



# Oklahoma State Auditor & Inspector

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December 11, 2014

TO THE OKLAHOMA STATE BUREAU OF INVESTIGATION

The following is our report on the Tahlequah Area Chamber of Commerce. The objective of our investigation was solely the evaluation and summarization of funds potentially misappropriated from the accounts of the Tahlequah Area Chamber of Commerce during the period of July 1, 2009 through June 30, 2014.

Our examination did not include a review of the Chamber's financial condition as a whole and as such we do not express any opinion on the account balances or financial statements of the Chamber for the period reviewed.

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

Sincerely,

A handwritten signature in blue ink that reads "Gary A. Jones". The signature is written in a cursive style.

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



## Report Highlights

### **Background**

At the request of the City of Tahlequah Council, the State Auditor & Inspector's Office performed a special investigative audit of selected areas of the City of Tahlequah. During the course of this engagement a potential embezzlement was detected by officials at the Tahlequah Area Chamber of Commerce, an organization acting as an agent of the City.

Upon detection of this potential embezzlement the Oklahoma State Bureau of Investigation and the City of Tahlequah police department were requested to investigate. The State Auditor's office was asked to assist in this investigation.

### **Objective and Scope**

The key objective for this investigation was to assist the Oklahoma State Bureau of Investigation in evaluating and summarizing what, if any, misappropriation of funds had occurred at the Tahlequah Area Chamber of Commerce.

The scope of the investigation included expenditures made from the Tahlequah Area Chamber of Commerce bank account for July 1, 2009 through June 30, 2014.

### **What We Found**

We found a misappropriation of funds at the Tahlequah Area Chamber of Commerce totaling almost \$440,000.

**INTRODUCTION** On June 17, 2014, State Auditor & Inspector (SA&I) investigators met with officials from the Oklahoma State Bureau of Investigation (OSBI) and the City of Tahlequah Police Department to discuss a potential embezzlement of funds from the Tahlequah Area Chamber of Commerce (the Chamber).

It was agreed that SA&I would assist the OSBI in evaluating and summarizing what, if any, financial loss had incurred at the Chamber.

We obtained copies of bank statements, receipts, board minutes, and bylaws from staff at the Chamber of Commerce and through the OSBI for the period July 1, 2009 through June 30, 2014.

Very little supporting documentation was available in support of disbursements made from the Chamber accounts. A significant amount of financial information and records were missing from the Chamber of Commerce and from the Chamber of Commerce Director David Moore's office, including the computer used by the Director.

**PROCEDURES** All disbursement transactions from the Chamber of Commerce bank statements were scheduled out with each transaction classified into one of the following categories:

#### **Questioned Expenditures**

- **ATM Withdrawals** – Automated Teller Machine (ATM) transactions for cash made with a Chamber of Commerce debit card. All transactions in this category were classified as misappropriated funds. Approximately 1021 ATM withdrawals for cash were made totaling \$268,089.75, with no supporting documentation available.
- **Casino/Gambling Transactions** – Purchases or ATM withdrawals made at casinos, racetracks, or through online gaming websites. All transactions in this category were classified as misappropriated funds. Approximately 348 transactions totaling \$123,612.60 were conducted at casinos, horse racing parks, and through various internet gambling websites. The majority of these transactions were at the Hardrock Casino in Tulsa, Oklahoma. The transactions were made with the Chamber debit card and included no supporting documentation.
- **Other Questioned Expenditures** – Purchases determined to not be officially authorized expenditures of the Chamber totaling \$47,958.27. Approximately 74 transactions totaling \$45,433.58 appeared to be for the personal benefit of David Moore. These transactions included extra payroll checks, checks payable to Moore without any documented

purpose, payments on unauthorized loans obtained by Moore, payments for Moore's personal residence utilities and expenses, cash back received on debit card purchases, and checks for cash. These transactions did not include proper supporting documentation.

Also included under 'Other Questioned Expenditures' were payments made by David Moore on the behalf of Kate Kelly, a Chamber employee. Eleven transactions totaling \$2,524.69 were written for the benefit of Kelly, including medical care and prescription purchases.

### **Other Expenditures**

- **Restaurant Purchases** – Purchases made at restaurants or food establishments. Of the approximate 254 transactions conducted with restaurants and food establishments totaling \$17,978.48, eight were paid for by check with the remaining 246 transactions paid with a debit/checkcard. Several restaurant purchases were supported with receipts; and although some of the purchases made in this category were possibly not for a business purpose, the minimal dollar amount of each individual transaction precluded the cost effectiveness of evaluating each transaction independently.
- **Checks/Transfers to Tourism** – Checks written or online transfers made from the Chamber of Commerce bank account to the Tahlequah Area Tourism Council bank account. Transfers of \$71,292.11 made from the Chamber to the Council bank account were not considered questioned expenditures.
- **Scheduled Payroll** – Regularly scheduled payroll or approved payroll bonuses made to the employees of the Chamber. Between July 1, 2009 and June 30, 2014, the Chamber paid out \$373,794.34 of documented payroll expenses. These disbursements appeared to be appropriate cost of the Chamber.
- **Receipted Payments** – Purchases from the Chamber bank account that a receipt was provided for; no further evaluation of the transaction was deemed necessary. We verified \$192,527.91 of disbursements that appeared to be for ongoing Chamber business purposes but did not fall into another disbursement category. These transactions were properly supported with a receipt or invoice and were not questioned expenditures.
- **Other Expenditures** – These \$225,422.17 in expenditures represent a wide variety of transaction types including recurring transactions where receipts existed for some months, but not for every month; or small

one-time payments that were not receipted but appeared to be for a Chamber business purpose. Examples include transactions with the U.S. Postal Service, advertising agencies, office supply vendors, marketing associations, etc.

