

**OKLAHOMA  
COUNTY  
BOARD OF  
COMMISSIONERS**

**JULY 1, 2006 THROUGH  
JANUARY 1, 2009**

**SPECIAL  
AUDIT**



Oklahoma State Auditor  
& Inspector

**OKLAHOMA COUNTY BOARD OF COMMISSIONERS**

**SPECIAL AUDIT REPORT**

**JULY 1, 2006 THROUGH JANUARY 1, 2009**

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# STATE AUDITOR AND INSPECTOR

STEVE BURRAGE, CPA  
State Auditor

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Chief Deputy



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August 3, 2009

Honorable David W. Prater  
District Attorney – District No. 7  
Oklahoma County Courthouse  
320 Robert S Kerr Ave, Ste 505  
Oklahoma City, Oklahoma 73102

Transmitted herewith is the Special Audit Report of the Oklahoma County Board of Commissioners Oklahoma City, Oklahoma. We performed our special audit in accordance with the requirements of **74 O.S. 2001, § 212(H)**.

A report of this type tends to be critical in nature. Failure to report commendable features in the accounting and operating procedures of the entity should not be interpreted to mean that they do not exist.

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 insure 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 blue ink that reads "Steve Burrage".

STEVE BURRAGE, CPA  
STATE AUDITOR & INSPECTOR

**OKLAHOMA COUNTY BOARD OF COMMISSIONERS  
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OKLAHOMA COUNTY, OKLAHOMA  
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**BOARD MEMBERS**

Mr. Ray Vaughn..... Chairman  
Ms. Willa Johnson .....Member  
Mr. Brian Maughan.....Member

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Mr. Ray Vaughn, Chairman  
Oklahoma County Board of Commissioners  
320 Robert S Kerr Ave  
Oklahoma City, Oklahoma 73102

Dear Mr. Vaughn:

Pursuant to the District Attorney's request and in accordance with the requirements of **74 O.S. § 212(H)**, we performed a special audit with respect to the Oklahoma County Board of Commissioners, for the period July 1, 2006 through January 1, 2009.

The objectives of our special audit primarily included, but were not limited to, the areas noted in the District Attorney's request. 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 Oklahoma County Board of Commissioners for the period July 1, 2006 through January 1, 2009. 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 do not extend to any financial statements of the Oklahoma County Board of Commissioners taken as a whole.

This report is intended solely for the information and use of the Oklahoma County Board of Commissioners and its Administration 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. 2001, § 24A.1 et seq.)**, and shall be open to any person for inspection and copying.

Sincerely,

A handwritten signature in blue ink that reads "Steve Burrage".

STEVE BURRAGE, CPA  
STATE AUDITOR & INSPECTOR

April 14, 2009

**OKLAHOMA COUNTY BOARD OF COMMISSIONERS  
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**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.

Pursuant to the District Attorney's request, the Oklahoma State Auditor and Inspector (OSAI) conducted an audit of the Oklahoma County Board of Commissioners. The results of the audit are in the following report.

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**I. OBJECTIVE:** Review circumstances surrounding a \$71,185.00 undeposited check.

**FINDING**

In January 2009 the Chief Deputy for newly elected County Commissioner Brian Maughan discovered a check written to Oklahoma County in the amount of \$71,185.00 that was in a drawer along with other papers and documents related to the check.



The check had been issued by an auction company for payment related to the March 2007 sale of surplus county equipment.

In addition to OSAI, the Oklahoma State Bureau of Investigation (OSBI) was also contacted in relation to this check. We asked the Chief Deputy for copies of the check and supporting documentation and were told all of the documents had been given to the OSBI.

OSAI contacted the agent conducting the OSBI investigation and was informed that the check was from Graham Auctioneers in Marlow, Oklahoma, and that the check was dated almost two years prior to its discovery.

The concerns related to the check included:

- The check was undeposited for nearly two years.
- The check was not made payable to the County Clerk.
- The equipment was sold at an auction in Elk City rather than at a county auction.

Through interviews, OSAI determined the focus of our investigative audit was to determine if there was some type of collusion between the auction company and former County Commissioner Brent Rinehart.

On January 2, 2007, the Board of County Commissioner's passed Resolution 003-07 declaring equipment belonging to District #2 as surplus and authorizing the surplus equipment be sold at an auction in Elk City on March 10, 2007. A list of equipment was attached to the Resolution.



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On April 2, 2007, Resolution #127-07 was passed to dispose of the equipment sold at auction. Then on April 7, 2007, the county clerk's office removed the items sold at the auction from inventory.

OSAI met with the owners of the auction company who were willing to cooperate with our investigation by both answering questions and providing documentation related to their auction business.

Graham Auctioneers has been in the auction business for approximately 12 years. Each year they conduct two large auctions billed as "Oklahoma Statewide County Surplus Equipment Auction" ("County Surplus auction").

