3, Page 95.
On January 7, 2016, former State Representative Stanley called SA&I representing the “Town of Mannsville”. Per Stanley, a meeting was to be held with DA Ladd on January 8, 2016, to request that DA Ladd “drop the request for the audit”. Stanley asked that SA&I postpone the audit for “a week” until DA Ladd had seen the “written evidence” in regards to the stolen records that had been returned.

DA Ladd submitted a letter dated January 12, 2016⁹, instructing SA&I to “disregard my previous requests…for an audit”. The letter also stated that “…a C.P.A. from Oklahoma City, is currently conducting an audit of Mannsville”. The CPA firm communicated with SA&I that an audit was not conducted, information which appeared to have been misrepresented to DA Ladd at the time of the meeting.

In January 2016, following the cancellation of the DA requested audit, citizens of the Town requested to begin the process of engaging in a Citizen Petition¹⁰ audit, under the authority of 74 O.S. § 212(L). This process was successfully completed on February 9, 2016, and fieldwork on the citizen petition engagement began on March 2, 2016.

The audit staff was immediately met with reluctant cooperation and the unavailability of records. The records that had been previously requested as far back as November 2014, were still not easily accessible, were not properly organized, or were not available.

It was also noted that some bank statements provided had never been opened, some statements had missing pages, and some entire statements were missing. Current audit reports were unavailable, the Town had not received an independent audit since June 30, 2011.

Policies, procedures, and ordinances were also not provided; a note attached to a box of records stated, “We do not have a policy and procedure book that we are aware of.” The same note also stated that “The ordinances will be that of OML,¹¹ other than those changed, the changes are in the minutes…”.

On July 29, 2016, Barnes was presented a “management representation letter”¹² requesting that signatures be obtained from all elected officials attesting to their responsibility for the oversight and management of the Town, and that officials understood they were responsible to comply with applicable laws and regulations. The letter was never returned to SA&I.

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⁹ See letter at Exhibit 6, Page 98.
¹⁰ See petition at Exhibit 5, Page 97.
¹¹ Oklahoma Municipal League
¹² See management representation letter draft at Exhibit 1, Page 93.
Citizen Petition Defined

In accordance with a “Citizen Petition Request for Special Audit” verified by the Johnston County Election Board Secretary on February 9, 2016, the Office of the State Auditor and Inspector conducted an audit of the Town of Mannsville and the Mannsville Public Works Authority.

The citizens petition defined the period of the audit as July 1, 2011 through December 31, 2015, and identified the objectives of the audit as:

I. Review possible misappropriation of funds in utility collections/payments.

II. Review possible misuse of grant funds in the awarding and construction of the Town’s Fire Station.

III. Review of possible discrepancies in hiring practices, including nepotism, payroll, use of town vehicles and travel reimbursements.

IV. Review of possible destruction of records along with violations of the Oklahoma Open Meeting Act and the Oklahoma Open Records Act.

V. Review of general and petty cash expenditures, including but not limited to proper authorization and board approvals.

The Office of the State Auditor was not precluded from examining other records or issues which we became aware that occurred outside the objectives stated on the petition.

The results of our inquiry are included in the following report and were prepared for the citizens and registered voters of the Town, along with officials with oversight responsibilities. Our report has been provided to District Attorney Craig Ladd for his review.
OBJECTIVE I  UTILITY BILLING

Petition Objective Review possible misappropriation of funds in utility collections/payments.

Summary of Findings:

- Shonda Barnes did not appear to effectively execute the statutory duties of town treasurer in the collection and depositing of utility billing revenue.

- We were unable to locate computer generated receipts or billing stubs to support all tested utility transactions. Utility records were not properly maintained and customer postings were not substantiated by appropriate supporting documentation.

- Utility payments posted to customer accounts, per the posting journals, did not agree with collections deposited in the Mannsville Public Works Authority bank account. There appeared to be at least $6,900 in payments posted to customer accounts that were not deposited.

- Some utility payments were deposited, but were not posted to customer’s utility accounts as a payment. Instead, credit adjustments were applied to the accounts without documented justification or explanation.

- We noted more than $3,400 in questionable credit adjustments were posted to customer utility accounts without proper supporting documentation or approvals.

- Some collections initially receipted and recorded as cash were subsequently posted to customer accounts as check payments. The cash receipts were deleted from the system and the posted check payments could not be traced to bank deposit sources, resulting in funds allegedly received but not deposited.

- A receipted and posted utility transaction was deleted from the system or was altered after the fact.

- Utility revenue deposits were not made daily as required by statute. Customer payments were held for days, and in some instances weeks.
• Internal controls over the processing and reconciling of utility collections, postings, and deposits were inadequate.

• It appears that Tina Bryant, former water clerk, received at least $418.80 of improper credit adjustments to her personal utility billing account.

Background

The Mannsville Public Works Authority ("the MPWA") provides water, sewer, and garbage services for the Town of Mannsville. The Town has approximately 400 utility customers billed monthly using a two-part billing statement, a post-card type statement documenting usage, amount of utility payment due, and due date.

When a customer makes a payment, and presents the billing statement, the Town reportedly retains one part of the statement, or billing stub, to serve as a receipt of payment. If billing statement is not presented at the time of payment, a computer-generated receipt is to be printed from the utility billing system.

When a receipt is provided at the time of collection, two receipts are to be printed, one for the customer and one to be maintained by the utility clerk.

The purpose of maintaining a billing stub or payment stub, or issuing and maintaining a receipt, was to allow the clerk to document the payment transaction, to show accountability of funds collected, and to support the recording of a payment to the proper customer utility account. During the audit, we observed Town employees utilizing both receipting methods.

According to documentation and employee interviews, responsibility for utility billing activity included the following employees.

<table>
<thead>
<tr>
<th>Employee</th>
<th>Dates Employed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shonda Barnes</td>
<td>October 2011 - current</td>
</tr>
<tr>
<td>Tina Bryant</td>
<td>July 2012 - February 2014</td>
</tr>
<tr>
<td>Mary Lou Lowery</td>
<td>February 2014 – May 2015</td>
</tr>
<tr>
<td>Amie Ebarb</td>
<td>April 2014 – June 2016</td>
</tr>
</tbody>
</table>

Finding

Shonda Barnes did not appear to effectively execute the statutory duties of town treasurer in the collection and depositing of utility billing revenue.

Although all the above employees did process utility billing collections during various time periods, the statutory responsibility for the collection and deposit of funds was with the town treasurer.
Title 11 O.S. § 12-110 states in part:

The town treasurer shall be an officer of the town. The town treasurer shall:

1. maintain accounts and books to show where and from what source all monies paid to him have been derived and to whom and when any monies have been paid; and

2. deposit daily funds received for the town in depositories as the board of trustees may designate;

In some, if not most instances, the transactions noted in the findings below could not be identified with a specific employee. The procedures of the Town did not require computer passwords, initialing of receipt transactions, or other controls that would allow for the accountability of individual utility transactions.

Regardless of such accountability, the responsibility of maintaining accounts and books, and documenting the source of all monies paid was with the town treasurer.

Shonda Barnes also represented herself to SA&I staff as the “Town Manager” and signed documents as the “City Manager”. Mayor Don Colbert stated that Barnes was the “general manager” and that “everything that comes through the office comes through Shonda”.

These representations would also suggest that control over utility collections and deposits were the responsibility of Shonda Barnes.

**Finding**

**We were unable to locate computer generated receipts or billing stubs to support all tested utility transactions. Utility records were not properly maintained and some customer postings were not substantiated by appropriate supporting documentation.**

Although we observed both receipting processes utilized in the collection of utility revenue, the Town was unable to provide printed receipts or billing stubs to support all utility transactions reviewed.

Utility records that were available were disorganized, daily posting reports, printed receipts and billing stubs were stored in separate boxes and binders with no defined filing system.
It was noted that receipts had also been deleted or removed from the utility billing system. As shown in the following *examples*, receipt numbers were missing from the sequence of receipts stored in the system.

<table>
<thead>
<tr>
<th>Amount</th>
<th>Type</th>
<th>Date</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>19.80</td>
<td>000358</td>
<td>01/24/13</td>
<td>3427</td>
</tr>
<tr>
<td>125.61</td>
<td>000360</td>
<td>01/24/13</td>
<td></td>
</tr>
</tbody>
</table>

During the month of March 2014, at least 28 receipts, 038043 through 038069, had been removed or deleted from the utility billing system.

<table>
<thead>
<tr>
<th>Amount</th>
<th>Type</th>
<th>Date</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>19.80</td>
<td>0.00</td>
<td>039328</td>
<td>05/27/14</td>
</tr>
<tr>
<td>19.80</td>
<td>19.80</td>
<td>039331</td>
<td>05/27/14</td>
</tr>
</tbody>
</table>

Printed copies of some of these receipts were located at Town Hall, documenting that a receipt had once existed and a transaction had occurred; but the receipt was not included in the utility billing system receipt report printed on June 29, 2016.

For example, the printed copy of receipts 38051 and 38054 issued on March 6, 2014, were located, but as noted above, had been deleted or removed from the utility billing system.
An explanation as to why receipts were issued but were subsequently deleted from the billing system was not provided.

The Town is required to maintain utility billing records in accordance with 11 O.S. § 22-131 which states in part:

A municipal governing body may destroy, sell for salvage or otherwise dispose of the following papers, documents and records after the expiration of the specified period of time following the end of the fiscal year in which the paper, document or record was created, except as otherwise specified:…Two (2) years: municipal court warrants, water, sewer, garbage and utility receipts and statements, which have been previously audited; inspection records relating to water meters and sewer inspections; miscellaneous petitions and letters addressed to the governing body on matters other than pertaining to the items hereinafter set forth; utility billing ledger or register; utility cash receipts ledger or register; and utility accounts receivable ledger or register… [Emphasis added]

An independent audit of the Town of Mannsville has not been performed since FYE June 30, 2011; therefore, the Town would be required under 11 O.S. § 22-131 to maintain all utility records until audited.

**Finding**

Utility payments posted to customer accounts, per the posting journals, did not agree with collections deposited in the Mannsville Public Works Authority bank account. There appeared to be at least $6,900 in payments posted to customer accounts that were not deposited.

Payments posted to customer accounts per the monthly posting journals were compared to deposits made to the Mannsville Public Works Authority bank account (“the MPWA account”) for the period July 1, 2013 through June 30, 2014, as well as the months of September and October of 2014, and July and August of 2015.

Monthly posting journals were printed from the utility billing system for the 16 months reconciled. The journals documented each utility customer account in which a transaction was posted during the month and a reported total of all transactions or collections for the month.

Monthly totals were reconciled to bank deposits to determine if all collections received and posted had been deposited. In the comparison, it appears that at least $6,900 was reported collected and posted but not deposited.
Comparison of Utility Payments Posted to Bank Deposits

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer Account Postings</td>
<td>$352,339</td>
</tr>
<tr>
<td>Less: Utility Deposits (Net)</td>
<td>($345,377)</td>
</tr>
<tr>
<td>Difference: Payments Posted But Not Deposited</td>
<td>$6,962</td>
</tr>
</tbody>
</table>

Examples of questionable transactions that occurred in the collection, receipting, posting, and depositing of utility payments are noted in the following findings. Some of these transactions reflect possible misappropriations of funds.

Finding

Some utility payments were deposited, but were not posted to the customer’s utility account as a payment. Instead credit adjustments were applied to the accounts without documented justification or explanations.

Credit adjustments should only be applied to a customer’s account when there is a legitimate error in the amount due, collected, or posted. A credit adjustment made in lieu of an actual payment can indicate a possible misappropriation of funds has occurred.

The following examples show payments that were deposited but were never credited to the customer’s account as a payment. Instead, credit adjustments were applied to the accounts in place of an actual payment.

When funds collected are not recorded in the billing system as a payment, it removes the accountability for the funds, and increases the potential for a misappropriation of funds.

Example 1

Customer 458 made a payment of $18 on their utility account with check 2558 dated March 6, 2014. This check was deposited to the MPWA bank account on March 7, 2014, but was never posted to the customer’s account.

Instead a credit adjustment was made to the account on May 5, 2014, to replace the unrecorded check payment and subsequent late fee. The original $18 check collection was never accounted for on the customer’s account history.
Customer History

<table>
<thead>
<tr>
<th>Date</th>
<th>Transaction Type</th>
<th>Amount</th>
<th>Check No.</th>
<th>Date</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>05/05/14</td>
<td>Credit Adjustment</td>
<td>0.00</td>
<td>009867</td>
<td>04/05/14</td>
<td>18.00CR</td>
</tr>
<tr>
<td>05/05/14</td>
<td>Credit Adjustment</td>
<td>0.00</td>
<td>009867</td>
<td>04/05/14</td>
<td>16.00CR</td>
</tr>
<tr>
<td>05/05/14</td>
<td>Check/Reg Payment</td>
<td>0.00</td>
<td>038077</td>
<td>05/05/14</td>
<td>16.00CR</td>
</tr>
<tr>
<td>04/18/14</td>
<td>PENALTY FEE</td>
<td>0.00</td>
<td>000000</td>
<td>05/05/14</td>
<td>1.00</td>
</tr>
<tr>
<td>04/18/14</td>
<td>Check/Reg Payment</td>
<td>0.00</td>
<td>009867</td>
<td>05/05/14</td>
<td>19.00</td>
</tr>
<tr>
<td>04/03/14</td>
<td>O100 WATER</td>
<td>1540</td>
<td>031546</td>
<td>05/05/14</td>
<td>18.00</td>
</tr>
<tr>
<td>05/04/14</td>
<td>O100 WATER</td>
<td>1900</td>
<td>031745</td>
<td>05/05/14</td>
<td>18.00</td>
</tr>
</tbody>
</table>

Two checks received from the customer were posted to the account; check 2590 was posted on April 7, 2014, and deposited on April 8, 2014 and check 2620 was posted on May 5, 2014, and deposited on May 7, 2014.

**Example 2**

Customer 363 made a payment of $47.37 on their utility account with check 2916 dated March 7, 2014. This check was deposited to the MPWA bank account on March 7, 2014, but was never recorded as a receipt and never accounted for on the customer’s account history.

A credit adjustment was made to the account on April 7, 2014, in place of the unrecorded check payment.

**Finding**

We noted more than $3,400 in questionable credit adjustments were posted to customer utility accounts without proper supporting documentation or approvals.

In our review of 16 months of customer account histories, posted utility payments and corresponding bank deposits, we noted at least $3,400 in credit adjustments had been posted to customer accounts without proper supporting documentation or approvals.

When credit adjustments are posted to a customer’s account, the outstanding balance is reduced. When the credit adjustment is warranted, the reduction in amount allows the customer’s account to be corrected to the true balance.

When a credit adjustment is made that is not valid, an account can be credited, or reduced, even when a payment has been made, allowing for a possible misappropriation of the actual funds collected.
Example 1

The billing stub shown at right, for Customer 403.AO, reflects a $90.19 cash payment was received on account; however, receipt 038088 issued on March 10, 2014, and the customer’s account history, reflects that a credit adjustment of $90.19 was posted instead of the cash payment.

![](image)

Not posting the payment as cash removes accountability of $90.19 of cash collected, resulting in cash that does not have to be accounted for.

Example 2

Receipt 038064 reflects that Customer 318 made a cash payment of $47.37 on March 7, 2014.

![](image)

The customer’s account history reflects cash receipt 038064 was never posted. A cash payment from receipt 038588 and an undocumented credit adjustment were both posted on April 10, 2014, reducing the account balance to $0.
Not posting or accounting for receipt 038064 removes accountability of the $47.37, leaving cash that was not accounted for.

Example 3

On August 23, 2013, a credit adjustment of $132.59 was applied to Account 501, Shonda Barnes daughter’s utility account. The adjustment was made “per Shonda” as noted in the customer’s account history shown below.

Before August 23, 2013, the account history reflected no payments had been posted for more than six months. No explanation was provided to support the credit adjustment made.

Example 4

On March 10, 2014, a check payment of $47.37 and a credit adjustment of $3.54 was posted to Account 262, the mother of Mary Lou Lowery, a former utility clerk.
The account was credited with a check payment and credit adjustment but no check could be located in the deposit. Prior to the March 10th posting, Account 262 had been credited with only cash payments for at least the past five years.

**Summary**

The four examples cited represent *only a few* of the accounts which had questionable credit adjustments. We found several other examples spanning the audit period where the customer’s entire balance or monthly billing amounts were adjusted from their account without explanation. Additionally, corresponding receipts, bill stubs, or other supporting documentation was not available to further evaluate these adjustments.

A credit adjustment report was printed from the utility billing system for the period January 1, 2011 through December 31, 2015. The report documented more than 900 credit adjustments totaling $47,499.43 had been made during the four-year period.

