



# TOWN OF HUNTER

## Investigative Audit Report

July 8, 2019

**Cindy Byrd, CPA**  
State Auditor & Inspector

**Town of Hunter  
Garfield County, Oklahoma**

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**TO THE HONORABLE MICHAEL FIELDS DISTRICT ATTORNEY, DISTRICT 4**

Presented herein is the investigative audit report of the Town of Hunter. 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". The signature is written in a cursive, flowing style.

CINDY BYRD, CPA  
OKLAHOMA STATE AUDITOR & INSPECTOR





## Town of Hunter

### Investigative Audit Report

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#### Why We Performed This Audit

While performing a citizen petition audit in the Town of Kremlin, it was discovered that clerk/treasurer Donna Rainey was also serving as the clerk/treasurer in the Town of Hunter. Records reflected that transactions were being comingled between the two towns. Based on this information, the State Auditor and Inspector's Office (SA&I) approached District Attorney Michael Fields for assistance in obtaining authority to audit the records of the Town of Hunter.

In accordance with 74 O.S. § 212(H), District Attorney Michael Fields requested that SA&I perform an investigative audit of the Town of Hunter.

#### Summary of Findings

Between November 10, 2015 and April 9, 2019, Donna Rainey, then clerk/treasurer of the Town of Hunter, misappropriated 74 payroll checks totaling \$29,783.15. Rainey also issued herself 83 unsupported mileage reimbursement payments during the period of July 1, 2014 through April 9, 2019 which totaled \$7,457.33.

#### Background and Objectives

The Town of Hunter (Town) is organized under the statutory town board of trustees form of government, as outlined in 11 O.S. §§ 12-101, *et. seq.* The Town combined the positions of town clerk and town treasurer eliminating an important segregation of duties related to the Town's finances, effectively allowing control over financial activity to one individual. To further impede the lack of internal controls, the clerk/treasurer was permitted to operate Town business from her home located in Kremlin. The Board of Trustees (Board) allowed Rainey to operate the home office for at least 15 years.

As referenced above, our initial objective was to determine if and why the transactions of the Town of Hunter (Hunter) and the Town of Kremlin (Kremlin) were being comingled. The comingling of financial transactions and the lack of internal controls were also indicators that

funds were possibly mismanaged or misappropriated. Based on these concerns the objectives of our engagement were defined as follows:

1. Were financial transactions of the Town of Hunter comingled with the Town of Kremlin?
2. Were public funds mismanaged or misappropriated in the Town of Hunter?

## Details on What We Found

### 1. Were financial transactions of the Town of Hunter comingled with the Town of Kremlin?

During our review we found evidence that operations of the Town of Hunter and the Town of Kremlin were comingled.

Rainey was permitted to operate from her home in Kremlin and accepted utility payments for both towns at her home office. Hunter utility payments were collected exclusively at Rainey's home in Kremlin or at the Bank of Kremlin. Utility payments collected at the bank were not properly reconciled to the Town's records. The third-party involvement provided additional opportunity for funds to be comingled.

Example 1 – The following receipt used to record a Town of Hunter water bill payment in the amount of \$100 was written from a Town of Kremlin receipt book.

**RECEIPT**  
DATE: 11-11-16 No. 515544  
FROM: [REDACTED] \$100.00  
One hundred dollars + tax DOLLARS  
FOR RENT: [ ]  
FOR: 49 water bill in Hunter  
ACCT: 25850 CASH [X]  
PAID: 100.00 CHECK [ ]  
DUE: 15850 MONEY ORDER [ ]  
BY: Dana Rainey

Example 2 – A deposit of \$91.71 was transferred to the Kremlin Public Works (KPW) bank account after being erroneously deposited in the Hunter Public Works (HPW) bank account.

06/01 91.71 HPW TO KPW WRONG ACC

Example 3 - A \$35 utility payment made for the Town of Hunter was erroneously deposited into the Town of Kremlin's Public Works bank account. The deposit was subsequently corrected and transferred into the Hunter Public Works bank account.



These examples represent only a sample of transactions where funds were comingled between the two towns.

**2. Were public funds mismanaged or misappropriated in the Town of Hunter?**

Donna Rainey misappropriated at least \$29,783.15 of payroll related transactions. Our review also indicated that mileage reimbursements totaling \$7,457.33 were paid to Rainey without any supporting documentation or a documented public purpose.

