



Oklahoma State Auditor & Inspector
Independently serving the citizens of Oklahoma!

Gary A. Jones, CPA, CFE

Open Government: The Reasonable Alternative to Avoiding a Costly Special Audit

Presented by:

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State Auditor & Inspector

About SA&I

On the website: www.sai.ok.gov

- All published audit reports performed by SA&I
- Outside audits
- Estimate of Needs/Budgets for governmental entities

Current Auditing Responsibilities

- Statewide Financial (CAFR)/Single Audit
- 77 County Audits
- 63 EMS Districts
- 77 County Treasurer Audits
- 27 District Attorney Audits
- 85+ Performance/Operational Audits
- Horseracing/Gaming
- **Special Investigative Audits**

Special Investigations

Only by request:

- ✓ Governor, House, Senate
- ✓ Attorney General
- ✓ District Attorney
- ✓ Board
- ✓ Citizen Petitions

Any type of organization...agency, cities, towns, schools, colleges and universities, trust, etc.

#1 Way to Keep From Having a Citizen Petition Audit

Be an OPEN book!!!!



A Failure To Communicate

Effort to Intercede

- Seeks reasonable resolution
- Addresses specific policies or practices
- Avoids potentially costly audit

Preserve Your Gas Tax Revenue

- ❑ Timely filed audit report
- ❑ SAI Form 2643 or 2644
- ❑ Payment of \$100 filing fee

HB1207 - 62 O.S. § 34.1

- ↪ Electronic filing of annual audit reports
- ↪ Increased transparency
- ↪ Easier access to information by the public

A View From the State Auditor

Most Common Complaints:

- Violation of Open Records Act
- Violation of Open Meeting Act
- Utility Billing Concerns
- Utilization of personnel or equipment for personal use
- Perception of favoritism, nepotism, or inequity

Open Records Act

51 O.S. § 24A.2 Public Policy — Purpose of Act:

“It is the public policy of the State of Oklahoma that the people are vested with the inherent right to know and be fully informed about their government.”

Open Meeting Act

- ALL meetings “shall” be held in **public**
- At convenient times and places for the **public**
- Open to the **public**
- Shall provide advance **public** notice of time, place & subject matter



Open Records Act

25 O.S. § 307 Executive Sessions

- Personnel action
- Negotiation concerning employee/employee group
- Purchase or appraisal of real property
- Confidential communication with an attorney
- Discuss expulsion/suspension of a student
- Discuss matters involving handicapped student
- Discussing any matter where disclosure would violate confidentiality
- Matter related to Article II of the Administrative Procedures Act

Lyin', Cheatin' & Stealin'

Most Common Types of Government Fraud:

- **Falsified financial information**
 - False Accounting Entries
 - Misrepresentations of Financial Condition
- **Check Replacement Scheme**
- **Falsified Inventory/Purchasing documentation**
- **Conversion of public property for personal use**

Check Replacement Scheme

A few basic fundamentals:

- Easily convertible funds (usually-but not always- cash)
- Record keeping responsibility, with ability to make adjustments
 - Ability to make account adjustments
 - Ability to void payments, tickets, billings
- An unaccounted for source of funds (usually checks)
 - Payments that are later voided
 - Unexpected payments from another source

Blind Trust

It happens again, and
again, and again.

Too much control with
too few people with
too little oversight.

Special Investigative Unit

E-mail/mail/internet logs

Just a reminder I'm not expecting payment for the boys. This is my treat to them. If you want to pay some that's fine, but I want you to know that it is truly my pleasure to be able to do something nice for such a great group of boy's. They have been good friends for so long and have been around the house growing up. I love each and every one of them as my own.