A review of this report indicated several adjustments could have been made for valid customer billing errors and postings. However, the report contained numerous credit adjustments that reflected the same components of the above transactions.

**Finding**

Some collections initially receipted and recorded as cash were subsequently posted to customer accounts as check payments. The cash receipts were deleted from the system and the posted check payments could not be traced to bank deposit sources, resulting in funds allegedly received but not deposited.

The Town utility billing software provides the capability of recording payments collected as either cash or check.

We noted some payments were recorded on customer accounts as check payments, although corresponding receipts, daily posting journals, and billing stubs reflected cash had been received. The posted checks could not be traced to bank deposit sources, indicating that a check transaction had not actually occurred.

**Example 1**

On March 5, 2014, the daily posting journal reflected a $200 cash payment was made by Customer 445.CO on receipt 38047.
On March 7, 2014, a $200 check was posted to the customer’s account from receipt 38107. A $200 check from this customer could not be located in the deposit sources received from the bank.

Example 2

Customer 109 made a $48.00 cash payment as indicated on their billing stub shown at right. The customer’s account history reflects a check payment recorded on February 7, 2014. A check for this customer could not be located in the bank deposit sources.

Example 3

On March 6, 2014, a $39.85 cash utility payment was reportedly received from Customer 510, Mannsville Fire Chief Derek Gray. Treasurer Shonda Barnes issued Gray cash receipt 38054 as indicated by her initials on the document shown below.
Receipt number 038054 was not found in receipt reports printed from the utility software system, and the March 6, 2014, cash payment was not reflected in Gray’s account history.

On March 11, 2014, receipt number 38115 was issued for an alleged check payment of $39.85 which was posted to Gray’s account. This check could not be located in bank deposit sources.

**Example 4**

On March 6, 2014, cash receipt 38051 was issued for $35.93 to Customer 505. This receipt was not reflected in Customer 505’s account history or the March 2014 monthly posting report.

On March 11, 2014, the customer account history reflected the posting of a check payment of $35.93. A check from this customer could not be located in bank deposit sources.
**Summary**

When cash was collected and receipted, but the receipt was not posted, the amount of cash required to be accounted for was reduced. Because the software system used by the Town allowed users to modify or delete receipts or postings, and no records or documentation were provided to explain the transactions in question, it could not be determined if the cash payments in question were initially receipted in error, or if cash receipts were deleted and payments were misappropriated and concealed by erroneous postings.

**Finding**

A receipted and posted utility transaction was deleted from the system or was altered after the fact.

In the following example, receipt 38045 was issued for a $50.00 check payment posted March 3, 2014, on Customer 423’s account. A check from this customer was deposited March 5, 2014.

The $50 check payment was reflected as receipted and posted per the daily posting journal, but was not reflected in the customer’s account history. An $87.24 check payment was recorded in the account history on March 11, 2014. A check from Customer 423 in the amount of $87.24 could not be located in bank deposit sources.

The utility billing software should have automatically posted the $50 check payment on March 3, 2014 when it was receipted into the system. The $50 payment not showing as posted to the customer’s account history indicates that the initial transaction, receipted on receipt 38045, was deleted or altered, to reflect the $87.24 after-the-fact.
All transactions recorded should remain as initially recorded. Any changes or corrections that need to be made should be documented with proper support and approval.

Finding

Utility revenue deposits were not made daily as required by statute. Customer payments were held for days, and in some instances weeks.

According to 11 O.S. § 12-110, Shonda Barnes, the town treasurer, is statutorily responsible for the accounting of monies collected and paid, and should deposit all funds received daily. Title 11 O.S. § 12-110 states in part:

The town treasurer shall be an officer of the town. The town treasurer shall:

1. maintain accounts and books to show where and from what source all monies paid to him have been derived and to whom and when any monies have been paid; and

2. deposit daily funds received for the town in depositories as the board of trustees may designate;

The delays in depositing utility payments varied, often exceeding four or five days between deposits, and in at least one instance, only one deposit was recorded for an entire month of collections.

For example, on August 21, 2013, the Town deposited $11,049.99 in checks and $4,619.18 in cash. This deposit included payments received in July, with checks dating back as early as July 2, 2013. No other deposits were made during the month of August.

The deposit slip was dated August 16, 2013, but bank records reflect the deposit was made on August 21, five days after it was allegedly prepared.

The next bank deposit did not occur until September 3, 2013. This deposit also included check payments received and posted in the previous month.

We reviewed deposit slips and bank deposit sources dated between July 1, 2013 and June 30, 2014, and identified several deposits that included checks dated days, and sometimes weeks, prior to the date of the deposit.
Finding  

Internal controls over the processing and reconciling of utility collections, postings, and deposits were inadequate.

- The Town did not utilize unique computer user ID’s or passwords, which created a lack of accountability for transactions entered into the utility billing software program.

- Cash was not properly secured. We observed access to cash was not restricted, payments were kept in envelopes in an unlocked cash box kept at the front desk. The funds were not secured throughout the business day and all employees operated from the same cash drawer.

- Transactions entered in the utility billing software system could be changed or deleted without requiring a secondary approval.

- Pre-numbered receipts were not issued for all collections.

- Daily reconciliations of funds collected and deposited, were not always properly documented.
In addition to the lack of internal controls, it appears that staff were not properly trained or supervised by Shonda Barnes, the town treasurer, in their work as utility billing clerks.

**Improper Employee Utility Billing Transactions**

**Finding**

It appears that Tina Bryant, former water clerk, received at least $418.80 of improper credit adjustments to her personal utility billing account.

A questionable credit adjustment of $170.92 was posted to the account of Tina Bryant in April 2013. The account had been in delinquent status since August 2012 and was not paid in full until August 2013. No penalties were incurred during this period of non-payment.

<table>
<thead>
<tr>
<th>Date</th>
<th>Description</th>
<th>Amount</th>
<th>Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>05/01/13</td>
<td>WATER</td>
<td>5290</td>
<td>61580</td>
</tr>
<tr>
<td>04/28/13</td>
<td>Credit Adjustment</td>
<td>49</td>
<td>0</td>
</tr>
<tr>
<td>04/01/13</td>
<td>GARBAGE</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>04/01/13</td>
<td>SEWER</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>04/01/13</td>
<td>WATER</td>
<td>4300</td>
<td>61051</td>
</tr>
<tr>
<td>03/22/13</td>
<td>Cash Payment</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

In September, October, November, and December of 2013, former clerk Bryant’s utility account was credited with four check payments totaling $247.88.

**Account 277 Customer History**

<table>
<thead>
<tr>
<th>Date</th>
<th>Description</th>
<th>Amount</th>
<th>Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>12/15/13</td>
<td>Check/Reg Payment</td>
<td>0</td>
<td>037520</td>
</tr>
<tr>
<td>12/01/13</td>
<td>GARBAGE</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>12/01/13</td>
<td>SEWER</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>12/01/13</td>
<td>WATER</td>
<td>6720</td>
<td>66564</td>
</tr>
<tr>
<td>11/15/13</td>
<td>Check/Reg Payment</td>
<td>0</td>
<td>037519</td>
</tr>
<tr>
<td>11/01/13</td>
<td>GARBAGE</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>11/01/13</td>
<td>SEWER</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>11/01/13</td>
<td>WATER</td>
<td>7165</td>
<td>66532</td>
</tr>
<tr>
<td>10/15/13</td>
<td>Check/Reg Payment</td>
<td>0</td>
<td>037516</td>
</tr>
<tr>
<td>10/01/13</td>
<td>GARBAGE</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>10/01/13</td>
<td>SEWER</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>10/01/13</td>
<td>WATER</td>
<td>8700</td>
<td>65117</td>
</tr>
<tr>
<td>09/15/13</td>
<td>Check/Reg Payment</td>
<td>0</td>
<td>037517</td>
</tr>
</tbody>
</table>

Per the receipt posting journal as shown below, although dated and posted to the customer history on corresponding monthly dates in 2013, the four transactions were receipted with consecutive receipt numbers 37517, 37518, 37519, and 37520 in January 2014, with the posting dates appearing to be altered to the applicable month.

The check payments could not be traced to deposits and no receipts or other supporting documentation could be provided to support the transactions.

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13 Tina Bryant’s utility account was billed under Customer Account 277.
The questionable payments were reportedly discovered in January 2014 with Bryant resigning her position as water clerk in February 2014. Before ending her employment, Bryant re-paid $247.88 of the questionable postings.
Petition Objective  
Review possible misuse of grant funds in the awarding and construction of the Town’s Fire Station.

Summary of Findings:

- A REAP grant reimbursement request submitted to SODA by Shonda Barnes, included a fictitious invoice totaling $4,212.10.

- A REAP Grant ‘Request for Funds’ was signed by Shonda Barnes, who was not authorized by the Town to sign grant related documentation.

- A fabricated invoice, receiving report, and purchase requisition totaling $3,044.91 was submitted to Johnston County for reimbursement of grant expenditures.

- Most of the REAP Grant matching costs claimed were not properly accounted for or documented.

- Activity Reports prepared and submitted by Shonda Barnes as documentation for the Town’s grant match included erroneously reported labor hours and equipment-use hours.

- The final REAP Grant ‘Close-Out Certification’ required by SODA had not been submitted by the Town as of March 2017.

**Fire Station Grant**

The Town of Mannsville was awarded a Rural Economic Action Plan grant, a REAP grant, through the Southern Oklahoma Development Association (SODA). The grant funding period was December 30, 2013, through December 31, 2014. The grant approval letter read:

<table>
<thead>
<tr>
<th>Grant Award Number:</th>
<th>14-039</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project description:</td>
<td>Add two truck bays and a training area/office to the fire station</td>
</tr>
<tr>
<td>Required Match:</td>
<td>$30,000.00</td>
</tr>
<tr>
<td>Total Grant Amount:</td>
<td>$35,000.00</td>
</tr>
</tbody>
</table>
Under the grant guidelines, all expenditures were handled on a reimbursement basis, meaning the Town should incur the expense and then request reimbursement for the cost.

Per the ‘Reap Project Funds Contract’, the Town was also required to maintain records, including property, personnel, and financial records, that properly document and account for all project funds. These records were required to be retained for at least five years from the date of submission of the Final Expenditure Report or until all audit findings have been resolved.

**Fictitious Invoice**

**Finding**

A REAP grant reimbursement request submitted to SODA by Shonda Barnes, included a fictitious invoice totaling $4,212.10.

Shonda Barnes submitted a REAP Grant ‘Request for Funds’ to SODA on August 26, 2014. Included as part of the request was a document for $4,212.10 from the vendor Ardmore Electric Supply, presented as an invoice for reimbursement.

The document presented to SODA included the handwritten note “All material Delivered and Installed!” , implying that the $4,212.10 purchase had been incurred and that the supplies purchased had been installed as part of the work performed on the REAP grant project.

Upon further review, it was determined that this document was a “PRICE QUOTE”, not an invoice for materials that had been used as part of the REAP project. The quote was obtained on March 20, 2014, and submitted to SODA as a paid invoice for reimbursement on August 26, 2014.

The document, noted as Quote #Q011485, had also been altered to show the “MANNSVILLE FIRE DEPT.” as the quote recipient.
The actual quote had been received under the name of a local vendor. The name of the vendor was covered, and the quote was presented to SODA as a Mannsville reimbursable expense.

This quote was never converted to an invoice and was never paid by the Town; however, SODA reimbursed Mannsville the $4,212.10 in September 2014.

**Authorizing Resolution**

**Finding**  
A REAP Grant ‘Request for Funds’ was signed by Shonda Barnes, who was not authorized by the Town to sign grant related documentation.

A resolution establishing the Town officials authorized to act on behalf of the Town was required as part of the REAP grant application process. The Town passed and approved Resolution 13-07-08-A and Resolution 14-07-14-B authorizing the REAP grant application process and designating Don Colbert, Mayor, and Dean Copeland, Trustee, as the authorized signors on all related documentation necessary to file, process, and approve the grant.
Although the approved authorized signors for the grant were Trustees Colbert and Copeland, the official ‘Request for Funds’ submitted on August 26, 2014, which included the altered “PRICE QUOTE” as an invoice, was signed by Shonda Barnes as the “Authorized Official”.

By signing as the authorizing official, Barnes certified that the expenditures were on a reimbursement basis and that the Town’s governing body had approved the expenditures. The $4,212.20 had not been approved by the governing board because it had never actually occurred. The authorization of this transaction was erroneous.

**Reimbursement through County Funds**

As defined in 68 O.S. § 1370, the Johnston County Clerk’s Office administers the proceeds of a sales tax generated for the purpose of fire district improvements. To utilize these funds, the Mannsville Volunteer Fire Department is required to designate requisitioning and receiving agents and follow the procedures set forth in the County Purchasing Act.¹⁴

**Finding**

A fabricated invoice, receiving report, and purchase requisition totaling $3,044.91 was submitted to Johnston County for reimbursement of grant expenditures.

According to Derek Gray, Fire Chief, the Fire Department obtained electrical supplies from Ardmore Electric Supply during the completion of the fire station¹⁵ grant project, but did not pay for them at the time they were acquired. Instead, the expenditure was presented for reimbursement

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¹⁴ Title 19 O.S. §§ 1501, et seq.
¹⁵ The Fire Station project began approximately March 2014 and was reimbursed through the SODA Grant beginning April 2014.
through the County, more than nine months later, using fabricated documentation.

The Fire Department submitted Purchase Order Requisition #2466 to Johnston County on January 28, 2015, for payment to Ardmore Electric Supply in the amount of $3,044.91. The purchase order was signed by Mary Mitchell, a Fire Department volunteer.

The Purchase Order was supported by an invoice from Ardmore Electric Supply, emailed to Derek Gray, reflecting the purchase had been made January 23, 2015. The invoice indicated it originated from materials received under Quote #Q011718. Quote #Q011718 was provided on May 6, 2014, nearly nine months earlier.

The Purchase Order submitted to the County was also supported by a ‘Receiving Report’, signed by Venus Edwards, a volunteer for the Department. The receiving report fraudulently represented that the Fire Department had received the invoiced items on February 6, 2015.

Representatives from the Mannsville Fire Department presented an invoice to Johnston County for reimbursement nine months after the Department purportedly received and was billed for the materials. Based on the false invoice and receiving report, the County Clerk paid the expenditure, which would have otherwise been unauthorized.

**REAP Matching Funds**

The REAP Grant awarded through SODA included a required match of cash, equipment, and/or labor of $30,000. According to the grant agreement, matching-fund expenditures must be accounted for, or documented and reported, to be reimbursed on the grant. The award letter stated:
Finding

Most of the REAP Grant matching costs claimed were not properly accounted for or documented.

The Town claimed matching costs of $29,881.25. The breakdown of the match included the following:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-Salary Labor</td>
<td>$15,064.25</td>
</tr>
<tr>
<td>Cash Match Paid to Contractor</td>
<td>$10,000.00</td>
</tr>
<tr>
<td>Overhead Doors</td>
<td>0.00</td>
</tr>
<tr>
<td>Contractor</td>
<td>$800.00</td>
</tr>
<tr>
<td>A/C Unit</td>
<td>$2,000.00</td>
</tr>
<tr>
<td>Capperone</td>
<td>$1,375.00</td>
</tr>
<tr>
<td>Gravel for Drive By County</td>
<td>500.00</td>
</tr>
<tr>
<td>Cash Match</td>
<td>$14,875.00</td>
</tr>
<tr>
<td><strong>Total in Kind Match</strong></td>
<td><strong>$29,881.25</strong></td>
</tr>
</tbody>
</table>

Of the amounts noted above, only the $10,000 shown as “CASH MATCH PAID TO CONTRACTOR” was properly supported. Review of the additional costs claimed resulted in the following:

- Support could not be found for the $800.00 claimed as “CONTRACTOR”. A check to the contractor who was involved in the fire station project was issued on May 23, 2014, in the amount of $805 and was noted as “Contract labor”. However, no supporting documentation could be provided that would indicate that the payment was applicable to the fire station project.

- The supporting documentation for the $2,200.00 “A/C UNIT” claimed was an invoice presented for a cash sale of air conditioning equipment totaling $1,792.88. The costs did not agree with the in-kind match amount claimed. Per Gray, a $2,000.00 cash withdrawal made from the “Mannsville Volunteer Fire Dept” checking account was for this purchase.

- The $1,375.00 paid to “CAPPERONE” could not be supported by an invoice; however, check #5558 issued on June 9,
2014, was made payable to “MATT CAPERONE” and was documented in the memo line as “ELECTRICAL SERVICE TO NEW FIRE STATION”.

- There were no records provided by the Town to support the $500 match claimed for “GRAVEL FOR DRIVE BY COUNTY”.

