

HUGHES COUNTY COMMISSIONER
DISTRICT No. 2
SPECIAL AUDIT REPORT
JULY 1, 1998 THROUGH JUNE 30, 2000

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STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

Jeff A. McMahan
State Auditor and Inspector

June 29, 2004

Honorable William Peterson
District Attorney-District No. 22
Hughes County Courthouse
P.O. Box 350
Holdenville, Oklahoma 74848

Transmitted herewith is the Special Audit Report of the Hughes County Commissioner District No. 2. We performed our special audit in accordance with the requirements of **74 O.S. 2001, § 212(H)**.

A report of this type is critical in nature; however, we do not intend to imply that our report failed to disclose commendable features in the present accounting and operating procedures of the County Commissioner District No. 2.

The Office of the State Auditor and Inspector is committed to serve the public interest by providing independent oversight and by issuing reports that serve as a management tool to the State. Our goal is to ensure a government which is accountable to the people of the State of Oklahoma.

We wish to take this opportunity to express our appreciation for the assistance and cooperation extended to our Office during the course of our special audit.

Sincerely,

A handwritten signature in cursive script that reads "Jeff A. McMahan".

JEFF A. McMAHAN
State Auditor and Inspector

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HUGHES COUNTY COMMISSIONER
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BOARD OF COUNTY COMMISSIONERS

Charles Skipworth District No. 1
Bobby Ray District No. 2
Jerry Martin District No. 3



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

Jeff A. McMahan
State Auditor and Inspector

Hughes County Board of Commissioners
Hughes County Courthouse
200 N. Broadway, Ste 7
Holdenville, Oklahoma 74848

Pursuant to the District Attorney's request and in accordance with the requirements of **74 O. S. 2001, § 212(H)**, we performed the procedures enumerated below with respect to the Hughes County Commissioner District No. 2, for the period July 1, 1998 through June 30, 2000.

The objectives of our special audit primarily included, but were not limited to, the areas presented by the District Attorney. Our findings and recommendations related to these procedures are presented in the accompanying report.

Because the above procedures do not constitute an audit conducted in accordance with generally accepted auditing standards, we do not express an opinion on the account balances or financial statements of the Hughes County Commissioner District No. 2 for the period July 1, 1998 through June 30, 2000. Further, due to the test nature and other inherent limitations of a special audit report, together with the inherent limitations of any internal control structure, there is an unavoidable risk that some material misstatements may remain undiscovered. This report relates only to the accounts and items specified above and does not extend to any financial statements of the County Commissioner District No. 2 taken as a whole.

This report is intended to provide information to the District Attorney and the Hughes County Board of Commissioners. This restriction is not intended to limit the distribution of the report, which is a matter of public record when released.

Sincerely,

A handwritten signature in cursive script that reads "Jeff A. McMahan".

JEFF A. McMAHAN
State Auditor and Inspector

June 25, 2003

INTRODUCTION

The Board of County Commissioners is the chief administrative body for the County. County Commissioners are responsible for maintaining and constructing the County roads and bridges.

The Commissioners must act as a Board when entering into contracts or other agreements affecting the County's welfare. Thus, actions taken by the Board are voted on and approved by a majority of the Commissioners. The Board of County Commissioners' business meetings are open to the public.

As the County's chief administrative body, the three County Commissioners must make major financial decisions and transactions. The Board has the official duty to ensure the fiscal responsibility of the other County officers who handle County funds. The review and approval procedures empowered to the Board of County Commissioners are a means to provide the public with a fiscally efficient system of County government.

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CONCERN: *Possible irregularities in payment of employee salary.*

FINDING: During an interview, the County Commissioner District No. 2 (the Commissioner) stated that in 1998 and 1999 that a retired County employee (employee no. 1) was working as a road hand at his District on a part-time basis. Employee no. 1 worked the maximum time the County allowed for part time employees, six (6) months. At this time, the Commissioner stated he came up with the idea that he would put employee no. 1's wife (employee no.2) on the payroll and that she would be paid for the hours he worked. This would allow the employee to be classified as a part time employee.