Special Investigative Unit

Other “Red Flags”:

- **Complaints**
- Know your economics
- Social media
- E-mail/internet log



Special Investigative Unit

Other “Red Flag” sources:

- Complaints
- Know your economics
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FRAUD prevention

-  **Control the mail**
-  **Control the bank statements**
-  **Control the Accounts Receivable**
-  **Control the Inventory**







FRAUD prevention

-  **Control the Accounts Payable**
-  **Limited authorized check signers**
-  **Account for sequences**
-  **Control general journal entries**







FRAUD prevention

-  **Monitor exception reports**
-  **Establish a budget**
-  **Establish reasonable performance targets**
-  **Perform thorough background checks**



FRAUD prevention

-  **Require uninterrupted vacations**
-  **Rotate employee responsibilities**
-  **Be alert to changes in attitude, behavior or lifestyle**
-  **Encourage “whistle blowing”**

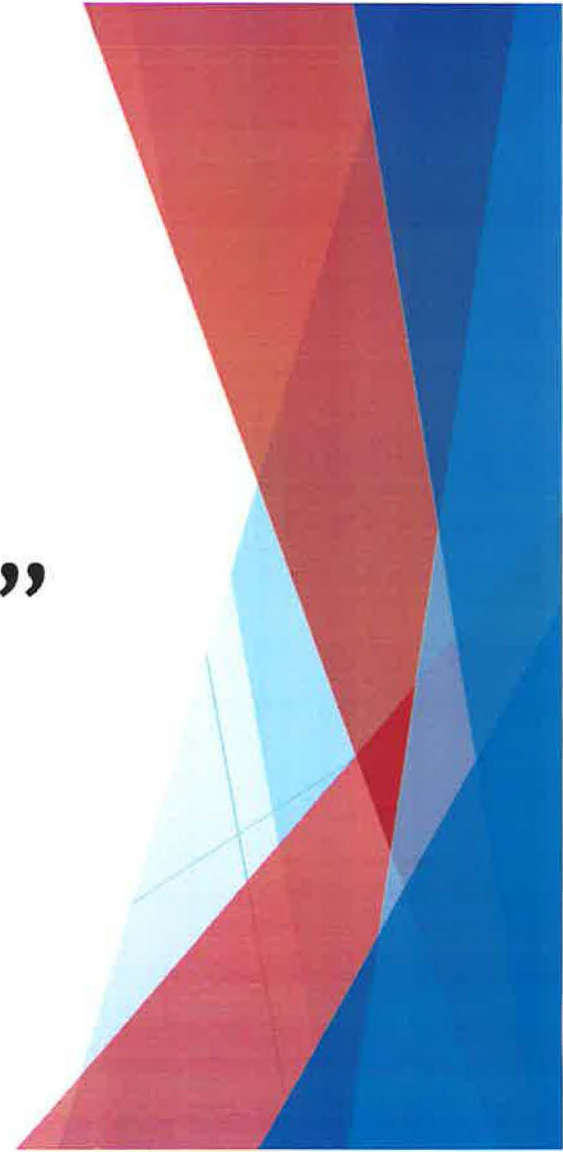


FRAUD prevention

- 🔍 **Clearly communicate expected behaviors**
- 🔍 **Prosecute employees who commit fraud**
- 🔍 **Lead by example – high ethical standard**
- 🔍 **Obtain reasonable fidelity bond coverage**

City of Hartshorne

“Small Town - Large Fraud”



