



TOWN OF COYLE

Investigative Audit Report

January 10, 2024

Cindy Byrd, CPA
State Auditor & Inspector

Town of Coyle
Investigative Audit
January 10, 2024



January 10, 2024

TO THE HONORABLE LAURA AUSTIN THOMAS DISTRICT ATTORNEY, DISTRICT 9

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

We wish to take this opportunity to express our appreciation for the assistance and cooperation extended to our office during our engagement.

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

Sincerely,

A handwritten signature in blue ink that reads "Cindy Byrd".

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR



Town of Coyle Investigative Audit Report

Why We Performed This Audit

In December 2019, the Town of Coyle (Town) uncovered¹ a misappropriation of funds, which was reported to the Logan County District Attorney’s office. In accordance with 74 O.S. § 212(H), the district attorney requested the State Auditor & Inspector’s Office perform an investigative audit.

Summary of Findings

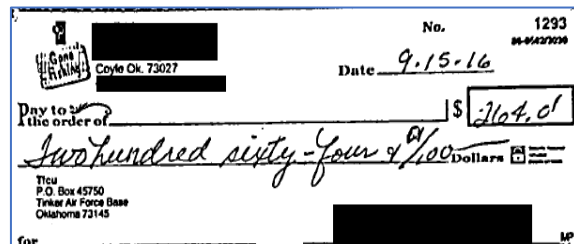
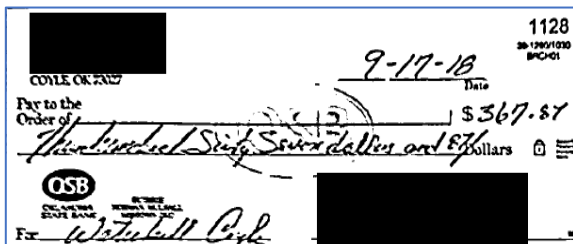
Between January 1, 2018, and December 16, 2019, Jennifer Jones (Jones), then town clerk/treasurer, misappropriated² **\$63,663.93** in Town and Coyle Public Works Authority (CPWA) funds. Jones primarily misappropriated cash and checks received for utility payments and deposits, fire department dues and payments, and citation payments. An additional \$6,219.00³ of questioned costs were related to unauthorized payroll payments received by Jones and William Jones, her spouse.

Part One – Misappropriated Funds

Town Funds Deposited in Jones’ Personal Bank Account

FINDING Jones deposited four checks purposed for town business into her personal bank account, misappropriating \$2,593.88.

Four checks received by the Town totaling \$2,593.88 were deposited⁴ into Jones’ personal bank account. Two checks were for utility payments with the check “Pay to the Order of” line left blank, one check was made out to the Coyle Fire Department, and one was to Coyle Educational Facilities. Check 1128 was from a CPWA customer, and the “For” comment clearly states, “Water bill Coyle.”



¹ JoAnn Hale, CPA, a town trustee, uncovered Jones’ misappropriations and provided extensive supporting documentation that aided in the completion of our investigation.

² 19 O.S. § 641 & 21 O.S. § 151

³ \$2,510.00 of this amount has been repaid by the Jones’.

⁴ Virtually all deposits in this account were made by ATM or electronically by phone.

Amerisure Insurance
 AMERISURE MUTUAL INSURANCE COMPANY
 26777 HALSTED RD.
 FARMINGTON HILLS, MI 48331

CHECK NUMBER
 10076186

PAY TO THE ORDER OF
 COYLE FIRE DEPARTMENT

FOR CLAIM # 2159446

VOID ONE YEAR FROM DATE OF ISSUE

AMOUNT
 \$1,120.00

*******\$1,120.00**

REUNDED CLAIMANT
 PIONEER INDUSTRIES INTERNATIONAL, INC.
 COYLE FIRE DEPARTMENT

DATE ISSUED
 08/28/2018

POLICY NUMBER
 CA 2079148 07

DATE OF LOSS
 05-18-2018

JPMorgan Chase Bank, NA
 Dearborn MI

S. Jones
Coyle

BankFirst Trust and Investment Management

Post Office Box 26883
 Oklahoma City, OK 73126-0883

CHECK NO. 104258

COYLE PS LRB 2011B DEBT SERVICE
 ACCT. NO.