We obtained District No. 2's payroll register for the 1998 and 1999 calendar year to determine the months which these two (2) individuals were employed and received a salary. Also, we obtained the monthly time sheets for employee no. 1 and no. 2 that coincide with their payroll. The payroll records reflect the following payments were made to the employees:

DATE	GROSS PAY	WITH- HOLDINGS	NET PAY	WARRANT NUMBER
EMPLOYEE NO. 1:				
February 1999	\$ 1,400.00	\$ 192.96	\$ 1,207.04	1361
March 1999	1,400.00	192.96	1,207.04	1583
April 1999	1,400.00	192.96	1,207.04	1811
May 1999	1,400.00	192.96	1,207.04	2005
June 1999	1,400.00	192.96	1,207.04	2262
July 1999	1,400.00	191.32	1,208.68	95
TOTAL SALARY EMPLOYEE NO.1	8,400.00	1,156.12	7,243.88	
EMPLOYEE NO. 2:				
August 1999	1,400.00	210.37	1,189.63	294
September 1999	1,400.00	210.37	1,189.63	499
October 1999	1,400.00	210.37	1,189.63	723
November 1999	1,400.00	210.37	1,189.63	924
December 1999	1,400.00	210.37	1,189.63	1078
TOTAL SALARY EMPLOYEE NO. 2	7,000.00	1,051.85	5,948.15	
TOTAL COMBINED SALARY FOR 1999	\$15,400.00	\$2,207.97	\$13,192.03	
EMPLOYEE NO. 1:				
April 1998	\$ 540.00	\$ 43.38	\$ 496.62	1818
May 1998	1,300.00	166.05	1,133.95	2044
June 1998	1,300.00	166.05	1,133.95	2232
July 1998	1,400.00	192.96	1,207.04	87
August 1998	1,400.00	192.96	1,207.04	232
September 1998	1,400.00	192.96	1,207.04	471
TOTAL SALARY EMPLOYEE NO.1	7,340.00	954.36	6,385.94	

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EMPLOYEE NO. 2:				
October 1998	1,400.00	210.37	1,189.63	624
November 1998	1,400.00	210.37	1,189.63	813
December 1998	1,400.00	210.37	1,189.63	973
TOTAL SALARY				
EMPLOYEE NO. 2	4,200.00	631.11	3,568.89	
TOTAL COMBINED				
SALARY FOR 1998	\$11,540.00	\$1,585.47	\$9,954.83	

Based on information obtained from Oklahoma Public Employees Retirement System, during 1998 and 1999, as a retired employee, employee no. 1 was allowed to make an additional income of \$14,500.00 and \$15,500.00, respectively. During 1998 and 1999, the combined salary received by employee no. 1 and no. 2 was \$11,540.00 and \$15,400.00, respectively, which appears to be within the maximum allowed earnings for retirees.

Based on information obtained from Oklahoma Public Employees Retirement System, during 1998 and 1999, as a retired employee, employee no. 1 was allowed to make an additional income of \$14,500.00 and \$15,500.00, respectively. During 1998 and 1999, the combined salary received by employee no. 1 and no. 2 was \$11,640.00 and \$15,400.00, respectively, which appears to be within the maximum allowed earnings for retirees.

The payroll register reflects there was no retirement contributions withheld from employee no. 1 or no. 2 salary for 1998 and 1999. For the retired employee not to contribute to the Oklahoma Retirement System, after returning to work, appears to be in violation of **74 O.S. 2001, § 914(E)**, which states, in pertinent part:

“Provided, further, that any participating employer who is employing such a retirant shall make proper written notification to the System informing it of the beginning date of such retirant’s employment and the date such retirant reaches the maximum compensation allowed by this section in the calendar year; and provided, also, that any retirant returning to work for a participating employer shall make contributions to the System and the employer shall do likewise.”