Special Investigations – City of Hartshorne

1. Utility Billing Fraud - \$1,725,336.16

2. Credit Card Fraud - \$80,083.35

3. Court Collections Fraud - \$18,004.55

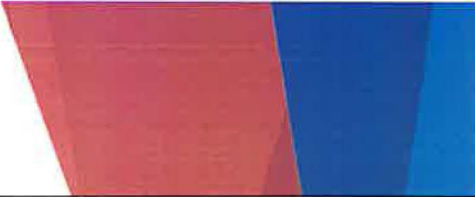
4. Payroll Fraud - \$10,713.71

5. Open Meeting/Open Records Act Violations

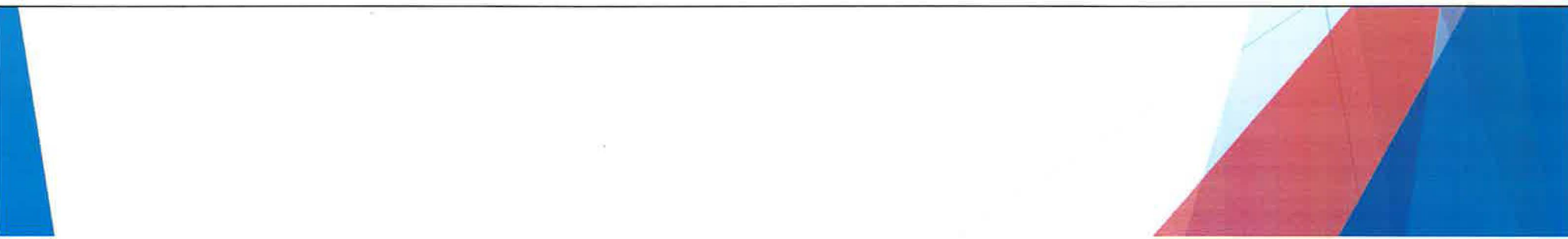
Special Investigations – City of Hartshorne

Court Collections Fraud - \$18,004.55

- **Deposits were not made daily;**
- **The *eCourt* software program was not utilized properly;**
- **Receipts were not issued for every payment;**
- **Receipts were missing and not properly maintained;**
- **The customer's payment method was not recorded on receipts;**
- **Bank statements were not reconciled to monthly collections;**
- **Receipts were voided without supporting documentation;**
- **Court reports were not printed and reconciled to deposits daily; and**
- **Court activity was not properly reported to the City Council.**



The City of Hartshorne is offering a payoff deal for the following people who have outstanding fines with the City of Hartshorne. The City has issued a warrant for your arrest and has suspended your driver's license for failure to pay fine and cost. If you would like your name cleared from our records you can come in anytime between now and March 31, 2011 and pay half of what you owe in cash and we will write off the remaining balance. If you have any questions you may call Dawn Dunkin, Court Clerk at 918-297-2544.