PAY EXACTLY \$842.00

DATE 09/14/18

AMOUNT \$842.00

TO THE ORDER OF
 COYLE EDUCATIONAL FACILITIES
 AUTHORITY
 111 E PULLIAM
 COYLE OK 73027

J. A. Q.
 AUTHORIZED SIGNATURE

Jones' bank account was closed on September 26, 2018, after additional fraudulent activity was deterred by the bank⁵ when Jones attempted to deposit a check for \$3,252.17 made out to the Town of Coyle. When confronted by bank personnel about the pending deposit, Jones admitted she took the check from her employer.

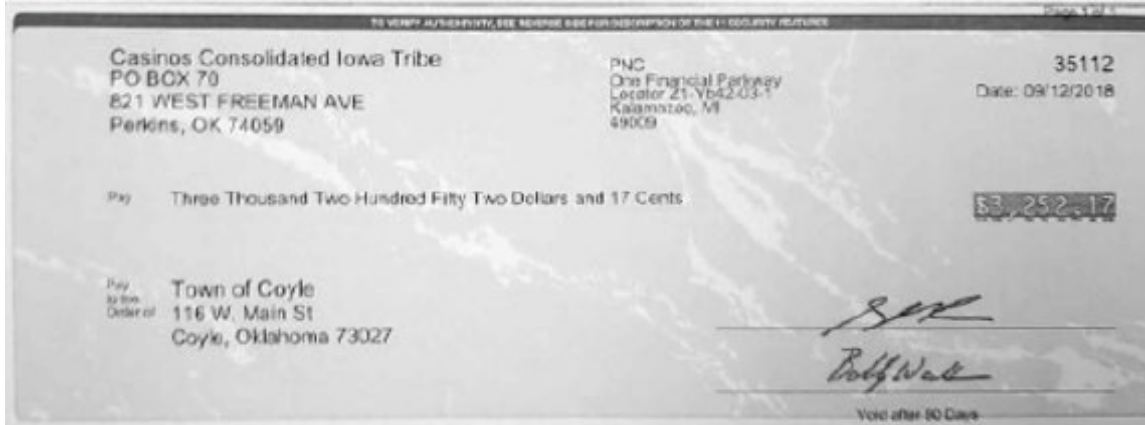
Internal Bank Email⁶

From: Kaminski, Kenneth
 Sent: Wednesday, September 26, 2018 12:18 PM
 To: Consumer Due Diligence (Liaison) <ConsumerDueDiligence@bokf.com>
 Cc: [REDACTED]
 Subject: JENNIFER JONES, [REDACTED]

CDD: I spoke with the client. She is employed as the Clerk for the City of Coyle. We rejected a \$3252.17 check payable today as payee not on account. A review of recent activity indicates she has deposited other checks payable to the City of Coyle. Jones admitted to me that she took these checks from her employer, the City of Coyle. Coyle said she would bring this account positive by the end of the week and would repay stolen funds to Coyle. I told her that we could not keep this account and she understood. Please close this relationship.

⁵ As per 6 O.S. § 2203, a bank is statutorily prohibited from releasing or disclosing any financial record unless it has customer consent or has been served with a subpoena.

⁶ The internal bank email includes references to "City" instead of Town and "Coyle" instead of Jones that appear to be typographical errors.



When the attempt to deposit the \$3,252.17 check into her personal bank account failed, on the same day, Jones then deposited the same check into the town general fund bank account and improperly credited four general ledger accounts.⁷ Jones deposited the check into this account instead of the CPWA account where it belonged in order to conceal previously misappropriated funds.

Transactions Concealed With the \$3,252.17 Iowa Tribe Check			
General Ledger Account Name	Date Credited	Purpose of Credit	Misappropriation Amount Concealed
General Fund – Administration	09/26/2018	Coyle Fire Department	\$1,120.00
General Fund – Administration	09/26/2018	Coyle Education Facilities	\$842.00
Police – Court	09/26/2018	Citations	\$1,110.00
Police - Court	09/26/2018	Citations	\$180.00
		Total	\$3,252.00

The first two entries, for \$1,120.00 and \$842.00, concealed the two checks Jones had previously misappropriated when she deposited them into her personal bank account. The last two entries concealed citation payments that were never deposited.