While the majority of these transactions appeared valid some did not have any supporting documentation and were purchases that could possibly have been questioned expenditures. However, the volume of independent transactions and the minimal dollar amount of each individual purchase precluded the cost effectiveness of evaluating each transaction. As such, these transactions were given the “benefit of the doubt” and not included as questioned expenditures.

- **Fees** – Costs charged to the Chamber of Commerce directly from and through the bank or directly from credit card companies. Because of the consistent overdrawn status of the Chamber bank account, over a five year period the Chamber incurred 218 fee charges totaling \$15,559.01.

**SUMMARY**

Of \$1,336,234.64 of expenditures made from the Tahlequah Area Chamber of Commerce bank account, the total questioned expenditures and potential misappropriation of funds for the period of July 1, 2009 – June 30, 2014 was \$439,660.62.

Category of Expenditure	Questioned Expenditures	Other Expenditures	Total Expenditures
ATM Withdrawals	\$268,089.75		\$268,089.75
Casino or Gambling Transactions	\$123,612.60		\$123,612.60
Questioned Expenditures	\$47,958.27		\$47,958.27
Restaurant Purchases		\$17,978.48	\$17,978.48
Checks/Transfers to Tourism Council		\$71,292.11	\$71,292.11
Scheduled Payroll		\$373,794.34	\$373,794.34
Receipted Payments		\$192,527.91	\$192,527.91
Other Expenditures		\$225,422.17	\$225,422.17
Fees		\$15,559.01	\$15,559.01
<b>Totals</b>	<b>\$439,660.62</b>	<b>\$896,574.02</b>	<b>\$1,336,234.64</b>

Exhibit A

Tahlequah Area Chamber of Commerce  
Special Investigation  
Summary of Expenditures  
July 1, 2009 - June 30, 2014

Fiscal Year	ATM Withdrawals	Casinos/Gambling	Questioned Expenditures	Restaurants	Checks/Transfers to Tourism	Scheduled Payroll	Received Payments	Other Expenditures	Fees	Total Disbursements Per Fiscal Year Spreadsheet	Variance	Total Disbursements Per Bank Statements
<u>2010</u>	Amount \$ 30,160.00 Transactions 185	Amount \$ 625.00 Transactions 3	Amount \$ 2,592.00 Transactions 7	Amount \$ 3,733.57 Transactions 45	Amount \$ 4,363.64 Transactions 1	Amount \$ 74,940.32 Transactions 73	Amount \$ 64,931.05 Transactions 253	Amount \$ 34,551.33 Transactions 156	Amount \$ 369.56 Transactions 36	Amount \$ 217,236.71	0	Amount \$ 217,236.71
<u>2011</u>	Amount \$ 54,840.25 Transactions 210	Amount \$ 1,177.00 Transactions 6	Amount \$ 5,500.17 Transactions 10	Amount \$ 3,758.67 Transactions 45	Amount \$ 5,703.00 Transactions 5	Amount \$ 76,679.51 Transactions 71	Amount \$ 36,715.75 Transactions 162	Amount \$ 36,677.99 Transactions 139	Amount \$ 5,197.44 Transactions 37	Amount \$ 238,426.78	0	Amount \$ 238,426.78
<u>2012</u>	Amount \$ 69,671.25 Transactions 225	Amount \$ 4,751.22 Transactions 23	Amount \$ 15,293.04 Transactions 20	Amount \$ 3,717.54 Transactions 51	Amount \$ 8,035.00 Transactions 24	Amount \$ 77,279.32 Transactions 74	Amount \$ 36,053.23 Transactions 89	Amount \$ 61,649.03 Transactions 213	Amount \$ 1,567.79 Transactions 43	Amount \$ 268,115.07	0	Amount \$ 268,115.07
<u>2013</u>	Amount \$ 53,176.25 Transactions 204	Amount \$ 63,642.24 Transactions 172	Amount \$ 9,588.37 Transactions 19	Amount \$ 3,021.60 Transactions 52	Amount \$ 2,862.00 Transactions 21	Amount \$ 78,338.91 Transactions 72	Amount \$ 55,243.75 Transactions 107	Amount \$ 42,554.89 Transactions 169	Amount \$ 2,573.55 Transactions 54	Amount \$ 331,047.51	0	Amount \$ 331,047.51
<u>2014</u>	Amount \$ 63,262.00 Transactions 196	Amount \$ 53,416.94 Transactions 144	Amount \$ 14,864.09 Transactions 29	Amount \$ 3,738.40 Transactions 51	Amount \$ 97,591.27 Transactions 31	Amount \$ 36,676.23 Transactions 64	Amount \$ 6,684.04 Transactions 31	Amount \$ 45,368.89 Transactions 227	Amount \$ 4,340.65 Transactions 48	Amount \$ 291,352.27	Amount \$ 51,632.69**	Amount \$ 342,985.26
<b>TOTALS</b>	Amount \$ 268,089.75 Transactions 1,121	Amount \$ 123,612.60 Transactions 343	Amount \$ 47,558.27 Transactions 55	Amount \$ 17,976.48 Transactions 254	Amount \$ 77,792.11 Transactions 82	Amount \$ 375,794.34 Transactions 364	Amount \$ 192,597.91 Transactions 702	Amount \$ 225,629.17 Transactions 904	Amount \$ 15,559.01 Transactions 218	Amount \$ 1,396,234.54	Amount \$ 51,632.69**	Amount \$ 1,397,607.63

\*\* The different funds reported in the transactions totaling \$51,632.69 not clearing the bank or "bouncing" between August 2013 - March 2014. These transactions were not included in disbursements.