The payroll register is followed by an affidavit signed by the Commissioner. The affidavit states:

“I, the undersigned, on oath, depose and say that I am the head of the District #2 department of the STATE OF OKLAHOMA, County of HUGHES, and I am authorized to execute this affidavit by virtue of Tit. 62. 304.1, O.S. 1961; **that the persons whose names are listed on the above payroll hold positions or employment set forth after their respective names in the department that I am in charge of**; that the appointment or employment of each said persons has here-to-for been confirmed by the Governing Board and filled or entered of record by virtue of statute, ordinance, or contract; **that each of said persons personally under my direct supervision the service for which compensation is claimed**, and that each of said persons has taken the Loyalty Oath required by H.B. 503, S.L. 1953.”

Also, the Commissioner, employee no. 1, and employee no. 2 signed a loyalty oath in accordance with **51 O.S. 1991, § 36.2A**, which states, in part:

“I do solemnly swear (or affirm) that I will support the Constitution and the laws of the United States of America and the Constitution and laws of the State of Oklahoma, and that I will faithfully discharge, according to the best of my ability, the duties of my office or employment[.]”

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The loyalty oath signed by employee no. 2 was notarized by the secretary at the Commissioner's barn.

We obtained a signed affidavit from the Commissioner stating:

"I, [the Commissioner], County Commissioner Hughes County, District 2 employed [employee no. 1] as a temporary employee. Temporary employees can only work six months without paying full benefits. This happened in the years 1998 and 1999. In 1998, [employee no. 1] worked six months under his name from April through September, then I put his wife on the payroll and took him off. [Employee no. 1] continues to work in the place of his wife, [employee no. 2], from October through December 1998. [Employee no. 1] did not work in the month of January 1999 but started back in February and worked through July in his name. In August I put [employee no. 2] back on the payroll through December and [employee no. 1] continued to work in her place. At no time was anyone paid by the county without work being received. [Employee no. 1] was a good employee, and a good equipment operator. The County is the one that benefitted from this employee working. I can now see that this was a bad decision on my part and regret doing it, and I say again, there was work done for the pay."

Based on payroll information and the signed affidavit from the Commissioner, it appears false documents, loyalty oaths, W-4's, and time sheets, etc., were prepared and filed to reflect that employee no. 2 was a County employee while employee no. 1 was performing the work and the payment for services was made to employee no. 2. The affidavit from the Commissioner states that he put employee no. 2 on the payroll to avoid paying full benefits to employee no. 1. Also, it appears the Commissioner approved the payroll claims knowing that payments to employee no. 2 was for work that was being performed by employee no. 1, therefore, this would appear to be a violation of **62 O.S. 1991, § 372**.

RECOMMENDATION: We recommend the Oklahoma Retirement System review this finding to determine what contributions are due to the System.

FINDING: Based on the information obtained, it appears that the combined hours worked by employee no. 1 and employee no. 2 during 1998 and 1999 did not meet the maximum allowable salary a person could earn in addition to their retirement benefits. Therefore, it appears employee no. 1 could have been hired as a full-time employee by the County which he would have been entitled to health insurance, retirement, and sick and annual leave.

FINDING: The employees' work hours are maintained by the secretary at County barn, District No. 2, then submitted to the County Clerk on a monthly basis. The time sheets submitted to the County Clerk reflects the hours worked, leave and holiday time, and compensatory time/overtime. We compared the total overtime hours recorded on employee no. 1 and employee no. 2's time sheets to the total hours of compensatory time taken. For 1999 and 1998, the total overtime hours accrued was 75 and 36 hours, respectively, and compensatory time taken was 80 and 64 hours, respectively. Based on the comparison, it appears the employee no. 1/employee no. 2 was paid an excess of 5 and 18 hours for 1999 and 1998, respectively, for compensatory time.

Also, noted that employee no. 1 and employee no. 2 were paid four (4) days and two (2) days, respectively, for sick leave. Based on the employee personnel policy handbook only "full-time Hughes County employees shall be entitled to sick leave with pay".

Note: Per request of the District Attorney interviews with individuals involved in this matter, except the Commissioner, were to be conducted by the Oklahoma State Bureau of Investigation.