

REPORT ISSUED: MAY 30TH, 2013



STATE OF OKLAHOMA

OFFICE OF MANAGEMENT AND ENTERPRISE SERVICES

AUDIT AND INTERNAL INVESTIGATION UNIT

COMMISSION ON marginally PRODUCING OIL AND GAS WELLS PRELIMINARY PURCHASE CARD INVESTIGATION

Table of Contents

MARGINAL WELLS PLELIMINARY INVESTIGATION	1
RECOMMENDATIONS.....	6
RESULTS	6

MARGINAL WELLS PRELIMINARY INVESTIGATION

The Office of Management and Enterprise Services (OMES), Audit and Internal Investigation Unit performed a preliminary fraud investigation of purchase card transactions during the period of July 1, 2011 to June 30, 2012 for two Marginal Wells purchase cards ending in 7482 and 7853. The preliminary fraud investigation was performed pursuant to 74 O.S. § 85.5.

The preliminary fraud investigation originated from our statewide purchase card continuous monitoring activities. During our continuous monitoring we requested to review supporting documentation for seven transactions from the Commission on Marginally Producing Oil and Gas Wells to perform a detailed examination. Two transactions were selected based upon a Benford's Law¹ analysis performed for all State Agency purchase card transactions using IDEA² data analysis software. A spike in the first three digit analysis for the values of 500 and 200 was cited. Two transactions from Marginal Wells with the first three digits leading with 500 or 200 were selected along with five other transactions.



Commission on Marginally Producing Oil and Gas Wells

We received a response from management that four of the seven transactions we requested to review were employee fraud. A preliminary fraud investigation was then opened and completed related to the employee's use of their purchase card. The scope of our investigation was the purchase card transactions for Crystal Townsend, Public Information Officer, for the period of July 1, 2011 to June 30, 2012 for purchase cards ending in 7482 and 7853. She initiated 72 transactions totaling \$16,002.22 during the period reviewed. We requested to review the receipts for all 72 transactions. The Agency did not have any supporting

¹ **Benford's law** - a law used by auditors to identify fictitious populations of numbers; applies to any population of numbers derived from other numbers.

² Audimation Services, Inc.

STATE OF OKLAHOMA
 Marginal Wells Preliminary Investigation
 July 1, 2011 to June 30, 2012

documentation for the 72 transactions. The Agency also did not have a properly signed purchase card employee agreement on file for Ms. Townsend. Ms. Townsend was also the Agency Purchase Card Administrator during the review period. Since we were unable to obtain the receipts from the Agency, we narrowed our investigation to vendors from which personal purchases seemed most possible such as travel, online payments and food establishments. The narrow review included 63 transactions totaling \$14,913.19. During our investigation we discovered the following:

- I. **We obtained the receipt and supporting documentation for the following purchase card transactions. Based upon review of the documentation obtained, transactions listed below have the appearance of products and services obtained for personal use and not for official State business.**

	TXN NUMBER	LAST 4 DIGITS OF CARD	VENDOR NAME	PURCHASE DATE	AMOUNT
1	TXN00165129	7853	WM SUPERCENTER#2066	4/10/2012	\$61.27
2	TXN00165131	7853	UNITED AIR 0167051443518	4/9/2012	\$402.20
3	TXN00165133	7853	VILLAGE BARBECUE & HAM	4/10/2012	\$11.46
4	TXN00167134	7853	JIMMY JOHNS - 780	4/12/2012	\$14.07
5	TXN00167137	7853	AMPCO PARKING OKLAHOMA CI	4/13/2012	\$28.00
6	TXN00167454	7853	RENAISSANCE 9672C HOUSRON	4/16/2012	\$115.40
7	TXN00173686	7853	HYATT REGENCY	5/1/2012	\$4.00
8	TXN00183451	7853	PAYPAL CRISSLECAKE	5/26/2012	\$200.00
9	TXN00188203	7853	PAYPAL CRISSLECAKE	6/10/2012	\$500.00
					\$1,336.40

1. TXN00165129 – Purchase for light snacks, ice cream, 100pk DVD’s, altoids and eye shadow. Purchase occurred in Houston, TX.
2. TXN00165131 – Purchase for airline tickets that departed May 22, 2012. Ms. Townsend resigned on May 14, 2012 and her last day with the Agency was May 31, 2012. The flights were from Tulsa, Ok to Houston, TX to LaGuardia Airport in New York, NY on 5/22/12. She returned on 5/26/12 using the same flight pattern. Ms. Townsend moved to Manhattan, NY after her employment with Marginal Wells.
3. TXN00165133 – Food purchase in Houston, TX.