**Finding**

**Activity Reports** prepared and submitted by Shonda Barnes as documentation for the Town’s in-kind grant match included erroneously reported labor hours and equipment-use hours.

The Town submitted an Activity Report to SODA documenting labor hours and equipment-use hours in support of an in-kind match amount claimed of $15,006.25. According to Shonda Barnes, work hours were reported to her and she tracked the hours on a spreadsheet.

Some inmates were reported as part of the in-kind labor match on the Activity Report for days that they were not assigned to work with the Town. The Town claimed 72 hours of inmate labor for time the inmates were not checked out of the Correctional Facility to work with the Town.

<table>
<thead>
<tr>
<th>Inmate Hours Reported to SODA</th>
<th>Hours Claimed That Inmate Was Not Assigned to the Town</th>
<th>Actual Available Inmate Hours</th>
</tr>
</thead>
<tbody>
<tr>
<td>Smith</td>
<td>78</td>
<td>16</td>
</tr>
<tr>
<td>Stephens</td>
<td>62</td>
<td>32</td>
</tr>
<tr>
<td>Thomas</td>
<td>16</td>
<td>0</td>
</tr>
<tr>
<td>Spence</td>
<td>106</td>
<td>24</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>262</strong></td>
<td><strong>72</strong></td>
</tr>
</tbody>
</table>

Additionally, in a comparison of labor hours to equipment hours, it appears the Town also reported 81 more equipment hours than corresponding available labor hours. Inmates are prohibited from driving vehicles, which would further decrease the labor-hour correlation. The following table shows the breakdown of reported labor versus reported equipment hours.
### Activity Report for In-Kind Match Labor Hours vs. Equipment Hours

<table>
<thead>
<tr>
<th>Date</th>
<th>Reported Labor Hours</th>
<th>Reported Equipment Hours</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>3/12/2014</td>
<td>38</td>
<td>40</td>
<td>2</td>
</tr>
<tr>
<td>4/2/2014</td>
<td>18</td>
<td>24</td>
<td>6</td>
</tr>
<tr>
<td>4/3/2014</td>
<td>11</td>
<td>20</td>
<td>9</td>
</tr>
<tr>
<td>4/7/2014</td>
<td>16</td>
<td>24</td>
<td>8</td>
</tr>
<tr>
<td>4/8/2014</td>
<td>12</td>
<td>28</td>
<td>16</td>
</tr>
<tr>
<td>4/9/2014</td>
<td>12</td>
<td>24</td>
<td>12</td>
</tr>
<tr>
<td>4/11/2014</td>
<td>20</td>
<td>40</td>
<td>20</td>
</tr>
<tr>
<td>4/14/2014</td>
<td>4</td>
<td>12</td>
<td>8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>131</strong></td>
<td><strong>212</strong></td>
<td><strong>81</strong></td>
</tr>
</tbody>
</table>

The in-kind match Activity Report also documented that Shonda Barnes worked four hours on May 22, 2014, when her timesheet reflected that she was on vacation leave Thursday, May 22, 2014.

**Finding**

The final REAP Grant ‘Close-Out Certification’ required by SODA had not been submitted by the Town as of March 2017.

According to a SODA representative, the Town had not submitted their required close-out documentation. The information had been requested three times but had not yet been provided. The Town had $3,816.01 remaining in available grant funds that now cannot be reimbursed because the grant award period has expired.
OBJECTIVE III  PAYROLL, TRAVEL, AND VEHICLE USE

Petition Objective  Review of possible discrepancies in hiring practices, including nepotism, payroll, use of town vehicles and travel reimbursements.

Summary of Findings:

- We found no evidence that the hiring of Derek Gray as fire chief or as a town employee was nepotism.

- Timesheets and accompanying payroll records were missing, incomplete, and inaccurate, and did not properly support compensation paid to Town and MPWA employees.

- Town Treasurer Shonda Barnes was paid $1,872.98 in overtime pay without proper supporting documentation or the required approvals.

- Shonda Barnes misappropriated an insurance refund check of $66.95 made payable to the Town of Mannsville.

- Shonda Barnes, town treasurer, was compensated $1,000 for duties not related to her elected position, without an approved Town ordinance in place as required by statute.

- We found no evidence that the hiring of Derek Gray as fire chief or as a MPWA employee was improper. However, Gray’s pay rate, job duties and work hours were never defined or approved by the Board.

- Fire Chief Derek Gray was compensated $2,557.50 as ‘contract labor’ without an officially approved contract in place.

- It appears Derek Gray received two paychecks totaling $1,080 for the same pay period, July 10, 2014 through July 23, 2014.

- Derek Gray was credited with 57 hours of compensatory time with the Town before he was officially employed, resulting in $855 of unearned pay.

- Derek Gray was paid $202.50 by the MPWA for nine hours worked in the month of April 2015, before he was officially hired by the MPWA Board on April 30, 2015.
• The payroll records supporting Derek Gray’s hours worked, comp time earned, and leave taken were inaccurate, and at times erroneous and incomplete.

• Derek Gray was paid time and a half for all hours worked for the MPWA regardless of the total hours worked in a week.

• The Town allowed employee healthcare coverage to lapse due to lack of payment. Between January 1, 2014 and August 31, 2014 premiums of $720.18 were deducted from employee paychecks without coverage in place.

• In 2015, the Town did not submit payroll taxes due to the proper governmental agencies.

• Social Security Taxes were not withheld and/or paid in for the benefit of Town employees as required.

• The Town does not maintain written policies concerning the use of Town vehicles.

• Travel reimbursement claims did not include complete supporting documentation.

**Nepotism**

Allegations were presented that the hiring of Derek Gray, as fire chief and as a town employee was an act of nepotism. Gray is the nephew of Shonda Barnes, town treasurer.

**Finding**

We found no evidence that the hiring of Derek Gray as fire chief or as a town employee was nepotism.

On January 16, 2014, the Board selected Derek Gray, nephew of Shonda Barnes, as the interim fire chief for 90 days. Gray was voted as the permanent fire chief on April 14, 2014.

On July 17, 2014, the Board voted to retain Gray as a full-time employee with the Town.
As to nepotism, **11 O.S. § 8-106** states in part:

> No elected or appointed official or other authority of the municipal government shall appoint or elect any person related by affinity or consanguinity within the third degree to any governing body member or to himself or, in the case of a plural authority, to any one of its members to any office or position of profit in the municipal government.... A person may hold more than one office or position in a municipal government as the governing body may ordain. [Emphasis added]

Although Shonda Barnes, town treasurer, was an elected official of the Town, she was not a member of the governing body and did not have hiring authority for Gray. Barnes was not responsible for Gray’s appointment as fire chief or his hiring as a Town employee. As such, the appointment and hiring of Derek Gray would not be considered nepotism.

**Payroll**

We reviewed a sample of timesheets for Town employees Shonda Barnes, Amie Ebarb, and Derek Gray between the periods of October 2013 and December 2015.

**Finding**

Timesheets and accompanying payroll records were missing, incomplete, and inaccurate, and did not properly support compensation paid to Town and MPWA employees.

Of 129 pay periods reviewed, we were able to locate 97 timesheets. Of those 97 timesheets, only 27 indicated review and approval by a supervisor.

<table>
<thead>
<tr>
<th>Employee</th>
<th>Number of Pay Periods Reviewed</th>
<th>Timesheets Available</th>
<th>Timesheets Approved By A Supervisor</th>
<th>Supervisor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Barnes</td>
<td>43</td>
<td>28</td>
<td>0</td>
<td>Mayor Don Colbert</td>
</tr>
<tr>
<td>Ebarb</td>
<td>45</td>
<td>35</td>
<td>16</td>
<td>Shonda Barnes</td>
</tr>
<tr>
<td>Gray</td>
<td>41</td>
<td>34</td>
<td>11</td>
<td>Shonda Barnes</td>
</tr>
<tr>
<td>Totals</td>
<td>129</td>
<td>97</td>
<td>27</td>
<td></td>
</tr>
</tbody>
</table>

16 A “governing body” is defined in **11 O.S. § 1-102** as “the board of trustees of a town”.
We also noted additional payroll supporting documentation was insufficient:

- Pay periods were documented incorrectly on pay stubs and purchase orders;
- Records documenting the tracking of vacation and sick leave were not provided. Accruals of compensatory time and leave were noted on some timesheets but were inaccurate and, at times, applied in error;
- All purchase orders accompanying payroll were unsigned;
- Paychecks were being issued before the end of the pay period; and
- Several timesheets included no information as to dates worked, times worked, or leave taken.

Following are some examples of these issues for individual payroll periods and individual payroll transactions by employee. Because of the large amount of exceptions found, all exceptions noted during fieldwork have not been included in our report.

**Shonda Barnes Employment**

Payroll supporting documentation for Shonda Barnes was incomplete for several pay periods. All purchase orders supporting Barnes’ payroll transactions were not signed or approved, several timesheets did not include hours worked, calculated pay, or tracking of leave balances. Tracking of sick and annual leave was not consistently documented or did not appear to be approved or monitored. Following are three examples of the exceptions noted.

*Example 1* shows the pay period of September 4, 2014 to September 17, 2014. Purchase Order No. 1524 for $1,251.39 was issued for check 6049 to Shonda Barnes. The purchase order was annotated with the wrong pay period, was not signed by the purchasing officer or approved by the Board.

The employee timesheet shown was attached to the purchase order as supporting documentation but did not include the pay period, the dates and times worked, the calculated pay due, and there was no documented approval.
Additionally, check 6049 for $1,251.39 in payment of this pay period was dated September 16, 2014, one day prior to the end of the payroll period.

Example 1

In Example 2 shown below, the employee timesheet presented for the pay period ending March 5, 2014, did not include times worked, proper approvals, or any tracking of leave earned or taken.

Example 2
In Example 3, the check issued for the pay period April 2, 2015 through April 15, 2015 was issued early on April 14, 2015.

Example 3

The overall documentation provided for the support of payroll for Shonda Barnes was inadequate, multiple checks were issued prior to the end of the payroll periods, the wrong payroll period was documented on several checks, and purchase orders included erroneous information and were not properly completed or approved.

**Finding**

Town Treasurer Shonda Barnes was paid $1,872.98 in overtime pay without proper supporting documentation or the required approvals.

On January 20, 2012, check 5033 in the amount of $1,872.98 \(^{17}\) was issued to Shonda Barnes for 122 hours of overtime. The check stated the overtime was for the pay period 1/13/2012-1/26/2012.

The supporting documentation provided for the overtime check was Purchase Order No. 526 \(^{18}\) issued for “Overtime pay” for “122 hours @ 19.50” per hour. The purchase order was encumbered by Shonda Barnes, but was not signed or approved by any Town official or approving authority, and did not designate the time period for the overtime.

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\(^{17}\) $2,379 Gross Pay

\(^{18}\) See purchase order at Exhibit 13, Page 105.
Attached to the purchase order was two calendar print outs\footnote{See calendars at Exhibits 16 and 17, Page 108 and 109.} for the months of October 2011 and January 2012. There was no indication if the values noted on the calendars were overtime hours. The hours shown did not equal the 122 hours of overtime claimed.

If the overtime pay did include hours worked in the month of October 2011, Barnes’ rate at that time would have been $16.50 per hour, not the $19.50 paid. The exact overpayment could not be determined because the 122 hours reported could not be traced to a specific month.

Per Barnes, two other employees received overtime pay at the same time and there was allegedly a spreadsheet prepared detailing the hours paid to each employee, no spreadsheet was ever provided. Barnes subsequently stated that her spreadsheet had been stolen. No legitimate supporting documentation could be provided for the overtime pay.

On November 14, 2011, prior to the January 2012 payment of overtime, the Board implemented a compensatory time policy. Based on this policy, it appears overtime incurred after this date should have been compensated through compensatory time.

\begin{quote}
A motion was made by Mayor Broughton to implement a policy for compensatory time for city employees, with a stipulation that the reason for said compensatory time be recorded on each employee’s weekly time sheets. Trustee Bean seconded the motion; all voted yes and the motion carried.
\end{quote}

**Finding**

Shonda Barnes misappropriated an insurance refund check of $66.95 made payable to the Town of Mannsville.

Blue Cross Blue Shield (BCBS) cancelled the Town’s health insurance policy for delinquency on March 10, 2014, with a paid-to-date of January 1, 2014. Per BCBS, the premiums received after January 1, 2014, were “too little and too late to reinstitute the policy”. The remaining credit balance of $976 was refunded to the Town in two transactions, $909.05 on April 30, 2014, and $66.95 on September 26, 2014.

The $909.05 check was deposited in the Town’s General fund on June 10, 2014. The second check in the amount of $66.95 payable to the Town of Mannsville was deposited by Shonda Barnes into the bank account of her ex-husband on February 17, 2015, almost five months after the check was issued.
The $66.95 check should have been deposited into the Town’s bank account upon receipt.

**Finding**

Shonda Barnes, town treasurer, was compensated $1,000 for duties not related to her elected position without an approved town ordinance in place as required by statute.

Shonda Barnes was appointed *town treasurer* in October 2011, was elected to that position in April 2013, and continued in the position of treasurer to the date of this report. The compensation for the position of town treasurer was $50 per month.

In a July 2015 board meeting, the Board voted to pay Barnes $600 for performing the duties of the officially elected town clerk. The $600 was back pay for clerk duties performed for the prior fiscal year, July 1, 2014 through June 30, 2015. In the same board meeting, the Board voted to continue paying Barnes $50 per month for the additional duties. These payments, totaling $400, continued until the election of a new town clerk in February 2016. In total Barnes was paid $1,000 for additional ‘clerk’ duties. The minutes stated:

**MAYOR COLBERT** made a motion to pay Shonda Barnes $600 dollars for performing extra duties that the City Clerk is not doing. Trustee Copeland seconded the motion. Mayor Colbert voted yes; Trustee Copeland voted yes; and Trustee Guidewell voted no. Majority ruled and the motion passed.

**MAYOR DON COLBERT** made a motion to pay Shonda Barnes $50 per month for additional duties she is doing that the city clerk is normally required to do. Trustee Copeland seconded the motion. Trustee Guidewell voted no; however, majority ruled and the motion passed.

Although the additional pay to Barnes was approved by the Board, and would be allowable as pay for additional duties, we found no evidence that the pay was documented and approved in an official ordinance of the Town as required by *11 O.S. § 12-110* which states in part:

> The town treasurer…may be employed by the town to perform duties not related to his position as town treasurer. The salary, if any, for said duties shall be provided for separately by ordinance. [Emphasis added]
A new town clerk was appointed February 2016 and payments to Barnes for clerk related duties ceased.

**Amie Ebarb Employment**

Amie Ebarb was hired as the “water clerk” on April 28, 2014. As noted above, 10 timesheets were missing from the 45 time periods reviewed, and only 16 of the timesheets available for review documented supervisory approval by Shonda Barnes, Ebarb’s supervisor.

Amie Ebarb’s payroll transactions;

- Did not always include daily or total hours worked;
- Included checks issued prior to the end of the payroll period; and
- Did not properly document the tracking of sick and annual leave.

**Derek Gray Employment**

Petitioners raised a concern about the hiring practices of the Town, alleging that Derek Gray was not qualified to be fire chief and that his employment was nepotism.20

**Finding**

We found no evidence that the hiring of Derek Gray as fire chief or as an MPWA employee was improper. However, Gray’s pay rate, job duties and work hours were never defined or approved by the Board.

The Town of Mannsville has a Volunteer Fire Department and as such, falls under the Oklahoma Volunteer Firefighters Act.21.

Title 11 O.S. § 29-204 Article 1(a) of the Act states:

> The chief shall be appointed in the manner provided by law applicable to this municipality for the appointment of municipal officers.

Title 11 O.S. § 12-106 states that the board of trustees may,

> Appoint and remove, and confirm appointments of, designated town officers and employees as provided by law or ordinance.

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20 The issue of nepotism was addressed in a previous finding at Page 31.
21 Title 11 O.S. § 29 Sections 201-204.
On January 16, 2014, Derek Gray was appointed as interim fire chief during a special Town Board meeting. According to the meeting minutes, “the position was only an interim position for ninety days and could be subject to change”.

On April 14, 2014, the Board voted to change Gray’s employment status from interim fire chief to permanent fire chief. The position continued to be a no pay, volunteer position.

On June 9, 2014, the Board voted to make the Fire Chief a paid position. However, the minutes did not specify a rate-of-pay, job duties, or work hours. There was also no reference as to whether Derek Gray was the permanent, paid Fire Chief.

On July 17, 2014, Derek Gray was retained as a full-time employee of the Town. There was no discussion of Gray’s rate-of-pay or if this full-time employment with the Town was as Fire Chief or if additional duties were included.22

On April 30, 2015, Derek Gray was hired as a “backup” employee for the Mannsville Public Works Authority. No pay rate was noted or approved, and no mention was made as to how the time and pay would be managed between the position of fire chief, town employee and MPWA employee.