Utility Payments Not Deposited

FINDING *Between January 1, 2018, and December 16, 2019, Jones misappropriated over 450 utility payments totaling \$49,671.05. These payments were credited to customer utility accounts but never deposited into a town bank account.*

Jayhawk⁸ Bank Deposit Reports were compared against bank statements to determine whether the amount of utility revenue credited to customer accounts agreed with the amounts deposited.

Upon receipt of utility payments, Jones was solely responsible for entering the payment and the payment type⁹ into the town’s utility software. Between January 1, 2018, and December 16, 2019, cash was entered as a payment method less than 20 times. Numerous customers

⁷ Credited within 17 cents of the Iowa Tribe check.

⁸ Jayhawk is the town’s utility billing system. It does not have a direct interface with the CPWA bank account.

⁹ Cash, check, money order, or credit card (online credit card payments were automatically entered into the system).

stated they paid with cash, and several of these customers provided receipts documenting their cash payments. The evidence for these cash payments directly contradicted Jones' check or credit card entries into the utility billing system. As shown in the example below, Jones received two cash payments and logged them into the utility system as credit card (CC) payments without depositing the cash.

20190930 - JENNIFER'S PAYMENTS		09/30/2019
JEN		
0684A	[REDACTED]	120.00 CC
0684A	[REDACTED]	100.00 CC

No Deposit in Bank Acct

Paid On: 09/26/2019

Recvd By: Jennifer

Paid By: Account # 0684A

Applied as CC 09/30 \$5500 Not booked

Beginning Balance:	\$83.14
Water	\$97.98
sewer	\$33.98
trash	\$24.00
st. fee	\$0.25
Light Fee	\$4.75
<hr/>	
Total Owed:	\$244.10
Total Paid:	\$125.00
Balance Due:	\$119.10
Paid With: CSH	
Reference #:	

No Deposit in Bank Acct

Paid On: 09/30/2019

Recvd By: Jennifer

Paid By: Account # 0684A

Applied as CC 09/30

Previous Batch Pmts:	\$120.00
Beginning Balance:	(\$36.86)
Water	\$97.98
sewer	\$33.98
trash	\$24.00
st. fee	\$0.25
Light Fee	\$4.75
<hr/>	
Total Owed:	\$124.10
Total Paid:	\$100.00
Balance Due:	\$24.10
Paid With: CSH	
Reference #:	

One customer provided an affidavit stating that between January 2018 and December 2019, she made 23 cash payments and one payment by check (each payment was for multiple accounts). The 23 monthly cash payments resulted in 93 credits to her seven accounts without any corresponding cash deposits being made.

Receipted Payments that were Neither Credited to Accounts nor Deposited

FINDING Jones misappropriated 20 utility payments totaling \$2,471.00. Jones signed receipts, failed to credit associated customer accounts, and did not deposit the payments.

As per the review of paper receipt books, 20 utility payment receipts were located in the physical receipt books that were neither credited to the appropriate utility account nor deposited into any town-related bank account. The 20 receipts totaled \$2,471.00.

FINDING Jones misappropriated 58 other receipted payments totaling \$7,020.00.

The Town utilized paper receipt books for citations, water deposits, and fire department dues and runs. These receipts were reviewed, scheduled out, and traced to deposits. Five payments received for fire department dues totaling \$360.00, 33 citation-related payments

totaling \$4,760.00, and 20 water meter deposit payments totaling \$1,900.00 were misappropriated by Jones and not deposited into any town-related bank account.

General Fund Check Substitution Scheme

FINDING Jones misappropriated \$1,720.00 using a check substitution scheme.

Four fire due checks and a portion of the Iowa Tribe casino utility payment check¹⁰ were used to conceal \$1,720.00 of misappropriated funds.

Petty Cash

FINDING Jones misappropriated \$188.00 in petty cash.

When Jones was terminated on December 16, 2019, as per the Incident/Offense Report from the Logan County Sheriff's office, the cash box, which should have contained \$200.00, only contained \$12.00, a misappropriation of \$188.00.

Part Two – Payroll

Excess Payroll Payments

FINDING After their terminations, Jones and her spouse failed to make restitution payments due the Town/CPWA for overpaid payroll. They are now \$3,709.00 in arrears.