STATE OF OKLAHOMA
Marginal Wells Preliminary Investigation
July 1, 2011 to June 30, 2012

4. TXN00167134 – Two sandwiches purchased in Houston, TX.
5. TXN00167137 – Purchase for parking. Oklahoma City, OK
6. TXN00167454 – Purchase for room service, water, telecommunications and parking. Purchase made in Houston, TX.
7. TXN00173686 – Hotel charge. Tulsa, OK
8. TXN00183451 and TXN00188203 – Two payments to a PayPal account were linked to www.crisselecakes.com. The website is designed to receive orders and payments for cakes and brownies. The website and PayPal account were linked to Ms. Townsend.



II. We were unable to obtain any documentation to support a conclusion as to the appropriateness of the purchase made for the following transactions:

	TXN NUMBER	LAST 4 DIGITS OF CARD	VENDOR NAME	PURCHASE DATE	AMOUNT
1	TXN00071059	7482	BEST WESTERN STROUD MOTOR	7/19/2011	52.50
2	TXN00071060	7482	BEST WESTERN STROUD MOTOR	7/19/2011	7.50
3	TXN00076656	7482	DELTA AIR 0068672537590	8/3/2011	422.00
4	TXN00077603	7482	BEST WESTERN CIMARRONHT	8/4/2011	308.00
5	TXN00084016	7482	APL APPLE ITUNES STORE	8/24/2011	19.98
6	TXN00085847	7482	SAMS INTERNET	8/26/2011	35.00
7	TXN00087478	7482	WM SUPERCENTER	9/1/2011	37.44
8	TXN00093574	7482	DELTA AIR 0068253203878	9/17/2011	25.00

STATE OF OKLAHOMA
Marginal Wells Preliminary Investigation
July 1, 2011 to June 30, 2012

9	TXN00095627	7482	HERTZ RENT-A-CAR	9/22/2011	263.51
10	TXN00095628	7482	DELTA AIR 0068253481005	9/22/2011	25.00
11	TXN00096549	7482	OMNI ATLANTA CNN	9/22/2011	879.00
12	TXN00096550	7482	OMNI ATLANTA CNN	9/22/2011	30.00
13	TXN00096551	7482	AMPCO PARKING OKLAHOMA CI	9/23/2011	42.00
14	TXN00096786	7482	WM SUPERCENTER	9/26/2011	185.61
15	TXN00097293	7482	STAPLES 00108795	9/26/2011	19.96
16	TXN00098953	7482	WM SUPERCENTER	9/30/2011	33.12
17	TXN00102963	7482	APL APPLE ITUNES STORE	10/12/2011	39.98
18	TXN00104275	7482	LEGEND VIDEO TRANSFER,INC	10/14/2011	59.70
19	TXN00114448	7482	WM SUPERCENTER	11/15/2011	27.58
20	TXN00116563	7482	WM SUPERCENTER	11/21/2011	12.24
21	TXN00127265	7482	WWWHERTZRENTALFINECOM	12/28/2011	30.00
22	TXN00145236	7482	REPUBLIC PARKING	2/15/2012	7.00
23	TXN00150910	7482	LEGEND VIDEO TRANSFER,INC	3/2/2012	2.71
24	TXN00156689	7853	APL APPLE ITUNES STORE	3/16/2012	0.99
25	TXN00156940	7853	HERTZ RENT-A-CAR	3/19/2012	270.08
26	TXN00157898	7853	APL APPLE ITUNES STORE	3/21/2012	1.29
27	TXN00165132	7853	APL APPLE ITUNES STORE	4/10/2012	1.29
28	TXN00167136	7853	HERTZ RENT-A-CAR	4/13/2012	456.76
29	TXN00173687	7853	WILLIAMS CTR GARAGE #1	5/1/2012	12.00
30	TXN00175126	7853	APL APPLE ITUNES STORE	5/5/2012	49.99
31	TXN00175127	7853	APL APPLE ITUNES STORE	5/4/2012	99.99
32	TXN00175128	7853	APL APPLE ITUNES STORE	5/5/2012	49.99
33	TXN00177191	7853	NETWORK SOLUTIONS, LLC	5/9/2012	239.80
					\$3,747.01

The 33 transactions are considered questioned cost in the amount of \$3,747.01.

