



NOWATA COUNTY COMMISSIONER DISTRICT 1 TURNOVER

Statutory Report

January 3, 2023

Cindy Byrd, CPA
State Auditor & Inspector

**COUNTY OFFICER TURNOVER STATUTORY REPORT
BURKE LARUE
NOWATA COUNTY COMMISSIONER
DISTRICT 1
JANUARY 3, 2023**

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March 21, 2023

BOARD OF COUNTY COMMISSIONERS
NOWATA COUNTY COURTHOUSE
NOWATA, OKLAHOMA 74048

Transmitted herewith is the Nowata County Officer Turnover Statutory Report for January 3, 2023. The engagement was conducted in accordance with 19 O.S. § 171.

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.

Sincerely,

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

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR



Burke LaRue
Nowata County Commissioner, District 1
Nowata County Courthouse
Nowata, Oklahoma 74048

For the purpose of complying with 19 O.S. § 171, we have performed the following procedures for January 3, 2023:

- Verify that equipment items on hand agree with inventory records maintained per 19 O.S. § 178.1 and 19 O.S. § 178.2.
- Verify that consumable items on hand agree with consumable inventory records maintained per 19 O.S. § 1502.
- Verify that machinery and equipment acquisitions, dispositions, and expenditures are in accordance with 19 O.S. § 333.
- Verify that the amount of total claims approved for the operation of said Office is not in excess of limitations imposed by 19 O.S. § 347.

Information addressed in this report is the representation of the respective county officer.

Our county officer turnover engagement was limited to the statutory procedures described above and was less in scope than an examination or audit performed in accordance with auditing standards generally accepted in the United States of America, the objective of which would be the expression of an opinion. Accordingly, we do not express an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

Based on our procedures performed, we have presented our findings in the accompanying schedule.

This report is intended solely for the information and use of the management of the County and should not be used for any other purpose. This report is also a public document pursuant to the Oklahoma Open Records Act (51 O.S. § 24A.1 et seq.), and shall be open to any person for inspection and copying.

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

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

March 8, 2023

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SCHEDULE OF FINDINGS AND RESPONSES

Finding 2023-002 – Lack of Internal Controls and Noncompliance Over Consumable Inventories

Condition: The observation and test of consumable inventories for District 1 indicated the following internal control weaknesses and noncompliance:

- Fuel records are not being maintained in a manner to reflect input, output, and balances in fuel tanks and are not being reconciled.
- Fuel tanks gauges do not report fuel in tanks, only usage between resets.
- Fuel tanks are not stuck to determine fuel balances.
- Auxiliary fuel tanks on trucks do not have conversion charts available and fuel usage is not being tracked.
- Consumable stock cards do not always reflect cost per unit or value balance.

Additionally, when reconciling consumable records balances as noted on consumable cards to balances on hand, OSAI noted the following:

- Variances between actual amounts on hand and inventory record balances on seventy-two (72) consumable items.
- Consumable records were not maintained for twenty-six (26) consumable items noted on hand.

Cause of Condition: Policies and procedures have not been designed and implemented with regard to accounting for and safeguarding of consumable items and compliance with state statute.

Effect of Condition: These conditions resulted in noncompliance with state. Additionally, when consumable inventory items are not adequately accounted for and safeguarded there is an opportunity for misappropriation and undetected errors.

Recommendation: OSAI recommends management implement internal controls to ensure compliance with 19 O.S. § 1504A, which would provide assurance that the consumable items of the County are protected from loss and misuse. These controls would include:

- Maintaining a fuel log with all pertinent information including a current balance.
- Reconciling fuel log periodically to fuel on hand and explaining any variance or adjustments.
- Maintaining consumable inventory cards or records for all consumable items that denoting amounts purchased, used, balances of actual consumables on hand, and cash value.
- Visually inspecting and maintaining documentation for periodic reviews of consumable inventory. Verification should be performed by an individual independent of the consumable recordkeeping process.

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OSAI also recommends the performing and documenting a monthly consumable inventory count. Counts should be initialed and dated by the employee performing the physical count and retained to show the design and implementation of internal controls by the County Commissioners. Additionally, the key functions of receiving duties and consumable inventory control duties should be performed by separate employees in order to effectively segregate those duties.

Management Response:

Former District 1 County Commissioner: Around mid-September, I had an employee do a sign and related parts inventory. I understood at that time all materials matched the inventory list.

Auditor Response: During the physical count of consumable items performed by OSAI on January 3, 2023, OSAI noted the following:

- Fuel records were not being maintained in a manner to reflect input, output, and balances in fuel tanks and are not being reconciled.
- Fuel tanks gauges did not report fuel in tanks, only usage between resets.
- Fuel tanks were not stuck to determine fuel balances.
- Auxiliary fuel tanks on trucks did not have conversion charts available and fuel usage is not being tracked.
- Consumable stock cards did not always reflect cost per unit or value balance.
- Variances between actual amounts on hand and inventory records on seventy-two (72) consumable items.
- Consumable records were not maintained for twenty-six (26) consumable items noted on hand.

Criteria: The United States Government Accountability Office's *Standards for Internal Control in the Federal Government* (2014 version) aided in guiding our assessments and conclusion. Although this publication (GAO Standards) addresses controls in the federal government, this criterion can be treated as best practices and may be applied as a framework for an internal control system for state, local, and quasigovernmental entities.

The GAO Standards – Section 2 – Establishing an Effective Internal Control System – OV 2.24 states in part:

Safeguarding of Assets

A subset of the three categories of objectives is the safeguarding of assets. Management designs an internal control system to provide reasonable assurance regarding prevention or prompt detection and correction of unauthorized acquisition, use, or disposition of an entity's assets.

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GAO Standards – Principle 10 – Design Control Activities – 10.03 states in part:

Physical Control over Vulnerable Assets

Management establishes physical control to secure and safeguard vulnerable assets. Examples include security for and limited access to assets such as cash, securities, inventories, and equipment that might be vulnerable to risk of loss or unauthorized use. Management periodically counts and compares such assets to control records.”

Title 19 O.S. § 1504 requires the receiving officer to maintain a record of all items received, disbursed, stored, and consumed by the department.

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



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