Jones was responsible for processing payroll in her position as town clerk/treasurer. In May 2019, Hale, a town trustee, completed a payroll review and determined that excess payroll payments had been made to Jones and her spouse, William (Casey) Jones, who at that time was also a town employee. Jones informed town council members that she did not reconcile her personal bank account and did not notice the duplicate payments in her account. The trustees decided that the ten additional payments could possibly be due to human error. When the payroll overpayment was discovered, the council was unaware of Jones' other misappropriations and gave her the benefit of the doubt. At this point, Jones was relieved of her payroll duties.

The Jones' signed an agreement to repay the money by automatic payroll deduction. The agreement stated, "Should our employment be terminated with the Town of Coyle/CPWA the amounts owing will immediately become due unless other payment arrangements are made and accepted by the Town/CPWA trustees."

Restitution payments commenced in August 2019 and ended when the Jones' were terminated, William Jones in September 2019 and Jennifer Jones in December 2019. The extra payroll payments made to the Jones' totaled \$6,219.00.¹¹ At the time Jones was terminated, the Town had received \$2,510.00 in restitution, leaving \$1,464.00 owed by Jones and \$2,245.00 owed by William Jones. Contrary to the agreement signed, none of the remaining \$3,709.00 owed to the Town has been repaid.

¹⁰ Check #35112 for \$3,252.17 discussed above.

¹¹ \$3,249 to Jennifer Jones and \$2,970 to William Jones.

Part Three – Other Matters

Cash Deposit Analysis

Cash deposits into the CPWA and the Water Deposit accounts for calendar years 2018, 2019, and 2020 were reviewed to compare total cash deposited by Jones between January 1, 2018 and December 16, 2019 versus total cash deposited in the year after her termination.

In 2018 and 2019, Jones made five cash deposits totaling \$1,097.00 into the CPWA and Water Deposit accounts. In 2020,¹² the year after Jones' departure, a total of \$23,475.43 was deposited into both accounts.

CPWA and Water Deposit Combined Cash Deposits			
January 1, 2018 through December 31, 2020			
	2018	2019	2020
January	\$164.00		\$1,534.16
February			\$1,681.45
March	\$483.00		\$2,607.00
April		\$100.00	\$1,930.19
May	\$180.00		\$1,876.12
June	\$170.00		\$1,683.44
July			\$1,201.23
August			\$2,999.32
September			\$2,811.98
October			\$1,248.00
November			\$1,073.87
December 1 - 16			\$1,828.92
December 17 - 31		\$999.75	
Totals	\$997.00	\$1,099.75	\$22,475.68
	During Jones' Employment (23½ months) - \$1,097.00		
	After Jones' Departure (12½ months) - \$23,475.43		

It should be noted that between January 1, 2018 and December 31, 2020, Jones deposited \$24,189.47 in cash into three personal bank accounts.

Final Thoughts

A significant portion of the losses incurred by the Town were through cash collections, which continue to be accepted as a form of payment. Although the Town does not have the staff available to separate the duties surrounding cash collections, alternative controls and policies should be established to mitigate the risk of future misappropriations. Optimally, the board should discontinue accepting cash as a form of payment. At a minimum, if cash continues to be accepted, a monthly review of bank statements to verify that cash deposits are being made on a consistent basis should be implemented. The board should also require monthly reconciliations between utility billing collection and posting reports and compare them against bank deposits. The board should review these reconciliations on a monthly basis.

¹² This also includes the last two weeks of 2019 after Jones was terminated.

DISCLAIMER

In this report, there may be references to state statutes and legal authorities that appear to be potentially relevant to the issues reviewed by the State Auditor & Inspector's Office. This Office has no jurisdiction, authority, purpose, or intent in 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 determination is within the exclusive jurisdiction of regulatory, law enforcement, prosecutorial, and/or judicial authorities designed by law.

O·K·L·A·H·O·M·A
S·A·I
STATE AUDITOR & INSPECTOR



Cindy Byrd, CPA | State Auditor & Inspector

2300 N. Lincoln Blvd., Room 123, Oklahoma City, OK 73105 | 405.521.3495 | www.sai.ok.gov