**Excess Payroll Payments**

Between November 10, 2015 and April 9, 2019, Rainey received 74 payroll checks totaling \$29,783.15 in excess of, or in addition to, approved payroll. The payments ranged in amounts from \$70 to \$1,250.

Payroll records indicated Rainey’s salary was \$750 a month from each fund<sup>1</sup>, for a total pay of \$1,500 per month. In January 2019, Rainey issued herself six payroll checks totaling \$6,600. Of these payments \$5,100 were in excess of the \$1,500 salary she regularly received. The Town’s records did not document any Town purpose for the excess payroll payments, and no supporting documentation was provided.

<b>Example of Misappropriated Payroll January 2019</b>					
Check Number	Source of Pay	Date Paid <sup>2</sup>	Amount of Check	Regular Payroll	Excess Pay
6211	General Fund	01/07/2019	\$850	\$750	\$100
6226	General Fund	01/28/2019	\$1,250	N/A	\$1,250
6216	General Fund	01/29/2018	\$1,250	N/A	\$1,250
4029	HPWA <sup>3</sup>	01/07/2019	\$750	\$750	\$0
4032	HPWA	01/29/2019	\$1,250	N/A	\$1,250
4043	HPWA	01/31/2019	\$1,250	N/A	\$1,250
<b>Totals</b>			<b>\$6,600</b>	<b>\$1,500</b>	<b>\$5,100</b>

<sup>1</sup> The Hunter Public Works Authority and the Town of Hunter General Fund.

<sup>2</sup> Per payroll stub

<sup>3</sup> Hunter Public Works Authority

Rainey had complete control of financial reports, including reports listing checks written, that were submitted for the Board’s approval. The excess payroll payments made to Rainey were not included in the reports presented for the Board’s approval.

<b>Summary of Misappropriated Payments November 10, 2015 – April 9, 2019</b>	
<b>Type of Payment</b>	<b>Amount</b>
Total Payroll Payments made to Rainey	\$77,099.93
Less Regular Payroll	(47,316.78)
<b>Excess Pay – Misappropriated Funds</b>	<b>\$29,783.15</b>

Rainey acknowledged that she issued payroll payments to herself without Board approval in excess of her regular payroll.

### **Mileage Claims**

Donna Rainey issued herself 83 mileage reimbursement payments during the period of July 1, 2014 through April 9, 2019. Mileage logs, odometer readings, or any additional supporting documentation was not provided to support the payments which totaled \$7,457.33.

Despite the fact that Rainey operated the Town’s business from her home in Kremlin, and the bank utilized by the Town of Hunter was in Kremlin, Rainey claimed an average of 284 miles for reimbursement per month. The monthly mileage totals were frequently made for the same amount and the claims often overlapped funds.

For example, in July 2018 Rainey claimed 376 miles were driven; 188 miles for the HPWA and an additional 188 miles for the Town. Rainey claimed these exact same number of miles were driven for each entity with no supporting documentation of the travel incurred.

Rainey also frequently claimed she drove the same number of miles month after month. For example, between March 2015 and October 2015, Rainey claimed 1,196 miles were driven for Town business. She alternated the number of miles driven each month claiming 111 miles in March and 188 in April continuing to alternate the number each month thru October. During the same eight-month period Rainey claimed a total of 804 miles were driven for the HPWA, in addition to the 1,196 miles reportedly driven for the Town.

## **Final Comments**

- Inherent in any small town, the lack of segregation of duties prohibits the existence of an internal control system to properly protect the assets of the entity. In these instances, the Board should utilize hyper-vigilance in their oversight of financial transactions and attempt to “think outside the box” for areas to increase their oversight. One suggestion would be for a board member to receive the bank statements directly, with all board

members reviewing the statements on a regular basis. The Board ultimately bears responsibility for the financial welfare of the Town.

- Upon discovery of the misappropriation of payroll, audit work was halted, and the information was presented to the District Attorney. SA&I, the District Attorney, and the Board of Trustees reached a mutual decision that further investigation by SA&I in the Town of Hunter would be cost prohibitive.
- At the time of this report the Town of Hunter had not obtained an independent audit since June 30, 2015. The Board should immediately resume obtaining annual audits as required by statute.

***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 the State Auditor & Inspector's Office. This Office 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, prosecutorial, and/or judicial authorities designated by law.

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