Based on the official minutes documenting the above transactions, we found no evidence to suggest that Gray’s appointment as Fire Chief and his subsequent employment with the Town or with the MPWA were improper.

However, Gray’s pay rate, job duties, and work hours for all positions held, were never defined by the Board.

**Finding**  
*Fire Chief Derek Gray was compensated $2,557.50 as ‘contract labor’ without an officially approved contract in place.*

Beginning June 9, 2014, the Board voted to make the position of fire chief a compensated position. At this time, Derek Gray the appointed Fire Chief, had not been approved as an official town employee, nor did he have a contract in place providing for any compensation.

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22 Timesheets reflected Gray was being paid at a rate of $15 an hour as fire chief.
After the June 9th vote to make the Fire Chief a paid position, and prior to Gray’s July 17, 2014, appointment as a town employee, two payments were made to Chief Gray as ‘contract labor’.

<table>
<thead>
<tr>
<th>Date</th>
<th>Check #</th>
<th>Amount</th>
<th>Fund</th>
<th>Purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td>6/24/2014</td>
<td>5668</td>
<td>$1,432.50</td>
<td>General</td>
<td>Contract labor for 6-10-14 thru 6-24-14</td>
</tr>
<tr>
<td>7/8/2014</td>
<td>5590</td>
<td>$1,125.00</td>
<td>General</td>
<td>Contract labor for 6-26-14 thru 7-9-14</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>$2,557.50</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Although Gray had been appointed the permanent Fire Chief and this position was voted to be a paid position as of June 9th, Gray was not approved as an official employee of the Town until July 17, 2014.

With no contract in place to the contrary, Gray would not have been eligible for any compensation until he was officially approved as a town employee on July 17, 2014.

Finding

Derek Gray received two paychecks, both documented as pay for the same pay period, July 10, 2014 through July 23, 2014, totaling $1,080.

Derek Gray received two paychecks on July 22, 2014, both paid from the General Fund, and both representing hours worked for the same pay period of July 10, 2014 thru July 23, 2014. The purchase orders did not include time sheets or documentation to support the payments so it could not be determined what work hours had been compensated.

The pay period shown of July 10, 2014 thru July 23, 2014, included seven days of time worked prior to Gray’s employment with the Town on July 17, 2014, leaving only one week to be compensated. Additionally, the checks were dated as paid before the end of the pay period.
Finding

Derek Gray was credited with 57 hours of compensatory time with the Town before he was officially employed, resulting in $855 of unearned pay.

Derek Gray was not officially employed with the Town until July 17, 2014. Timesheets were not available for the July 17, 2014 through July 25, 2014 pay period; however, pay stubs indicated Gray did not work more than 40 hours during this period and therefore would not have been eligible to earn comp time prior to the July 25th pay period.

Payroll records, as shown below, reflected that Gray began the pay period of July 25, 2014, with 57 hours of compensatory time.

![Payroll Record]

It appears Gray was allowed to accrue 57 hours of comp time before he was an official employee of the Town. At Gray’s pay rate of $15 per hour, 57 hours would be equivalent to $855 of unearned pay.

Finding

Derek Gray was paid $202.50 by the MPWA for nine hours worked in the month of April 2015, before he was officially hired by the MPWA Board on April 30, 2015.

Timesheets for Derek Gray reflected two hours worked for the MPWA on April 10, 2015, three hours worked on April 23, 2015, and two hours worked on April 25 and April 26, 2015. These nine hours worked before Gray was officially approved for employment by the MPWA Board equaled $202.50 of unearned pay.
Finding

The payroll records supporting Derek Gray’s hours worked, comp time earned, and leave taken were inaccurate, and at times erroneous and incomplete.

Following are some examples of Derek Gray’s time reporting. Some findings would be considered immaterial if they were isolated incidents, but the number of inaccuracies noted indicates an overall inadequate accountability of Gray’s time.

- Gray’s timesheet for the period ending August 5, 2014, showed a balance of 46.5 hours of “earned remaining” comp time, but the timesheet for the following period reflects a beginning balance of 49 hours “of comp”, resulting in a 2.5-hour discrepancy.

- At the end of the November 12, 2014 pay period, Gray’s timesheet reflected he had 80.5 hours of comp time. The next pay period reflects a beginning balance of 81 hours. Gray received an extra half hour of comp time without supporting documentation. Also, there were two time sheets for the same pay period ending November 12, 2014, one indicating the use of 16 hours of comp time and one indicating the use of 18.5 hours of comp time.

- For the pay period of November 27, 2014 through December 10, 2014, Gray was credited with six hours of comp time that was not earned. The time worked was totaled on the timesheet as 45.5 hours when the actual daily hours recorded totaled 39.5 hours, a variance of six hours.

- For the two-week pay period of May 14, 2015 through May 27, 2015, Gray received credit for 18.5 hours of comp time. Comp time was used to earn additional comp time.23

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23 See full timesheet at Exhibit 14, Page 106.
During the same period, Gray used 24 hours of comp time that was not deducted from his balance. As a result, Gray’s comp time balance was overstated by 24 hours at the end of the period.

For the same pay period, ending May 27, 2015, Gray was paid for 15 hours of MPWA overtime. Because the timesheet did not reflect actual work hours it could not be determined how the overtime hours were determined.

- During the pay period ending June 10, 2015, Gray used 32 hours of comp time which was not deducted from his comp time balance.

- According to Gray’s time sheet for the week ending September 2, 2015, eight hours of comp time was used on September 1, 2015, that was not deducted from his accumulated comp time balance.
These examples are only some of the issues noted in the recording and documenting of Gray’s time, reflecting a lack of oversight, review, or supervision of his time and leave accountability.

**Finding**

Derek Gray was paid time and a half for all hours worked for the MPWA regardless of the total hours worked in a week.

Even when total hours worked did not exceed the weekly 40-hour threshold for accruing overtime, MPWA hours were paid at the overtime rate of time and a half. On April 10, 2015, two hours of work were recorded for the MPWA. Gray received overtime pay of $22.50, time and a half, for the two hours even though total time worked for that week did not exceed 40 hours.

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**Payroll Administration**

**Finding**

The Town allowed employee healthcare coverage to lapse due to lack of payment. Between January 1, 2014 and August 31, 2014 premiums of $720.18 were deducted from employee paychecks without coverage in place.

Between April 1, 2008 and January 1, 2014, Town and MPWA employees were covered by Blue Cross Blue Shield (BCBS) health insurance. The Town’s coverage was cancelled for delinquency, by BCBS, on March 10, 2014, with a paid-to-date of January 1, 2014.

Between January 1, 2014 and August 31, 2014, Mannsville withheld $720.18 in premiums from employee payroll without providing health coverage. A review of the Town and MPWA minutes did not indicate any discussion of the lapse of the insurance or Board approval or acknowledgement to discontinue health insurance for Town or MPWA employees.

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24 The “pw” shown on the timesheet stands for public works.
Of the $720.18 of withheld premiums, $464.40 was for Shonda Barnes, and $147.06 and $108.72 was for two former employees. Barnes was reimbursed $201.1225 of her withheld premium, we found no documentation to suggest that the remaining balances withheld had been reimbursed.

**Finding**

In 2015, the Town did not submit payroll taxes due to the proper governmental agencies.

As of the end of our audit fieldwork, the Town was behind on their payments to the Oklahoma Tax Commission, the Internal Revenue Service, and the Oklahoma Employment Securities Commission. Per Robert Clark, the Town’s CPA, the Town has been in contact with all three agencies and was working to correct the situation.

The Board should become informed and up-to-date on the status of all taxing agency accounts and insure that all taxes become current and continue to be paid in a timely manner.

**Finding**

Social Security Taxes were not withheld and/or paid in for the benefit of Town employees as required.

On April 8, 2013, the Board voted to request a referendum to provide full Social Security benefits to the Town’s employees.

According to a State Social Security Administrator:

The Town of Mannsville did hold a referendum of secret ballot on September 30, 2013 on the question of whether to extend coverage to all eligible employees who were members of the Oklahoma Municipal Retirement Fund. The vote passed by majority.

Per the Administrator, the effective date of the plan was July 1, 2013.

Social Security taxes were not being paid in by the Town for the benefit of employees. Robert Clark, the Town’s CPA, concurred that the Town was not participating in the Social Security program as required.

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25 See refund purchase order at Exhibit 15, Page 107.
Vehicle Use

Finding

The Town does not maintain written policies concerning the use of town vehicles.

It was alleged that Shonda Barnes had driven the Town’s vehicle home and keeping it overnight outside of town limits. It was also reported that a town truck was seen parked at a casino in Kingston, OK.

During interviews with Barnes, she stated that the Town did not have a vehicle use policy. Barnes also admitted driving the Town vehicle home, citing she sometimes worked on weekends and after hours. She also stated that she would pick up inmates in the morning from the Correctional Center in Madill and take the inmates back at the end of the day, stating that it was more cost effective to keep the vehicle with her when she stays in Madill overnight versus driving back to Mannsville.

Without documented vehicle logs it could not be determined how much the Town vehicle had been driven by Barnes and if those trips were after hours or not for a Town purpose.

Per Barnes, a town truck had been at the casino, and was driven by the former water operator. The employee was reprimanded in a letter dated January 29, 2014, written by Barnes. One sentence in the letter referred to a town policy and reflected “Policy states that personal use of the company vehicles are not authorized, unless approved by Mayor, Don Colbert.” However, according to Barnes the Town had no policy on vehicle use, the policy referred to in the letter did not exist.

According to Mayor Colbert, town vehicles should not be used for personal use. He stated an employee could be allowed to take a vehicle home if it was for a town purpose. But agreed there was no written policy governing vehicle use.

The Board should define written vehicle use policies, and require documentation of trips taken, trip purpose, and miles driven including a sign-in/sign-out log tracking all employee use of town vehicles.
Travel Reimbursements

Finding

Travel reimbursement claims did not include complete supporting documentation.

We identified 43 mileage checks paid to Shonda Barnes and seven mileage checks paid to Derek Gray between October 2011 and February 2015. Of these transactions, only 22 of Barnes’ 43 claims had supporting “Gas Mileage Reimbursement Request” forms and only five of Gray’s claims included a “Gas Mileage Reimbursement Request” form.

Only two of Gray’s reimbursement requests had documented supervisory approval, none of Barnes’ reimbursement requests had any indication that they had been reviewed or approved by a supervisor, or the Board. No purchase orders were provided for at least nine of Barnes’ 43 mileage reimbursement checks, which totaled more than $10,000.
Petition Objective: Review of possible destruction of records along with violations of the Oklahoma Open Meeting Act and the Oklahoma Open Records Act.

Summary of Findings:

- Minutes could not be provided for four board meetings and some of the minutes provided did not clearly summarize the proceedings of the meetings.

- Trustee votes were not always recorded as required by statute.

- Executive sessions were entered into for unauthorized purposes and documented incorrectly on meeting agendas.

- The Town entered into an unauthorized executive session documented in the Board minutes as a “recess”.

- Board of Trustee members violated the Open Meeting Act by conducting an undocumented board meeting.

- Two sets of conflicting minutes for the same board meeting were found at Town Hall.

- Open Records requests were not documented by the Town, precluding a determination as to whether all requests had been fulfilled properly and in a timely manner.

- The Town could not provide copies of Town Ordinances.

Open Meeting Act

Background: We reviewed the agendas and meeting minutes for July 2013 – June 2015, a total of 32 meetings, to determine if board of trustee meetings were held properly and in accordance with statute.

Finding: Minutes could not be provided for four board meetings and some of the minutes provided did not clearly summarize the proceedings of the meetings.
Minutes for the following meetings could not located:

- January 29, 2014
- July 14, 2014
- August 11, 2014
- January 12, 2015

Title 25 O.S. § 312(A) states:

The proceedings of a public body shall be kept by a person so designated by such public body in the form of written minutes which shall be an official summary of the proceedings showing clearly those members present and absent, all matters considered by the public body, and all actions taken by such public body. The minutes of each meeting shall be open to public inspection and shall reflect the manner and time of notice required by this act.

We also found two occasions where items on the agenda were not addressed in the minutes.

The July 17, 2014, meeting included an “Item 7” on the agenda, making Barnes and Gray authorized signers on documents; however, the action was not addressed in the minutes.

The June 8, 2015, meeting included two items, #10 and #15, on the agenda that were not addressed in the minutes. Additionally, one issue was discussed in the meeting and documented in the minutes but was not on the agenda.

Finding

Trustee votes were not always recorded as required by statute.

Under 25 O.S. § 305, “In all meetings of public bodies, the vote of each member must be publicly cast and recorded.”

Individual board member votes were not always reflected in the meeting minutes. Some examples:

- The January 16, 2014, meeting minutes noted the vote of two trustees but did not record the vote of the remaining trustee who was noted as in attendance.

- The July 17, 2014, meeting minutes only stated “the motion carried” without recording individual member votes.
In the November 10, 2014 meeting minutes, one vote was documented that a trustee abstained and “motion carried”. Individual votes were not recorded.

The April 30, 2015, minutes reflect the vote of one trustee as “no” and then stated “majority ruled and motion passed” without documenting individual votes.

As required by statute, the votes of each board member should be publicly cast and recorded in the corresponding minutes.

Finding  Executive sessions were entered into for unauthorized purposes and documented incorrectly on meeting agendas.

In the minutes that were available for review, we noted seven executive sessions had been held. We also located two additional meeting agendas which listed possible executive sessions took place, but minutes could not be found to confirm an executive session occurred.

In two of the seven executive sessions, the purpose shown in the minutes for entering the session was not authorized by statute. The purposes for these sessions included:

- Discussion of the Mannsville Volunteer Fire Department’s policy and procedures.
- Discussion and possible action regarding the reorganization and the restructure of the Fire Department.

Title 25 O.S. § 307(B) describes the authorized purposes for entering an executive session. The statute states in part:

A. No public body shall hold executive sessions unless otherwise specifically provided in this section.

B. Executive sessions of public bodies will be permitted only for the purpose of:

1. Discussing the employment, hiring, appointment, promotion, demotion, disciplining or resignation of any individual salaried public officer or employee;
2. Discussing negotiations concerning employees and representatives of employee groups;

3. Discussing the purchase or appraisal of real property;

4. Confidential communications between a public body and its attorney concerning a pending investigation, claim, or action if the public body, with the advice of its attorney, determines that disclosure will seriously impair the ability of the public body to process the claim or conduct a pending investigation, litigation, or proceeding in the public interest;

Discussions involving fire department policies, procedures, and reorganization would not fall within the authorized purposes shown above.

It was also noted that the nine agendas for which an executive session was proposed did not conform to state statute. In each instance, the statute listed on the agenda authorizing the executive session was stated as being 25 O.S. § 307(A)1. A sample is shown below.

<table>
<thead>
<tr>
<th>Title</th>
<th>25 O.S. § 311(B)(2)(c) states in part:</th>
</tr>
</thead>
<tbody>
<tr>
<td>2. If a public body proposes to conduct an executive session, the agenda shall:</td>
<td></td>
</tr>
<tr>
<td>a. contain sufficient information for the public to ascertain that an executive session will be proposed;</td>
<td></td>
</tr>
<tr>
<td>b. identify the items of business and purposes of the executive session; and</td>
<td></td>
</tr>
<tr>
<td>c. state specifically the provision of Section 307 of this title authorizing the executive session.</td>
<td></td>
</tr>
</tbody>
</table>

The correct statute to refer to in meeting agendas is 25 O.S. § 307(B) with the addition of the proper subsection.

Since the reason for entering an executive session will vary from time to time, the subsection of 25 O.S. § 307(B) will also change. The agenda should reflect the correct subsection of statute authorizing each specific executive session held.
Finding

The Town entered into an unauthorized executive session documented in the board minutes as a “recess”.

During the January 16, 2014, board meeting, Mayor Colbert called for a “recess” to interview candidates for the position of interim fire chief. The trustees then reconvened in the meeting to take action based on their interviews.

Based on the minutes, the Board left the public forum to conduct interviews and then reconvened in the public forum. Since a quorum of the Board was present during the interviews, the action would be considered an official action, or executive session, of the Board and as such should have been included on the meeting agenda notifying the public that an executive session was to be held and should have been documented in the minutes accordingly.

Title 25 O.S. § 307(E) states in part:

E. No public body may go into an executive session unless the following procedures are strictly complied with:

1. The proposed executive session is noted on the agenda as provided in Section 311 of this title;

2. The executive session is authorized by a majority vote of a quorum of the members present and the vote is a recorded vote;

Finding

Board of Trustee members violated the Open Meeting Act by conducting an undocumented board meeting.