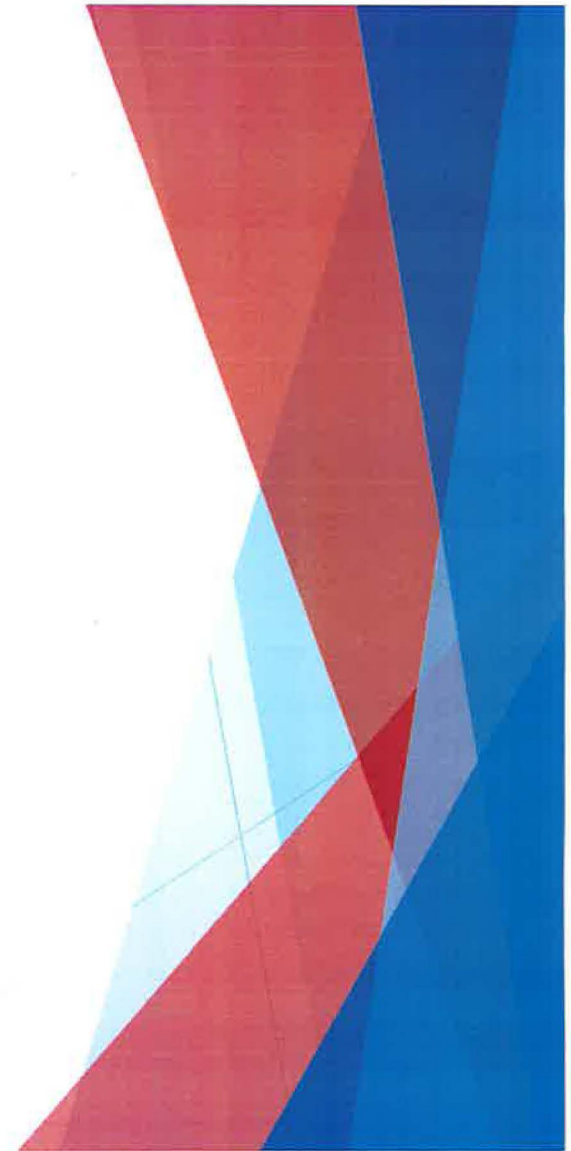
Special Investigative Unit

Utility Billing

Monthly Averages

950 Average Customers Billed
\$122 Average Bill

\$115,900 Expected Monthly Collection



\$115,900 Expected

Actual average monthly deposit was **\$87,789.32**

Net Utility Deposits	
Total	
\$	89,013.90
\$	100,513.98
\$	73,913.59
\$	97,008.48
\$	75,561.27
\$	82,917.78
\$	117,778.40
\$	91,137.95
\$	96,094.71
\$	84,692.50
\$	85,837.22
\$	75,584.82
\$	69,583.15
\$	129,020.12
\$	76,343.17
\$	91,968.97
\$	101,035.45
\$	92,305.91
\$	72,142.86
\$	98,348.21
\$	86,719.28
\$	69,498.31
\$	83,422.88
\$	105,054.29
\$	49,235.76

Expected:

**75% Check
25% Cash**

Actual:

**99.8% Check
.2% Cash**

	Deposits	Cash	Check
Jul-15	\$ 69,583.15		\$ 69,583.15
Aug-15	\$ 129,020.12		\$ 129,020.12
Sep-15	\$ 76,343.17		\$ 76,343.17
Oct-15	\$ 91,968.97		\$ 91,968.97
Nov-15	\$ 101,035.45		\$ 101,035.45
Dec-15	\$ 92,305.91	\$ 900.00	\$ 91,405.91
Jan-16	\$ 72,142.86		\$ 72,142.86
Feb-16	\$ 98,348.21		\$ 98,348.21
Mar-16	\$ 86,719.28	\$ 60.00	\$ 86,659.28
Apr-16	\$ 69,399.17		\$ 69,399.17
May-16	\$ 78,820.96		\$ 78,820.96
Jun-16	\$ 105,054.29	\$ 700.00	\$ 104,354.29
Jul-16	\$ 49,235.76		\$ 49,235.76

Utility Billing

After:

75% Check
25% Cash

	Deposits	Cash	Check
Jul-15	\$ 69,583.15		\$ 69,583.15
Aug-15	\$ 129,020.12		\$ 129,020.12
Sep-15	\$ 76,343.17		\$ 76,343.17
Oct-15	\$ 91,968.97		\$ 91,968.97
Nov-15	\$ 101,035.45		\$ 101,035.45
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Mar-16	\$ 86,719.28	\$ 60.00	\$ 86,659.28
Apr-16	\$ 69,399.17		\$ 69,399.17
May-16	\$ 78,820.96		\$ 78,820.96
Jun-16	\$ 105,054.29	\$ 700.00	\$ 104,354.29
Jul-16	\$ 49,235.76		\$ 49,235.76
Aug-16	\$ 105,554.87	\$ 8,173.00	\$ 97,381.87
Sep-16	\$ 108,789.99	\$ 24,321.35	\$ 84,468.64
Oct-16	\$ 119,447.75	\$ 27,725.99	\$ 91,721.76
Nov-16	\$ 128,605.63	\$ 32,324.74	\$ 96,280.89
Dec-16	\$ 131,306.18	\$ 30,562.70	\$ 100,743.48
Jan-17	\$ 100,926.52	\$ 26,472.55	\$ 74,453.97