- III. Receipts were obtained for the following transactions. Based upon review of the receipt alone we were unable to determine if the purchase was for official State business. Either the receipts lacked detailed information or the items purchased could be used for either official State business or personal use.

	TXN NUMBER	LAST 4 DIGITS OF CARD	VENDOR NAME	PURCHASE DATE	AMOUNT
1	TXN00137985	7482	REF PBORB3253531324 (Orbitz)	1/28/2012	868.59
2	TXN00137986	7482	HAMPTON INN & SUITES ENID	1/27/2012	121.00

STATE OF OKLAHOMA
Marginal Wells Preliminary Investigation
July 1, 2011 to June 30, 2012

3	TXN00139812	7482	REF PBORB5798817424 (Orbitz)	2/2/2012	427.10
4	TXN00140596	7482	DELTA AIR 0067011601925	2/2/2012	421.60
5	TXN00152793	7482	WM SUPERCENTER	3/8/2012	83.64
6	TXN00164667	7853	AMERICAN AI 0010633917448	4/8/2012	8.00
7	TXN00165130	7853	AMERICAN AI 0010267983537	4/9/2012	60.00
8	TXN00167133	7853	AMERICAN AI 0010634030683	4/13/2012	9.00
9	TXN00167135	7853	AMERICAN AI 0010268120614	4/13/2012	60.00
10	TXN00172353	7853	WM SUPERCENTER#1626	4/27/2012	74.99
11	TXN00172354	7853	WM SUPERCENTER#1626	4/29/2012	6.24
12	TXN00172355	7853	SUBWAY 00176255	4/26/2012	8.68
					\$2,148.84

IV. We obtained receipts and/or additional supporting documentation for nine transactions totaling \$7,680.94. No exceptions were noted for these transactions.

Investigation Summary	
I.Employee Misuse	9 \$1,336.40
II.Questionable Transactions	33 \$3,747.01
III.Possible Official State Business	12 \$2,148.84
IV.Official State Business	<u>9</u> <u>\$7,680.94</u>
	63 \$14,913.19

We were able to obtain Ms. Townsend’s contact information via Twitter. We contacted Ms. Townsend in Manhattan, NY to obtain her explanation in relation to the purchases. She said she was the business owner of Crissle Cakes. When asked about the transactions to Crissle Cakes with the state purchase card, she stated, “I don’t know anything about that”. We ended our conversation by providing our contact information to Ms. Townsend so she could provide any information she may have to clear the questionable transactions discussed during the interview. No additional information related to the transactions was received from Ms. Townsend.

RECOMMENDATIONS

We recommend the matter be referred to the Oklahoma Office of the Attorney General, E. Scott Pruitt, or the Oklahoma County District Attorney, David Prater, for possible legal action against the accused.

The Marginal Wells Commission purchase card program lacked adequate internal controls to prevent misuse from occurring. The total transactions for the cardholder under review represented 17% of the Agency's purchase card program expenditures during the review period. A recommendation to the State Purchase Card Administrator was made to suspend the Agency's purchase card program indefinitely.

RESULTS

The State Purchase Card Administrator reviewed the findings and suspended the Marginal Wells Commission purchase cards program on April 10, 2013.

The results of our investigation (actions noted in report), if proved in a court of law, could constitute a violation of Oklahoma criminal and/or civil law.

Report Scope

This report cannot be used for any other purpose than for that which originally precipitated this work. In addition, it cannot stand alone and must refer to the workpaper file for accurate interpretation.

Note that pending or potential civil and criminal actions frame the context of this report. We reserve the right, at our option to update and/or refine this report as we deem necessary or should additional data become available for review.