According to Mayor Don Colbert, board members met and discussed a course of action for preparing a letter in protest of the SA&I audit engagement. Per Colbert, board members met in the office of Town Hall, with no agenda, no official meeting, and no recording of minutes.
As required in 25 O.S. § 303 of the Open Meeting Act;

All meetings of public bodies, as defined hereinafter, shall be held at specified times and places which are convenient to the public and shall be open to the public, except as hereinafter specifically provided. All meetings of such public bodies...shall be preceded by advance public notice specifying the time and place of each such meeting to be convened as well as the subject matter or matters to be considered at such meeting, as hereinafter provided.

**Finding**

Two sets of conflicting minutes for the same board meeting were found at Town Hall.

During our review of board minutes, we found two sets of minutes for the MPWA meeting on April 30, 2015. The first set of minutes (Minutes #1) was signed by the three trustees and four items were considered at the meeting. The second set of minutes (Minutes #2) was not signed by any of the trustees and nine items were considered at the meeting, four of which were the same items recorded in the first minutes.

Title 25 O.S. § 312(A) states:

A. The proceedings of a public body shall be kept by a person so designated by such public body in the form of written minutes which shall be an official summary of the proceedings showing clearly those members present and absent, all matters considered by the public body, and all actions taken by such public body. The minutes of each meeting shall be open to public inspection and shall reflect the manner and time of notice required by this act.

It could not be determined why there were two sets of minutes provided for the April 30th board meeting, or which set of minutes was the correct recording of the meeting.

**Open Records Act**

The purpose of the Oklahoma Open Records Act, is defined in 51 O.S. § 24A.2 which states:

The purpose of this act is to ensure and facilitate the public's right of access to and review of government records so they may efficiently and intelligently exercise their inherent political power.

**Finding**

Open records requests were not documented by the Town, precluding a determination as to whether all requests had been fulfilled properly and in a timely manner.
According to Shonda Barnes, when citizens requested copies of town records they were asked to put their request in writing. Barnes held that the requests were maintained by the Town, but was unable to provide any documented record requests.

Without documentation of what records requests had been made, and if or when such request had been fulfilled, it was impossible to determine if Town officials had properly complied with the Open Records Act.

It should be noted that a civil court case was filed on July 30, 2014, against the Town of Mannsville for failure to disclose and produce public records. According to the court documents, the plaintiffs made written requests for documents on March 26, 2014, April 19, 2014, May 12, 2014, and June 13, 2014, and the Town allegedly failed to produce the documents requested.

The exhibits presented with the lawsuit show strong evidence that open records requests were made but not fulfilled in their entirety by Town officials. According to a town trustee, the lawsuit was eventually dismissed.

The Town should comply with the Open Records Act, all requests should be documented, including what records were requested and the dates each request were filled.

**Finding**

**The Town could not provide copies of Town Ordinances.**

Town officials initially conveyed, through a note\(^{26}\) attached to a box of records, that there were no policies and procedures in place and that no current book of ordinances was maintained at Town Hall.

We did locate some policies and procedures at Town Hall; but obtained a copy of the Town’s ordinance book from the Johnston County Law Library, dated September 10, 2001.

In the Towns Adopting Ordinance Section 9 *Copy of Code in Clerk’s Office*, it states:

```
SECTION 9          COPY OF CODE IN CLERK’S OFFICE.

A copy of the current code as amended or supplemented from time to time shall be kept on file in the office of the town clerk. This copy of the code shall be available for all persons desiring to examine it; it shall be considered the official code of ordinances of the town, and may be so certified by the town clerk as may be required.
```

\(^{26}\) See note at Exhibit 2, Page 94.
Additionally, 11 O.S. § 14-108(B) states:

B. At least three copies of the code shall be kept in the office of the municipal clerk for public use, inspection and examination. The municipal clerk shall keep copies of the code for distribution or sale at a reasonable price.

In addition to not maintaining an ordinance book as required, it was noted that ordinances were not published in the newspaper as required by 11 O.S. § 14-106 which states:

No ordinance having any subject other than the appropriation of moneys shall be in force unless published or posted within fifteen (15) days after its 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.

Town officials should update their book of ordinances and maintain copies at Town Hall as required by state law. It is also recommended that the Town develop, document, and maintain updated policies and procedures to assist employees and officials in the consistent and proper operation of the Town.
Petition Objective Review of general and petty cash expenditures, including but not limited to proper authorization and board approvals.

Summary of Findings:

- Town Treasurer Shonda Barnes did not appear to maintain town records in regards to expenditures and petty cash as required by statute. On numerous occasions supporting documentation was missing, and at times no purchase orders were provided to support transactions.

- Numerous purchase orders were not complete, precluding the ability to determine when the document was created, encumbered, or approved. It was represented by Shonda Barnes that some purchase orders had been ‘recreated’.

- Purchase orders exceeding $500 were not approved by the Board prior to being issued or paid, as required by town policy.

- None of the 25 purchase orders reviewed during our general expenditure testing had been signed or approved by the Board.

- Between March 2012 and December 2015, the Town spent $14,493.07 at Bills’ Café and the Donut Hole on meal and food purchases in possible violation of law.

- Invoices appear to have been created for Bill’s Café, a private vendor, on the Town’s computer.

- The MPWA bank issued Visa debit card was used to purchase more than $350 in online, automatically renewing subscriptions. The purchases appeared to have no official purpose and were not approved by the Board.

- Debit card transactions were improperly recorded in the Town bookkeeping software and did not appear to be reported to the Board.

- A background check was performed on former Volunteer Fire Chief Blake Hartwell, a year after he was removed from his volunteer position, and for no apparent municipal purpose.
• The MPWA debit card was used to make $268.69 in questionable, undocumented purchases from online vendors EBAY and Bass Pro Shops.

• Shonda Barnes did not maintain adequate documentation to support credit card transactions as required by statute.

• Of the $42,621.35 in credit card expenditures reviewed, we noted more than $15,000 in questionable purchases. These expenditures lacked supporting documentation and did not include a documented municipal purpose.

• The Board established petty cash amount of $200, was exceeded more than 37 times in the replenishment of the petty cash fund.

• Twenty-one of the 25 petty cash reimbursements reviewed totaling more than $5,000 had inadequate or missing invoices, receipts, or lacked other proper supporting documentation as required by law.

• At least $3,549.24 in petty cash reimbursements were issued for questionable food purchases between March 2012 and August 2013.

• Two purchase orders, totaling $1,119.66, were paid as petty cash reimbursements using the same receipts as support.

• A tobacco purchase was submitted as part of a petty cash reimbursement.

Background

SA&I has classified the methods utilized by the Town and the MPWA in their purchase of goods and supplies in the following four categories:

1) General Expenditures – transactions paid for through check disbursements.

2) Debit Card and Electronic Transactions – transactions incurred through use of a bank debit card or a direct withdrawal from the bank checking account.

3) Credit Card Transactions – transactions incurred through the use of a vendor credit card. (i.e. Wal-Mart, Atwood’s, Lowes)
4) Petty Cash – transactions incurred through the direct payment of cash-on-hand. The petty cash fund, when depleted, should be reimbursed and replenished through a purchase order submitted with cash receipts.

The purchasing officer for the Town for both FYE June 30, 2014 and June 30, 2015, was Shonda Barnes. The encumbrance officer for FYE June 30, 2014, and continuing until October 2014, was Tina Bryant. The encumbrance officer from October 2014 through the end of FY 2015 was Amie Ebarb.

The overall administration of expenditures, along with findings and concerns for each separate category of disbursements, are addressed separately below.

**Overall Expenditure Administration**

**Finding**

Town Treasurer Shonda Barnes did not appear to maintain town records in regards to expenditures and petty cash as required by statute. On numerous occasions supporting documentation was missing, and at times no purchase orders were provided to support transactions.

Under 11 O.S. § 22-131 the Town would be required to maintain all purchasing records for at least five years. The statute states in part:

> A. A municipal governing body may destroy, sell for salvage or otherwise dispose of the following papers, documents and records … except as otherwise specified:

3. Five (5) years … warrants; claims; checks; vouchers; purchase orders; payrolls;

The *Records Management Act*\(^\text{27}\) also requires, “all records…shall not be mutilated, destroyed, transferred, removed, altered or otherwise damaged or disposed of, in whole or in part, except as provided by law”.

Purchasing documents were disorganized and at times SA&I staff was required to sort through boxes of records located in the kitchen storage closet. The boxes were incorrectly labeled and the contents did not always include a complete set of records as indicated.

A complete and inclusive set of board minutes, purchase orders, invoices, receipts, ordinances, policies or procedures were never available for

\(^{27}\) Title 67 O.S. § 209.
Finding Numerous purchase orders were not complete, precluding the ability to determine when the document was created, encumbered, or approved. It was represented by Shonda Barnes that some purchase orders had been ‘recreated’.

Treasurer Shonda Barnes stated that she had instructed office staff to recreate some missing or unlocated purchase orders. It could not be determined if the purchasing records available for review were original documents, or had been created.

Purchase order 1325F is an example of a purchase order that was not completed. The payment record was not signed and dated as approved by the governing board, as seen in the bottom right-hand corner of the document. The date and the approval of encumbrance was not completed in the top right corner of the document.

There were numerous purchase orders reviewed that were not complete, preventing the ability to determine the date the document had been created, encumbered, or approved.

Finding Purchase orders exceeding $500 were not approved by the Board prior to being issued or paid, as required by town policy.

Mannsville Ordinance Section 7-105 directed that every contract or purchase exceeding $500 shall require prior approval of the Town Board²⁸. Board minutes refer to Board approval of consent agenda items, including purchase orders for the month, and monthly financial statements.

²⁸ Ordinance 7-105 references 62 O.S. § 310.1 et seq.
However, the listings or statements presented to the Board were for the prior month’s purchases, resulting in purchases not being approved prior to the purchase as required by policy.

For example, in the February 9, 2015 MPWA board meeting, purchase orders for the prior month of January 2015, were submitted for Board approval.

Also, in some instances, the board minutes made available for review did not include copies of the reports, lists, and statements noted in the minutes. Without such documents attached to the minutes it could not be determined if the reports referred to had been presented to the Board for approval.

**General Expenditures**

**Finding** None of the 25 purchase orders reviewed during our general expenditure testing had been signed or approved by the Board.

As noted in this example, each purchase order contained an “APPROVED BY GOVERNING BOARD” section to document the approval of board review. Of the 25 general expenditure purchase orders tested, none had been signed and approved by the Board.
Finding  

Between March 2012 and December 2015, the Town spent $14,493.07 at Bills’ Café and the Donut Hole on meal and food purchases in possible violation of law.

In our initial review of 25 general fund and MPWA expenditures, we noted two purchases had been made to Bill’s Café and one purchase to the Donut Hole, documented as “inmate lunches”\(^{29}\). Check 8617 shown here, issued on August 5, 2014, is one example of the Bill’s Café expenditures. The only support for this transaction was the statement shown, summarizing “inmate lunches” of $778.04, no individual transaction receipts were available.

Purchase order 2041 and Check 8598 were both issued on July 21, 2014, for $476.81 to the Donut Hole. Both the purchase order and the check memo line reflected the transaction was for “inmate lunches”. The invoice to support this payment included more than two pages of meal charges like the clip shown here.

Although individual meal tickets were included in the documentation, none of the tickets reflected the amount of the purchase and only a few transactions were dated.

\(^{29}\) See discussion of Department of Correction inmate workers program at Page 82 and inmate meals at Page 71.
An additional example is Check 9335 issued on December 18, 2015, for $1,545.66 to Bill’s Café. Copies of three guest checks or invoices are shown, each signed or initialed by different employees of the Town. More than 55 guest checks were attached to purchase order 2840 documenting meals signed for by town employees.
The *Transaction List by Vendor Report* reflects that between March 2012 and December 2015 payments made to Bill’s Café and the Donut Hole were $8,063.74 and $6,429.33, respectively.\(^{30}\)

Documents, including canceled checks, purchase orders, and invoices, reflect that most of the expenditures to Bill’s Café and the Donut Hole were documented as “inmate lunches”. The feeding of inmates, which was a violation of the Town’s contract for inmate labor with the Oklahoma Department of Corrections, is discussed later in this report.\(^{31}\)

The excessive expenditure for meals also appears to be a possible violation of **19 O.S. § 641**, which prohibits any officer charged with the safekeeping of public funds from converting any public money or property to their own use or to the use of any other person.

**Finding**

Invoices appear to have been created for Bill’s Café, a private vendor, on the Town’s computer.

The invoices shown here were located on a town computer, and as shown in the clip appeared to have been authored by the “City of Mannsville”. They also appear to have been prepared for the benefit and use of Bill’s Café.

The invoice on the left also includes the names of the proprietors or employees of Bill’s Café. Velin Barnes and Kyla Barnes, are the ex-husband and daughter of Shonda Barnes, the Town Treasurer.

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\(^{30}\) Payments from general fund, MPWA, and petty cash.

\(^{31}\) See discussion of Department of Corrections contract at Page 82 and inmate meals at Page 71.
Use of a town computer to prepare invoices for a private vendor appears to be a violation of 19 O.S. § 641 which prohibits any officer charged with the safekeeping of public funds from converting any public money or property to their own use or to the use of any other person.

**Debit Card and Electronic Purchases**

**Background**

For the period of July 1, 2011 through December 31, 2015, the Town purchased $20,460.19 in goods and services using a Visa Debit card or through electronic withdrawals processed through the bank.

<table>
<thead>
<tr>
<th>Debit Card and Electronic Payments</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>MPWA Debit Card Transactions</td>
<td>$3,730.97</td>
</tr>
<tr>
<td>MPWA ACH Transactions</td>
<td>$6,992.28</td>
</tr>
<tr>
<td>General Fund ACH Transactions</td>
<td>$9,736.94</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$20,460.19</strong></td>
</tr>
</tbody>
</table>

All electronic purchases for the audit period were reviewed. Numerous purchases appeared to be for recurring town costs such as phone, cable, security, and fuel card expense; questionable purchases are discussed in the following findings.

**Finding**

The MPWA bank issued Visa debit card was used to purchase more than $350 in online, automatically renewing subscriptions. The purchases appeared to have no official purpose and were not approved by the Board.

A review of bank statements reflected the MPWA Visa debit card was used to purchase two search engine subscriptions online to PeopleSmart.com and Ultraforeclosures.com.

According to Shonda Barnes, the subscriptions were purchased on a “free trial” basis. Evidence shows the subscriptions were not canceled after the trial period, resulting in recurring automatic debits to the MPWA bank account.

On February 13, 2015, a subscription to PeopleSmart.com was purchased on a 7-day free trial basis. The website is used to locate people, their phone numbers, email accounts, addressees, and court records. Barnes stated the service was used to perform background checks on employees.
Bank records reflect PeopleSmart.com automatically debited $220.45 from the MPWA bank account between February and December of 2015. We contacted the vendor on June 6, 2016, who reported the subscription remained active at that time.

![Bank transaction image]

The MPWA minutes did not reflect the recurring subscription was preauthorized by the Board. There was also no evidence the Board approved the subsequent monthly billings.

A second online subscription was purchased on September 15, 2015, from ultraforeclosures.com.

![Bank transaction image]

This website provides a searchable listing of foreclosed properties. They advertised a 30-day trial subscription for $1.00; after the trial period, the monthly subscription fee of $49.80 per month was charged to the Town.

![Bank transaction image]

There was no evidence the Board approved the purchase or the recurring monthly fees of the ultraforeclosures.com subscription.

For the four months reviewed, September 2015 through December 2015, the MPWA bank account was automatically debited for the ultraforeclosures.com services totaling $152.64.

**Finding**

Debit card transactions were improperly recorded in the Town bookkeeping software and did not appear to be reported to the Board.

Debit card transactions for PeopleSmart.com appeared to be improperly labeled, missing from, and in some instances reported as account transfers instead of debits in the Transactions List by Vendor report. The online subscription was entered under two different vendor names and two of the debits were recorded as transfers.
The PeopleSmart.com subscription was active as of June 6, 2016; however, the Transactions List by Vendor reports reflected only four transactions, instead of the 16 months charged.

April 2015 was the last month PeopleSmart.com was reflected in the accounting software; but, as shown below, the MPWA bank account continued to reflect automatic debits to www.PeopleSmart.com of $19.95 per month.

In addition to the concerns with the reporting of the PeopleSmart.com purchase, the Transactions List by Vendor report did not include the subscription purchased from ultraforeclosures.com.

**Finding**

A background check was performed on former Volunteer Fire Chief Blake Hartwell, a year after he was removed from his volunteer position, and for no apparent municipal purpose.