Special Investigations – City of Hartshorne

City Treasurer

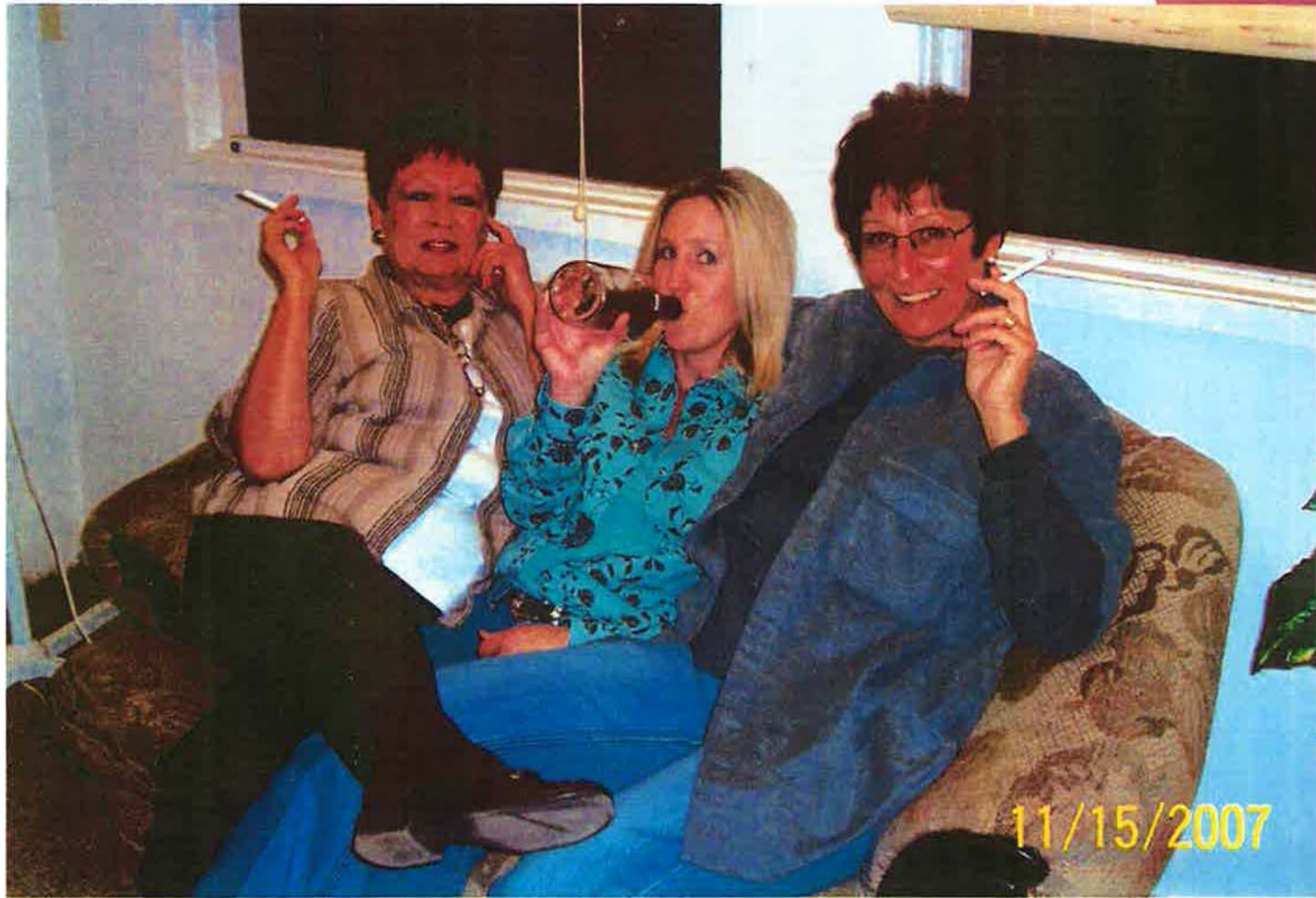
- 60+ year old female
- Employed 36+ years
- Salary ~\$2,250/month

City/Court Clerk

- 40+ year old female
- Employed 20+ years
- Salary ~\$2,150/month

Councilmember, Vice-Mayor, Mayor

- 70+ year old female
- Involved with city 20+ years



11/15/2007

Questions?