Evidence shows on February 13, 2015, the PeopleSmart.com subscription was used to perform a background check on the former Mannsville Volunteer Fire Chief Blake Hartwell, a year after he was removed from his volunteer position.
The Board removed Hartwell from the volunteer position on January 13, 2014. Payroll records show Hartwell was not an employee of the Town or the MPWA.

The background request was conducted using the Town’s email and appeared to occur during normal business hours.

The MPWA’s Visa debit card was charged for the background check and there was no evidence the background search conducted on Hartwell was performed for a municipal purpose or approved by the Board.

As noted above, the PeopleSmart.com subscription was not canceled after the 7-day free trial period resulting in more than $220.45 being automatically withdrawn from the MPWA account. According to the vendor, the subscription remained active as of July 6, 2016.

Finding

The MPWA debit card was used to make $268.69 in questionable, undocumented purchases from online vendors EBAY and Bass Pro Shops.

Unusual debit card transactions were posted to the MPWA bank account in August of 2015. Two purchases were posted from EBAY and Bass Pro Shops totaling $268.69.

No supporting documentation for the purchases could be located at Town Hall. Upon review of the Town’s accounting software, QuickBooks, we found the transactions were not listed among the MPWA’s Transaction List by Vendor report, which reportedly included all payments made to vendors between July 1, 2011 and March 2, 2016.
No receipts or invoices could be located to document the purchases as required by 11 O.S. § 17-102. We found no evidence the expenditures were approved by the Board or made for a municipal purpose.

**Credit Card Purchases**

**Background**

The Town utilized at least three department store credit cards during the audit period of July 1, 2011 through December 31, 2015. Accounts at Atwood’s, Wal-Mart and Lowes were used to make approximately $42,621.35 in purchases between January 1, 2012, and December 31, 2015.

There were no receipts, invoices, or credit card statements available at Town Hall. SA&I obtained replacement invoices from Atwood’s, and credit card replacement statements from Wal-Mart and Lowe’s.

The replacement invoices from Atwood’s indicated Treasurer Shonda Barnes, Fire Chief Derek Gray and former water operator Barry Wood signed for 315 invoices in a 24-month period, with Barnes signing for 232 of those transactions.

The replacement statements obtained from Wal-Mart and Lowes did not indicate the person who signed for the purchases.

**Finding**

*Shonda Barnes did not maintain adequate documentation to support credit card transactions as required by statute.*

There were no receipts, invoices, or credit card statements available at Town Hall to support the $42,621.35 in expenditures incurred at Atwood’s, Wal-Mart and Lowes. We obtained duplicate invoices from Atwood’s, and replacement credit card statements from Wal-Mart and Lowes to review and evaluate more than 650 vendor transactions spanning a four-year period.

Not maintaining records on all monies paid was a violation of 11 O.S. § 12-110 which states in part:

> The town treasurer shall:

1. maintain accounts and books to show where and from what source all monies paid to him have been derived and to whom and when any monies have been paid;
Additionally, 11 O.S. § 17-102(A) requires:

A. 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.

Finding

Of the $42,621.35 in credit card expenditures reviewed, we noted more than $15,000 in questionable purchases. These expenditures lacked supporting documentation and did not include a documented municipal purpose.

The categorization of the $15,000 of expenditures was:

<table>
<thead>
<tr>
<th>Questionable Credit Card Purchases</th>
</tr>
</thead>
<tbody>
<tr>
<td>Category</td>
</tr>
<tr>
<td>Food and Snacks</td>
</tr>
<tr>
<td>Electronics, Gifts, and Miscellaneous</td>
</tr>
<tr>
<td>Garden Supplies and Flowers</td>
</tr>
<tr>
<td>Clothing</td>
</tr>
<tr>
<td><strong>Total</strong></td>
</tr>
</tbody>
</table>

**Food and Snacks - $10,804.50**

Although some community events were sponsored by the Town, there was no evidence to suggest the Town had any obligations that would require the purchase of a large quantity of food, drinks, or snacks on a consistent basis.

While it is reasonable for the Town to incur food related expenses for community activities, or during some general operations, purchases would require approval by the Board and should be documented with a municipal purpose.

**Example**

Grocery items including ground beef, deli meat, bread, eggs, milk, cereal, salad and yogurt were purchased using the Wal-Mart credit card.

A total of $10,409.92 in questionable food items were purchased at multiple Wal-Mart stores located in Madill, Ardmore and Oklahoma City, with some purchases made on the weekend.
On January 18, 2013, groceries totaling $112.30 were purchased from Wal-Mart. The purchase included ground beef, chili seasoning, Frito chips, Pringles and other miscellaneous items. None of the purchases were documented for a designated municipal purpose.

Another purchase made on July 2, 2013, included bread, eggs, apples and cottage cheese; again, the purchase had no documented municipal purpose.

On August 15, 2014, more grocery items totaling $256.03 were purchased at the Wal-Mart store in Madill. This purchase included several of the same items as noted above including ground beef, milk, sugar, Fruity Pebbles cereal, sausage, chips, condiments, etc. Wal-Mart credit card statements reflected that food purchases continued throughout December 2015.

During a four-year period, approximately $10,804.50 in questionable food and snack purchases were made at Wal-Mart and Atwood’s using the Town’s credit cards. The purchases were not documented as to a municipal purpose and we found no evidence that transactions had been submitted to the Board for review or approval.
Per Shonda Barnes, a large amount of the credit card food purchases was used in feeding the inmate workers utilized by the Town through the Oklahoma Department of Corrections Public Works Project\(^{32}\).

There was no documented evidence to support Barnes’ statement. Meals purchased and reimbursed through petty cash\(^{33}\), and meals purchased and paid to Bill’s Café and the Donut Hole, as previously discussed in this report, were also alleged to have been for inmate meals.

According to the ‘Guidelines and Rules for Supervisors of Public Works Programs’, inmates who work away from their correctional facility will be provided a sack lunch by their correctional facility for the meal they will miss.

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Offenders who work away from the facility will be provided a sack lunch for the meal they will miss at the facility in accordance with OP-070202 entitled “Food Preparation, Service and Delivery.”
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**Example**

Large amounts of snacks and soda were purchased using the Town’s Atwood’s credit card. Between February 2015 and September 2015, Atwood’s invoices reflected 35-12-packs of Shasta soda drinks were purchased.

<table>
<thead>
<tr>
<th>Item Description</th>
<th>Unit Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shasta Rootbeer 12 PK</td>
<td>2.99 /CS</td>
</tr>
<tr>
<td>XL-High SP Sheeters 10x11 1/2 CD</td>
<td>4.99 /EA</td>
</tr>
<tr>
<td>Shasta DR. Shasta 12PK</td>
<td>2.99 /CS</td>
</tr>
<tr>
<td>Shasta Rootbeer 12 PK</td>
<td>2.99 /CS</td>
</tr>
</tbody>
</table>

On July 9, 2015, a total of $58.38 in drinks and snacks were purchased at Atwood’s, the invoice included the purchase of Gatorade, soda, and candy.

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32 The Department of Corrections contract is discussed in Other Issues at Page 82 and inmate meals are discussed at Page 71.
33 See Petty Cash findings beginning on Page 75.
The Wal-Mart statements shown below also include examples of additional purchases made of snacks and drinks in February and January 2012.

Electronic and Miscellaneous Items - $2,287.09

Almost all of the $2,287.09 expended for electronics and miscellaneous items were purchased at Wal-Mart. With only replacement credit card statements available to document Wal-Mart purchases, we were unable to determine which employee purchased these items.
Electronics purchased included two cameras and a computer totaling $707; a Go Pro Hero 3 camera for $199, a Sony camera for $309 and a 11” HP Stream blue notebook computer for $199.

![HERO3 WHITE](image1)

![SONY HDR CX330/BM](image2)

![HP STREAM 11" BLUE](image3)

Additional electronic related equipment purchased included five flat screen television theater kits, an MP3 player, an iPhone 6 card, an iPhone 5 wall charger, an HTC car charger, a pink camo Otter box phone case, a Fuji camera and film, an Otter Box case for an iPad Mini, and several SD memory storage cards.

Miscellaneous purchases included personal hygiene products such as razors, shaving cream and body spray; as well as 194 photo prints, eight bow hangers, two candles, a blanket, a silver auto helmet, a $25 gift card, tissue paper, and gift bags.

![table](image4)

Individual transaction receipts could not be located at Town Hall for any of these purchases, and documentation was not provided as to the municipal purpose of the expenditures.

**Garden Supplies and Flowers- $1,268.65**

A total of $1,268.65 in garden supplies and flowers were purchased using town credit cards. The purchases were made over a four-year period and included the following items.
### Garden Supplies and Flowers

<table>
<thead>
<tr>
<th>Quantity</th>
<th>Product</th>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>110</td>
<td>Assorted flowers</td>
<td>$455.69</td>
</tr>
<tr>
<td>76</td>
<td>Red colored mulch</td>
<td>$241.67</td>
</tr>
<tr>
<td>76</td>
<td>Mums</td>
<td>$161.87</td>
</tr>
<tr>
<td>54</td>
<td>Dianthus</td>
<td>$136.46</td>
</tr>
<tr>
<td>60</td>
<td>Snapdragons</td>
<td>$84.60</td>
</tr>
<tr>
<td>11</td>
<td>Potting soil/fertilizer</td>
<td>$60.30</td>
</tr>
<tr>
<td>15</td>
<td>Sweet potato vines</td>
<td>$44.85</td>
</tr>
<tr>
<td>1</td>
<td>Pond liner</td>
<td>$37.05</td>
</tr>
<tr>
<td>10</td>
<td>Planter/clay pots</td>
<td>$34.22</td>
</tr>
<tr>
<td>4</td>
<td>Pumpkin/gourds</td>
<td>$11.94</td>
</tr>
</tbody>
</table>

**Total $1,268.65**

Supporting documentation for these purchases, including a documented municipal purpose, was not provided.

**Clothing - $679.71**

We noted $679.71 of questionable clothing purchases. There were 41 clothing purchases made between 2012 and 2015, all but six were made from Atwood’s.

Clothing purchases from Atwood’s included; jeans, gloves, socks, men’s boxers and briefs, thermal pants and shirts, men’s boots, plush hats, caps, t-shirts and clog slippers.

On April 30, 2015, Derek Gray signed for the charge of a pair of boots on the Atwood’s credit card for $109.99.

On February 11, 2014, Shonda Barnes signed for two pairs of boots totaling $189.00.
Again, no additional information was available to support this purchase and no municipal purpose was documented.

On April 30, 2015, the Board approved a $50 clothing allowance for Derek Gray. On May 12, 2015, Derek Gray received check 9005 for $100 noted as a clothing allowance for April and May 2015.

Although board minutes did not specify the clothing allowance as a monthly benefit, payroll records reflected Gray continued to receive the allowance through September 2015.

Itemized receipts to support credit card purchases were not maintained and did not appear to be submitted to the Board for approval. Purchases that were approved by the Board were done the month following the expenditure.

**Petty Cash**

**Background**

A total of $18,886.49 of petty cash reimbursement checks were issued during the audit period, July 1, 2011 through December 31, 2015. We reviewed a sample of 25 reimbursements totaling $5,725.88, or 30% of total petty cash reimbursements.
The establishment and operation of a municipal petty cash fund is defined in 11 O.S. § 17-102(D) which states in relevant part:

A municipality shall have the authority to establish petty cash accounts in amounts established by the governing body for use in making payments for costs incurred in operating the municipality. The petty cash accounts shall be reimbursed by utilizing properly itemized invoices or petty cash voucher slips...

As noted in this statute, the amount of the petty cash fund should be established by the governing body, and the costs incurred should be for the operation of the municipality.

Finding

The Board established petty cash amount of $200, was exceeded more than 37 times in the replenishment of the petty cash fund.

At the November 14, 2011 board meeting, a policy was implemented stipulating that petty cash on hand should not exceed $200.

Between November 29, 2011 and October 2, 2015, board policy was violated with the issuance of 37 petty cash reimbursement checks in excess of $200. The reimbursement checks were issued in varying amounts ranging from $202.40 to $1,245.20.

Finding

Twenty-one of the 25 petty cash reimbursements reviewed totaling more than $5,000 had inadequate or missing invoices, receipts, or lacked other proper supporting documentation as required by law.

According to statute, invoices are required to reimburse petty cash accounts, 11 O.S. § 102-2(D) states in part:

The petty cash accounts shall be reimbursed by utilizing properly itemized invoices or petty cash voucher slips and processing the reimbursement in accordance with the provisions of subsection A of this section. [Emphasis added]

Subsection A of 11 O.S. § 17-102 further requires that invoices be presented in writing, and processed in accordance with town ordinance or state law.
Twenty-one of the petty cash reimbursements reviewed, did not include complete invoices or receipts to support the entire transaction or the subsequent replenishment of the petty cash fund. Three examples are included below.

**Example 1**

Purchase Order No. 1499 was issued “To reimburse petty cash” on May 28, 2013, for $571.14.

A one page *City of Mannsville Petty Cash Log* ("Log") was the only documentation attached to the purchase order as support for the reimbursement. The *Log* reflected petty cash expenditures occurred between March 3, 2013 and May 18, 2013, and included purchases at Academy Sports, Pizza Hut, Braum’s, McDonalds, Bill’s Café, Wal-Mart and Kentucky Fried Chicken.

**No receipts or invoices** were attached to the *Log* or the purchase order, leaving insufficient documentation to determine what was purchased and for what purpose.

<table>
<thead>
<tr>
<th>CITY OF MANNSVILLE PETTY CASH LOG</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FOR 02/02/2012 THRU</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Date</th>
<th>Receipt No.</th>
<th>Description</th>
<th>Amount Deposited</th>
<th>Amount Withdrawn</th>
<th>Charged To</th>
<th>Received By</th>
<th>Approved By</th>
<th>Petty Cash</th>
</tr>
</thead>
<tbody>
<tr>
<td>3/18/2013</td>
<td>1</td>
<td>SUBWAY</td>
<td>$2.00</td>
<td>$597.11</td>
<td>SHONDA BARNES</td>
<td>SHONDA BARNES</td>
<td>SHONDA BARNES</td>
<td>SHONDA BARNES</td>
</tr>
<tr>
<td>3/10/2013</td>
<td>7</td>
<td>BRAUMS</td>
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<td>BILL’S CAFÉ</td>
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<td>SHONDA BARNES</td>
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</table>

**Example 2**

Purchase Order No. 500 was issued on January 5, 2012, in the amount of $166.48. The description listed on the purchase order indicated “see attached invoices”, but no invoices were attached to support the reimbursement.
Example 3

Purchased Order No. 980 issued on March 18, 2013, and Purchase Order No. 1932 issued on March 1, 2014, were for Petty Cash reimbursements of $384.82 and $192.72, respectively. There was no supporting documentation attached to either purchase.

Finding

At least $3,549.24 in petty cash reimbursements were issued for questionable food purchases between March 2012 and August 2013.

City of Mannsville Petty Cash Logs were provided as support for some petty cash expenditures. A few of the Logs were attached to the purchase orders submitted for reimbursement and some were in boxes of records in the storage room at Town Hall.

The Logs indicated more than 200 food purchases were made from restaurants including; El Tequila, Roma Italian Restaurant, Pizza Hut, Taco Bueno, Braum’s, McDonald’s, Subway, Sonic and Bill’s Café. For the Logs reviewed, there appeared to be at least $3,549.24 in questionable food purchases made between March 2012 and August 2013.
No Logs were located or could be provided after August 2013; however, a few meal receipts were included in petty cash reimbursements in 2015, indicating that the use of petty cash for meals continued through at least 2015.

For example, on March 3 and March 9, 2015, purchases were made at McDonald’s and Braum’s and reimbursed through petty cash.

Per Shonda Barnes, a large amount of the petty cash food purchases was used to feed the inmate workers utilized by the Town through the Oklahoma Department of Corrections Public Works Project34.

There was no evidence to support Barnes’ statement, inmate meals were also allegedly purchased through credit cards35, and amounts paid to Bill’s Café and the Donut Hole were also documented as “inmate lunches”.

It should also be noted that the ‘Guidelines and Rules for Supervisors of Public Works Programs’ reflects that inmates who work away from their correctional facility will be provided a sack lunch by their correctional facility for the meal they will miss.

**Finding**

Two purchase orders, totaling $1,119.66, were paid as petty cash reimbursements using the same receipts as support.

Purchase Order 1543 issued on June 26, 2013, for $608.91, and Purchase Order 1636 issued on August 21, 2013, for $510.75, were reimbursed using some of the same receipts as supporting documentation.

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34 The Department of Corrections contract is discussed in Other Issues at Page 82 and inmate meals are discussed at Page 71.
35 See credit card discussion at Page 68.
For example, the first two receipts shown below were used to support Purchase Order 1543, reimbursed on June 26, 2013. The following two receipts, the same receipts but showing totals in blue with a red check mark, were used to support the reimbursement of Purchase Order 1636 on August 21, 2013. These exact same receipts, including others, were used to support both reimbursements.

**Purchase Order 1543**

![Receipt Image](Image)

**Purchase Order 1636**

![Receipt Image](Image)
The use of duplicate receipts created fraudulent support for petty cash reimbursements resulting in an unauthorized reimbursement of the fund. As required in 11 O.S. § 17-202(A), the Town has not established controls to guard against unauthorized payment of invoices.

A. 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.

**Finding**

A tobacco purchase was submitted as part of a petty cash reimbursement.

One of the receipts submitted twice for reimbursement was a receipt for $10.84 for tobacco. The receipt showed Skoal long winter smokeless tobacco and Camel Blue cigarettes were purchased.

Title 11 O.S. § 17-102(D) requires:

A municipality shall have the authority to establish petty cash accounts in amounts established by the governing body for use in making payments for costs incurred in operating the municipality. [Emphasis added]

The purchase of tobacco products does not appear to be costs incurred in the operation of the municipality.

**Petty Cash Summary**

The overall use, management, and reimbursement process of the petty cash fund was in violation of 11 O.S. § 17-102. The petty cash fund:

- Was not maintained at the level established by the Board,
- Was not reimbursed utilizing properly itemized and written invoices; and
- Internal controls did not exist to guard against unauthorized or illegal payment of invoices.
Objective

The issues addressed under this ‘Objective’ were identified in the process of completing other audit procedures. These issues appeared significant enough to include in this report.

Summary of Findings:

- At least $947 of public funds were utilized by the Town to establish an unauthorized petty cash fund used as an inmate commissary fund.

- Scrap metal obtained from MPWA property was sold with no evidence to support that the $2,466.88 in proceeds was deposited into the MPWA or Town bank accounts.

- The Mannsville Volunteer Fire Department maintains a bank account outside of the authority of the Town. All the financial activity of the Department was not reported to, or approved by, the Board.

- The Town had not received an annual independent audit for five years, which resulted in the loss of $7,989.83 in gas tax revenue.

- Shonda Barnes signed for a $254.54 cash withdrawal from the MPWA bank account. No supporting documentation could be provided for the transaction.

- A ‘management representation letter’ presented to Shonda Barnes for signature from town officials was not returned to SA&I.

Background

The Town participated in the Oklahoma Department of Corrections Public Works Project (“the Project”) beginning January 2012 through June 2016.

The Project was created through the Prisoners Public Work Act (“the Act”) as defined in 57 O.S. § 216, and was a program operated through the Oklahoma Department of Corrections (“the DOC”).

According to 57 O.S. § 218 of the Act, DOC may contract with any requesting public agency to provide labor for public works projects. DOC shall adopt rules for the program and may require the requesting agency pay a fee for the services.
The Town contracted inmate labor in conjunction with the Act through the Madill Community Work Center where the inmate workers utilized by the Town were housed. The Town paid DOC a monthly fee of $99 for the contracted inmate labor.

Contracts between the two agencies reflected that inmate labor would be used to clean Town Hall and work with the maintenance department, including work on streets, parks, water, sewer, cemetery and other custodial work.

The contract specifically stated that prisoners would be used for public purposes only.

**Finding**

At least $947 of public funds were utilized by the Town to establish an unauthorized petty cash fund used as an inmate commissary fund.

Per a memo dated July 19, 2012, a petty cash fund was established with the proceeds of scrap metal sales. The memo reflects that Shonda Barnes, per a discussion with then Mayor Broughton, created a petty cash fund to be utilized as an inmate commissary.

We found no evidence that the inmate commissary fund was recorded on the Town’s financial statements. According to a former employee, the fund consisted of an envelope of cash stored in an unlocked drawer at Town Hall.

A memo dated October 5, 2012, from Shonda Barnes to Tina Bryant instructed Bryant to allocate $847.25 of a $3,389.03 check received by the Town for a pipeline repair, to the inmate commissary fund. On October 15, 2012, the $847.25 was added to the inmate commissary fund through check 780.
Town funds diverted for the use and establishment of an inmate commissary account, and not used in the operations of the municipality appears to be a violation of 11 O.S. § 17-102(D) which states:

A municipality shall have the authority to establish petty cash accounts in amounts established by the governing body for use in making payments for costs incurred in operating the municipality. The petty cash accounts shall be reimbursed by utilizing properly itemized invoices or petty cash voucher slips and processing the reimbursement in accordance with the provisions of subsection A of this section.

Additionally, DOC “Guidelines and Rules for Supervisors of Public Works Programs” prohibits offenders from receiving anything of value and prohibits Project supervisors from giving anything of value to inmate workers. DOC policy states:

Offenders may not solicit or receive gifts or anything of value, nor may they attempt to borrow money even at the insistence of you or fellow workers. Minimum security offenders may not have money in their possession at anytime. Community custody offenders may have no more than $5.00 in their possession. Nor may you, their supervisor, solicit, receive, borrow, or give any thing of the above listed items for or to your assigned offenders.

Project participants are required to acknowledge and agree to DOC policy prior to supervising inmates. As shown below, Shonda Barnes signed documents for the DOC Project acknowledging she understood the guidelines of the inmate Work Release Program.
Sale of Scrap Metal

Finding

Scrap metal obtained from MPWA property was sold, with no evidence to suggest that the $2,466.88 in proceeds was deposited into the MPWA or Town bank accounts.

Between June 14, 2012 and July 30, 2015, $2,466.88 was sold to a scrap metal vendor located in Ardmore. Records reflect Treasurer Shonda Barnes and former inmate worker Barry Wood used a vehicle registered to the “City of Mannsville” to transport and sell scrap metal.

The vendor’s register receipts indicated that the Town’s vehicle with commercial license plate CI16031 was used in the transactions. Vehicle registration records reflected the Ford F-150, bearing commercial license plate CI16031, was registered to the “City of Mannsville”. According to vendor records, Barnes and Wood were the only two town employees listed on the Scale Receiver Register reports who used the town vehicle to sell metal.

Per Barnes, she directed inmate workers to clean up a make-shift dump site located on public property owned by the MPWA. It appeared that some of the metal obtained from the site was sold by Barnes and Wood.
Scale Receiver Register reports provided by the vendor indicated various types of materials were sold including loose tin, copper, yellow brass, batteries, radiators, and water meters.

Vendor reports reflect that metal was sold on 17 different dates, and that cash was paid for all but two of the transactions. On April 30, 2012 and July 31, 2012, checks for $266.71 and $201.22, respectively, were issued to Shonda Barnes for scrap metal sales.

Both checks were endorsed by Barnes and issued using her home address. No evidence was found indicating that the checks were deposited into a Town or MPWA bank account. Accountability for the cash could not be determined.
Vendor reports also reflected that Barry Wood possibly sold scrap metal while in DOC custody. The address used on Wood’s ID Card Register report was the address of the Madill Community Work Center, the facility that housed Wood while working in the DOC Public Works Project. Wood would have been under the authority of town officials during most, if not all, of these transactions.

There was no evidence the funds received from the sale of scrap metal were used for a municipal purpose or deposited in the Town or MPWA bank accounts.

**Mannsville Volunteer Fire Department**

The Town of Mannsville maintains a Volunteer Fire Department (the “Department”). The authorization to establish a municipal volunteer fire department was with the municipal governing body as reflected in 11 O.S. § 29-201 which states in part:

The municipal governing body may procure all necessary equipment for protection and prevention against fire and provide
for the organization of a municipal fire department. The governing body may enact such ordinances, resolutions and regulations as may be necessary to establish and operate a fire department…

"Municipal governing body" is defined at 11 O.S. § 1-102 as the Board of Trustees of a town, and a “Volunteer fire department” is defined in 11 O.S. § 29-202 as a fire department which has in its employ not more than two full-time salaried firefighters.

Finding

The Mannsville Volunteer Fire Department maintains a bank account outside of the authority of the Town. All the financial activity of the Department was not reported to, or approved by, the Board.

As defined in 11 O.S. § 29-201, the municipal governing body, or the Town board of trustees, was charged with the operation of the volunteer fire department.

Although most of the costs of the Department are paid by the Town, all the financial activity of the Department was not administered through the Town board. The Department maintained a bank account independent of the oversight of town officials.

According to Fire Chief Derek Gray, the bank account maintained outside of the Town was a “fundraising” account. However, checks were deposited into the account from the Town and the Oklahoma Department of Agriculture, which appeared to be non-fundraising sources.
It was also noted that the check from the Oklahoma Department of Agriculture was dated October 12, 2010, but was not deposited until March 25, 2011, more than five months later.

There were also two cash withdrawals from the Department’s checking account that were not properly supported. The $2,000 withdrawn on May 16, 2014, was represented by Gray to be for the purchase of air conditioning equipment for the new Fire Station.
An invoice was obtained from the vendor that indicated a cash sale of $1,792.88 for air conditioning equipment was made May 16, 2014. However, the remaining funds of $207.12 did not appear to be redeposited to the bank account and no additional supporting documentation was provided.

There was no supporting documentation provided for the $2,300 cash withdrawn on March 18, 2014. Derek Gray reported that at times the Fire Department withdrew cash to use in fundraising events and activities. However, no evidence was provided that the $2,300 was used in a fundraising event or that any excess funds had been returned to the bank account.

**Annual Independent Audits**

**Finding**

The Town had not received an annual independent audit for five years, which resulted in the loss of $7,989.83 in gas tax revenue.

State law requires that the Town, as well as the Authority, have an annual financial statement audit or an agreed-upon procedures engagement performed by an independent certified public accountant.

**Title 11 O.S. 17-105(A) and 60 O.S. 180 (B)(6)** provides that the annual audits be ordered within thirty days of the close of each fiscal year and copies of the annual audits be filed with the State Auditor and Inspector within six months after the close of the fiscal year.

The last independent audit filed for the Town of Mannsville and the MPWA, was an Agreed-Upon Procedures engagement for the fiscal year ending June 30, 2011, released January 14, 2013.

The independent CPA firm of Rahhal Henderson Johnson PLLC, the firm who filed the FY2011 report, resigned from the Agreed-Upon Procedures

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**Notes:**

36 11 O.S. § 17-105(B)
37 60 O.S. § 180.1(A)
engagement with the Town in a letter dated March 2, 2015. Per an official of the firm, they had been unable to get sufficient records to perform the engagement.

Additionally, under 11 O.S. 17-107:

If a municipality does not file a copy of its audit or agreed-upon-procedures report as provided in Section 17-105 of this title, the State Auditor and Inspector shall notify the Oklahoma Tax Commission which shall withhold from the municipality its monthly allocations of gasoline taxes until the audit report is filed. If a report is not filed within two (2) years after the close of the fiscal year, the funds being withheld shall be remitted by the Oklahoma Tax Commission to the county in which the incorporated city or town is located and deposited to the county highway fund of that county to be used as otherwise provided by law.

The failure to obtain a yearly financial audit has resulted in the Town’s loss of $7,989.83 in gas tax revenue.

Undocumented Cash Withdrawal

Finding

Shonda Barnes signed for a $254.54 cash withdrawal from the MPWA bank account. No supporting documentation could be provided for the transaction.

A checking transaction ticket obtained from Landmark Bank reflects Shonda Barnes signed for a $254.54 cash withdrawal from the MPWA bank account on September 3, 2013.

Per Barnes, she could not recall the purpose for the withdrawal or account for the disposition of the cash. No supporting documentation was provided for the transaction.
Management Representation Letter

Finding

A ‘management representation letter’ presented to Shonda Barnes for signature from Town officials was not returned to SA&I.

Auditor’s often obtain a management representation letter from the management of an entity during a financial statement audit. A management representation letter is presented from the entity being audited to the auditor, to provide, at a minimum, additional evidence of management’s acknowledgement of their responsibility, that all records and data has been made available, and that no known fraud that has occurred has not been reported.

Even though this engagement was not a financial statement audit; because of the lack of cooperation from Town officials and the lack of documentation available for review, a decision was made to request management to sign a representation letter.

On July 29, 2016, Barnes was presented a “management representation letter” requesting that signatures be obtained from all elected officials attesting to their responsibility for the oversight and management of the Town. The letter was never returned.

38 See management representation letter draft presented at Exhibit 1, Page 93.
July 29, 2016

Gary A. Jones, CPA, CFE
Oklahoma State Auditor and Inspector
State Capitol, Room 100
Oklahoma City, Oklahoma 73105

Attention: Brenda Holt

Dear Mr. Jones:

This representation letter is provided in connection with your investigation of the Town of Mannsville for the period of July 1, 2011 through December 31, 2015.

Representations are made, in that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, as of December 31, 2015, the following representations made to you during your investigation.

1. We acknowledge our responsibility for the oversight and management of the Town of Mannsville.

2. We have provided you with access to all information, of which we are aware, that is relevant to the engagement, such as records, documentation, and other matters.

3. Any fraud or suspected fraud we have knowledge of has been communicated to you.

4. We understand we are responsible for compliance with laws, regulations, policies, procedures, ordinances and provisions of contracts and grant agreements governing the Town of Mannsville.

5. Any knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, policies procedures, ordinances and provisions of contracts, or grant agreements has been communicated to you.

6. We have disclosed to you all bank accounts used for the operation or functions of the Town that are under the control of any official or employee of the Town.

Signed: ___________________________  Signed: ___________________________
Title: ___________________________  Title: ___________________________

OKLAHOMA STATE AUDITOR AND INSPECTOR – SPECIAL INVESTIGATIVE UNIT
EXHIBIT 2

To whom it may concern:

Here is the information that you requested.

We do not have a policy and procedure book that we are aware of.

The ordinances will be that of OML, other than those changed, the changes are in the minutes of those requested.
EXHIBIT 3

05/14/2015 12:46 CITY OF MANNSVILLE

TOWN OF MANNSVILLE
PO BOX 266
MANNSVILLE, OK 74647
(580) 773-3884

MAY 13, 2015

BRENDA HOLT,
STATE AUDITOR AND INSPECTOR'S OFFICE
STATE CAPITOL
SUITE 511
OKLAHOMA CITY, OKLAHOMA 73102

DEAR MS. HOLT:

PLEASE BE ADVISED THAT SOME OF THE FILES THAT WERE THOUGHT TO BE MISSING HAVE BEEN FOUND. I DO NOT HAVE ANY EXPLANATION FOR THIS MIRACULOUS DISCOVERY. THE EMPLOYEE, KARLY LOWRY, IN CHARGE OF FINDING THESE RECORDS AND ALSO REPORTING THEM MISSING HAS DECIDED THAT THE RECORDS WERE ALWAYS IN THE OFFICE. SHE HAS NO LOGICAL EXPLANATION AS TO WHY SHE DID NOT INCLUDE THEM IN YOUR FIRST AUDIT REQUEST OR IN A PRIOR REQUEST FROM A PENDING LAWSUIT AGAINST THE CITY.

I CAN ONLY ASSUME SHE CAN NOT READ OR SHE IS BLIND SINCE THE FILES WERE IN THE FILE CABINETS SHE ACCESSES ON A WEEKLY BASIS. HOWEVER I AME EARR AND I ALSO RETRIEVE FILES AND FILE RECORDS IN THESE CABINETS REGULARLY. YET, WE HAVE NOT SEEN THESE RECORDS BEFORE LAST WEEK. SOME OF THE FILES, I HAVE NEVER SEEN SINCE MY EMPLOYMENT BEGAN IN 2011 AND CAN HONESTLY SAY THAT THEY WERE HIDDEN DELIBERATELY ON SEVERAL OCCASIONS BY ME AND OTHERS (BECKY BROUGHTON & BECKY HARRIS) AND THIS CAN BE CONFIRMED.

I CAN ONLY ASSUME THAT THESE FILES WERE INTENTIONALLY BROUGHT INTO THE OFFICE AND HAVE BEEN RETURNED TO THE OFFICE TO IMPAIR THE INVESTIGATION OR TO AID IN THE DEMISE OF THE CURRENT CITY ADMINISTRATION. IN SAYING THIS, I BELIEVE IT IS CRUCIAL THAT YOUR AUDIT INVESTIGATORS AND OR THE DISTRICT ATTORNEY BECOME INVOLVED TO ASSIST WITH THIS MATTER. IT SEEMS TO ME THAT THOSE RESPONSIBLE FOR REMOVING THE FILES HAVE SHOWN NO REMORSE FOR THEIR ACTIONS AND SHOULD BE PROSECUTED FOR THE CRIMES THEY HAVE COMMITTED.

I DO HAVE SOME EVIDENCE TO ASSIST WITH YOUR INVESTIGATION AND MANY WITNESSES THAT HAVE SIGNED STATEMENTS REGARDING THESE FILES. THE TOWN OF MANNSVILLE AND THE CURRENT ADMINISTRATION ARE DETERMINED TO SEE THAT JUSTICE IS DONE AND THAT ANYONE RESPONSIBLE FOR THIS IS ACCOUNTABLE FOR THEIR ACTIONS.

05/14/2015 15:46 CITY OF MANNSVILLE

IF YOU HAVE ANY QUESTIONS, PLEASE CONTACT ME AT THE OFFICE OR ON MY CELL PHONE AT (580) 773-3884. THANK YOU FOR YOUR ASSISTANCE.

REGARDS,

[Signature]

MAYOR DON GODFREY

MR. CRAIG LAID, DISTRICT ATTORNEY
MR. JASON MAY, ATTORNEY AT LAW

OKLAHOMA STATE AUDITOR AND INSPECTOR – SPECIAL INVESTIGATIVE UNIT
April 24, 2015

The Honorable Don Colbert
Mayor, Town of Mannsville
P.O. Box 206
Mannsville, OK 73447

Re: Pending Special Audit – DA Request - Town of Mannsville

Dear Mayor Colbert:

The Special Audit of the Town of Mannsville requested by District Attorney Craig Ladd has been in pending status for a number of weeks. We’re writing at this time to assure you our office will return to complete the audit process. The demands on the time of our investigative auditors require us to work on other audits in order to maximize both our effectiveness and efficiencies in addressing multiple audits of public entities.

Cooperation by town officials is a critical component in our ability to both complete an audit in a timely manner and to limit audits costs for the entity that is subject to the audit. The Town of Mannsville is statutorily responsible for paying the costs associated with a Special Audit and our intent, always, is to limit this financial burden on the community and its residents.

It became apparent that obtaining all of the documents which were requested and necessary to conduct the Special Audit would not be forthcoming. Efforts by town officials to hinder the engagement were only serving to increase the costs of the audit. Subpoenas were issued in an effort to hasten the effort of town officials to produce all requested documents. It is our understanding that some documents have been gathered and we remain hopeful they will provide sufficient information to move forward with the audit process.

The Office of the State Auditor will provide the district attorney, town officials, and residents a comprehensive, objective, and independent audit report. The final report may include findings along with recommendations intended to assist you in correcting any issues we may find. This Special Audit was requested by a district attorney who will review its content as the appropriate (legal) authority prior to authorizing its release to town officials and the general public.

We will notify you when the audit process will begin again. Meanwhile, if you have any questions, please don't hesitate to call me at 405-521-3376.

Sincerely,

Brenda Holt, CPA
Special Audit Manager

Cc: Craig Ladd, District Attorney
EXHIBIT 5

CITIZEN PETITION REQUEST FOR SPECIAL AUDIT BY THE STATE AUDITOR & INSPECTOR

We, the undersigned electors of the Town of Mannsville, Johnston County, do hereby petition and request you to examine the books of said Town pursuant to 74 O.S. § 212(L), for the period July 1, 2011 through December 31, 2015. Specifically, the investigation will include, at a minimum:

1. Review possible misappropriation of funds in utility collections/payments.
2. Review possible misuse of grant funds in the awarding and construction of the Town’s Fire Station.
3. Review of possible discrepancies in hiring practices, including nepotism, payroll, use of town vehicles and travel reimbursements.
4. Review of possible destruction of records along with violations of the Oklahoma Open Meeting Act and the Oklahoma Open Records Act.
5. Review of general and petty cash expenditures, including but not limited to proper authorization and board approvals.

Some of the concerns identified above may be reviewed for a time period shorter or longer than stated above due to the nature of the concern and the time frame in which it is alleged to have occurred. The Office of the State Auditor is not precluded from examining other records or issues of which we become aware that may be outside the scope of the audit stated on this petition.

The estimated cost of said investigation will range from $35,000 to $50,000, which shall be paid by the Town of Mannsville, Johnston, County, Oklahoma, in accordance with 74 O.S. § 212(L)(7). The estimated cost is based on estimated audit hours and travel expenses.

We further understand that the circulators of the petition have thirty (30) days from the date this petition was enunciated by the State Auditor and Inspector to obtain the requisite number of signatures and return it to the State Auditor and Inspector.

74 O.S. § 212(L)(8) The names of the signers of any petition shall be confidential and neither the State Auditor and Inspector, the county election board nor the county treasurer may release them to any other person or entity except upon an order from a court of competent jurisdiction.

AFFIDAVIT

We, the undersigned being of lawful age, upon oath or affirmation and subject to the criminal penalty for perjury, as prescribed by 21 O.S. § 500, to the best of his/her knowledge and belief declare that he/she is a resident of the Town of Mannsville, an elector in Johnston County, and that he/she resides at the address designated on this petition.

NAME (PRINT)   ADDRESS (PRINT)   SIGNATURE   DATE

DUE BACK February 23, 2016, BY 5:00 PM
January 12, 2016

Ms. Brenda Holt
Office of the Oklahoma State Auditor
2300 N. Lincoln Blvd
State Capitol Room 100
Oklahoma City, OK 73105

RE: Audit of Town of Mannsville

Dear Ms. Holt:

As we discussed by phone last week, please disregard my previous requests (by letters dated March 19, 2014 and November 18, 2014) for an audit. In the past year, the concerns which caused me to request an audit have been somewhat alleviated. Furthermore, Robert Clark, a C.P.A. from Sulphur, has confirmed that he currently serves as an accountant for Mannsville and that Casey Russell, a C.P.A. from Oklahoma City, is currently conducting an audit of Mannsville. Consequently, proceeding with an additional audit from the State Auditor’s Office at this time seems unnecessary. Please contact me should you have any questions.

Sincerely,

Craig Ladd
District Attorney
District 20
February 11, 2015

Town of Mannsville
PO Box 206
Mannsville, OK  73447

ATTN: Mayor Don Colbert and the Mannsville Town Board of Trustees:

The purpose of this letter is to notify you of the continuing lack of cooperation by the Town of Mannsville in our efforts to conduct an investigative audit pursuant to 74 O.S. § 212(H) as requested by the District Attorney of Johnston County, Oklahoma.

This lack of cooperation has compelled the State Auditor to take extraordinary efforts to obtain records necessary to complete the investigation. These efforts come at the cost of additional time and effort, and will result in additional costs that will be the responsibility of the Town of Mannsville.

As the Mayor and Board of Trustees of the Town of Mannsville, we felt it necessary to ensure that you are fully informed of both the lack of cooperation we have received, as well as the continued accumulating costs associated with this lack of cooperation.

Respectfully,

Brenda Holt, CPA
Audit Manager
Special Investigative Unit
TOWN OF MANNSVILLE
PO BOX 206
MANNSVILLE, OK 73447

Phone: (580) 371-3334
Fax: (580) 371-0231

NOVEMBER 14, 2014

MR. GARY JONES, CPA, CFE
OKLAHOMA STATE AUDITOR AND INSPECTOR
2300 N. LINCOLN BLVD
STATE CAPITOL ROOM 100
OKLAHOMA CITY, OKLAHOMA 73105

DEAR MR. JONES:

REGARDING YOUR LETTER DATED NOVEMBER 3, 2014, I AM HEREBY NOTIFYING YOU AS THE MAYOR OF MANNSVILLE AND ON BEHALF OF THE BOARD OF TRUSTEES, WE DO NOT AGREE THAT THE TOWN OF MANNSVILLE IS RESPONSIBLE FOR THE COST OF THE AUDIT THAT IS PRESENTLY UNDER WAY FOR THE FOLLOWING REASONS:

a. THE DISTRICT ATTORNEY DID NOT REQUEST THE AUDIT
b. NOR WERE THERE SUFFICIENT AMOUNT OF SIGNATURES BY PETITION TO JUSTIFY ANY AUDIT.

THE MANNSVILLE BOARD OF TRUSTEES DID CONTACT THE DISTRICT ATTORNEY IN FEBRUARY 2014 TO REPORT MISSING RECORDS AND POSSIBLE EMPLOYEE EMBEZZLEMENT. THE DISTRICT ATTORNEY DID CONTACT YOUR OFFICE IN MARCH 2014 REQUESTING YOUR HELP AND TO INFORM YOU THAT THE TOWN OF MANNSVILLE COULD NOT AND WOULD NOT PAY FOR AN AUDIT. AT THAT TIME, YOUR OFFICE REFUSED AN AUDIT ON THAT BASIS AND THE DISTRICT ATTORNEY AND THE TOWN OF MANNSVILLE AGREED THAT THEY WOULD NOT PURSUE THIS ISSUE. THE DISTRICT ATTORNEY MADE NO FURTHER REQUESTS FOR YOUR OFFICE TO AUDIT THE TOWN OF MANNSVILLE. THEREFORE, THIS AUDIT DOES NOT MEET THE REQUIREMENTS PURSUANT TO STATE LAW 74 O.S. 212 (H).

REGARDS,

GERALD D. COLBERT, MAYOR
MANNSVILLE BOARD OF TRUSTEES

cc: CRAIG LADD, DISTRICT ATTORNEY
RICHARD MILLER, ASSISTANT DISTRICT ATTORNEY
November 18, 2014

Mr. Gary Jones
Oklahoma State Auditor
2300 N. Lincoln Blvd
State Capitol Room 100
Oklahoma City, OK 73105

RE: Audit for Town of Mannsville

Dear Mr. Jones:

In February of 2014, I was contacted by representatives for the Town of Mannsville and informed that a former town employee had removed records pertaining to almost two years of town business. This action caused concerns that money had been misappropriated. Due to these concerns, representatives for the Town of Mannsville asked me to request an audit of the Town of Mannsville’s records. In addition, I am aware that great dissension has existed over the past several years among many of Mannsville’s citizens, including some citizens associated with the local government, which has resulted in an O.S.B.I investigation. This fact, coupled with the information I received in February of this year, caused me to request an audit by your office of the Town of Mannsville. I was subsequently informed that Mannsville officials wished to rescind their request for an audit due to the cost of the audit. Since that time, the animosity among the Mannsville citizenry has become worse. Because of this continued dissension and primarily because of the unanswered questions about possible misappropriation of public funds, I am renewing my request pursuant to 74 O.S. 212 (H) that an audit be conducted to determine whether such misappropriations have occurred. Should you have any further questions, please feel free to contact me.

Sincerely,

Craig Ladd,
District Attorney

cc: Gerald Colbert
November 3, 2014

Town of Mannsville
P. O. Box 206
Mannsville, OK 73447

To the Mayor and Town Board:

Our office has been requested by the Carter County District Attorney to conduct an investigation into matters pertaining to the Town of Mannsville. In accordance with this request, as defined in the accompanying letter, the State Auditor and Inspector’s Office will conduct an investigation.

We will seek your assistance in obtaining the basic information required for us to complete the investigation, and anticipate cooperation from the Town of Mannsville personnel in this effort.

The Town will be responsible for the cost of this investigation pursuant to 74 O.S.212 (H) which states:

Whenever called upon to do so by any of the several district attorneys of the state, it shall be the duty of the State Auditor and Inspector to examine the books and accounts of any officer of any public entity. The cost of the audit shall be borne by the entity audited.

Our invoices for these services will be rendered monthly as work progresses and are payable upon receipt. We will endeavor to minimize cost and work to complete this investigation in a timely manner.

Should you have any questions please do not hesitate to contact our office.

Sincerely,

[Signature]

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

This letter correctly sets forth the understanding of the Town of Mannsville.

[Signature]

Signing for the Town of Mannsville  Position  Date
EXHIBIT 11

From: Brenda Holt [mailto:bholt@sal.ok.gov]
Sent: Monday, September 08, 2014 4:01 PM
To: Ladd, Craig
Subject: RE: Town of Mannsville

Thank you for your timely response. The Town of Mannsville will be responsible for the cost of the audit. I will contact your office when we are ready to begin the audit process for further discussion of the issues.

Thanks,

Brenda Holt

From: Ladd, Craig [mailto:Craig.Ladd@deq.state.ok.us]
Sent: Monday, September 08, 2014 2:41 PM
To: Brenda Holt
Cc: Miller, Richard
Subject: RE: Town of Mannsville

Ms. Holt,

Assuming that Mannsville will be the entity responsible for the cost of the audit, my preference is that you would proceed with an audit as requested on March 19, 2014. Please let me know if you should need anything further from me.

Thx,

Craig Ladd

From: Brenda Holt [mailto:bholt@sal.ok.gov]
Sent: Monday, September 08, 2014 12:57 PM
To: Ladd, Craig
Subject: Town of Mannsville

Per our conversation, I have attached both your original audit request letter and the letter of inquiry from citizens of the Town of Mannsville via Sweeney, Draper & Christopher PLLC.

Conducting an audit under 74 § 212(H), a DA Request, or under 74 § 212(L), a citizen’s petition request, the entity being audited will bear the cost of the audit, in this case the Town of Mannsville.

If you would like us to continue with the original audit request please let us know. If you are going to withdraw your audit request could you please send something in writing for our records. Thanks for your assistance.

Sincerely,

Brenda Holt
March 19, 2014

Office of Oklahoma State Auditor and Inspector Gary Jones
2300 N. Lincoln Blvd., Suite 100
Oklahoma City, OK 73105

Dear Sir:

Please consider this letter as my official request that your office perform an audit of the City of Mannsville, Oklahoma, in Johnston County, which is included in my District. I am requesting that the audit cover the time period of January 2011 to present. It is my understanding the City will be responsible for the costs of the audit. If this is incorrect, please contact me immediately.

Either myself or my assistant district attorney assigned to Johnston County, Richard Miller, will be glad to meet with you at your earliest convenience to discuss the specific issues being alleged regarding this request. I may be reached at the telephone number listed above and our Johnston County District Attorney’s office may be reached by calling 580-371-2379.

Thank you for your prompt attention to this matter. Your consideration and assistance is greatly appreciated.

Sincerely,

Craig Ladd
District Attorney

Cc: Ed Frock
EXHIBIT 14

EMPLOYEE TIMESHEET

<table>
<thead>
<tr>
<th>Name:</th>
<th>DEREK CRAY</th>
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<tbody>
<tr>
<td>Number:</td>
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</tr>
<tr>
<td>Department:</td>
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<tr>
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</tr>
<tr>
<td>Phone:</td>
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<td>Period Starting:</td>
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**WEEK ONE**

<table>
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<tr>
<th>DOW</th>
<th>Date</th>
<th>Clock In</th>
<th>Lunch Begins</th>
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<th>Clock Out</th>
<th>Daily Hours</th>
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<td>7:12</td>
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<td>5-20-15</td>
<td>7:06</td>
<td></td>
<td></td>
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Weekly Total: 50.5 hrs
10.5 Comp

**WEEK TWO**

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Weekly Total: 18.5 Comp

Pay Rates

Hourly: __________
Overtime: __________

Weekly overtime threshold (hrs) __________

Normal Pay: __________
Overtime Pay: __________
Gross Pay: __________

Pay Date: __________

142.0
+ 18.5
= 160.5

www.printabletimesheets.net
## Exhibit 15

**Purchase Order**

**JOHNSON COUNTY**  
**MANNsville, OK**

**Ship To:**  
**TOWN OF MANNsville**  
**P.O. Box 206**  
**MANNsville, OK 73447**

**Issued To:**  
**Shonda Barnes**

**Purchase Order No. 1426**

**Fiscal Year 2018**

**DATE:**

**APPROPRIATION ACCOUNT:**

**I hereby approve the issuance and encumbrance of this purchase order:**

**Purchasing Officer:**

**I hereby certify that the amount of this encumbrance has been entered against the designated appropriation accounts and that this encumbrance is within the authorized available balance of said appropriation.**

**DATED:**  
**THIS DAY OF:**  
**20**

**Encumbering Officer or Clerk of:**

---


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<tr>
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<th>DESCRIPTION</th>
<th>UNIT PRICE</th>
<th>AMOUNT TO BE ENCUMBERED</th>
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The information required below this line need only be completed on the original copy of the purchase order.

I hereby certify that the merchandise and services described above having been satisfactorily received and this purchase order is now a true and just debt of this county. This purchase order is therefore approved for consideration for payment by the governing board.

**DATE:**  
**20**

**Purchasing Officer:**

---

**APPROVED BY GOVERNING BOARD:**

This purchase order is approved for payment in the amount indicated above.

**Date:**  
**20**

**Chairman:**

**Member:**

**Member:**

**Payment Record:**

**WARRANT No.:**

**AMOUNT:**  
**3**
### JANUARY 2012

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**NOTES:**

**EXHIBIT 16**
Exhibit 17

October 2011

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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.