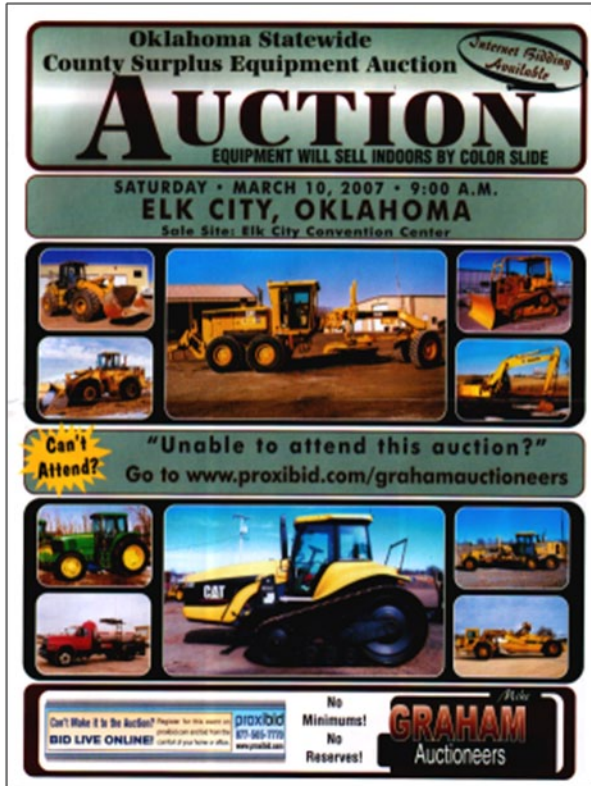
According to Owner Mike Graham, the auction has been supported by the Circuit Engineering Districts of the Association of County Commissioners of Oklahoma.

The following description of Circuit Engineering Districts was obtained from the ACCO website:

Circuit Engineering Districts, CEDs, have been developed under Title 69 § 687.1 which allows counties to come together as a cooperative and provide efficiencies that are not available to an individual county. The Districts act as a political subdivision of the counties. Each county designates one County Commissioner to serve on the CED board. The Districts mirror the same boundaries as the ACCO districts.

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In preparation for the County Surplus auctions, Graham Auctioneers prepares 20,000 to 30,000 color brochures that are sent out to prospective bidders. Additionally, Graham Auctioneers has implemented a system to allow Internet based bidders to place bids during the auction and, as a result, has bidders from other countries participating in the auction.

Graham Auctioneers provided OSAI with documentation reflecting that the March 2007 auction included approximately 1,000 pieces of equipment from numerous county districts. The gross proceeds from the March 2007 auction exceeded \$6.7 million.

Because the auction is widely advertised, is an auction focusing on county surplus equipment, and appears to be a large auction, OSAI does not question the use of this auction service.

After the conclusion of an auction, Becky Graham prepares the payments to be sent to the counties involved in the auction. OSAI interviewed Becky

Graham and asked how she prepares and mails checks.

Becky Graham stated because each county wants things to be handled a different way she performs the following actions:

- A separate check is prepared for each individual district in any given county.
- Each of the individual checks are then placed in an individual envelope.
- Each of the envelopes is then placed in a single mailing envelope.
- She then mails the checks to the address of the county commissioner's office as reflected in the ACCO handbook.

Based on the information provided by Becky Graham, it appears the question related to the check having not been made payable to the County Clerk was due to the process used by Graham Auctioneers. It does not appear to be the result of some specific instruction by a District #2 official or employee.

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OSAI asked Auctioneer Mike Graham if he personally knew former County Commissioner Brent Rinehart. He said that he did not recall having ever met Commissioner Rinehart. When shown a picture of former Commissioner Rinehart Graham stated he did not look familiar.

When Oklahoma county officials contacted Graham Auctioneers concerning the discovery of the undeposited check, Graham issued a second check. This check has been received and deposited by the county.

OSAI noted that an Etnyre Oil Distributor with county number DB310-00201 and serial number J4316 was acquired August 7, 1972, for \$13,438.05. This item was included in the January 2, 2007, Board of County Commissioners' resolution for "surplusing of equipment." The resolution contained a provision that the items listed would be sold at the Elk City auction on March 10, 2007. The Etnyre Oil Distributor was included in the April 2, 2007, resolution for disposing of equipment as an item that was sold at the auction in Elk City on March 10, 2007. OSAI reviewed the auction worksheet obtained from the auction company which listed the lot number, quantity, description, consignor, selling price, and bidder number. OSAI noted that the Etnyre Oil Distributor was not included in the items sold on the auction listing.

**RECOMMENDATIONS** OSAI recommends the county implement procedures to ensure payments received are deposited in a timely manner. OSAI further recommends that the proper legal authority review this finding to determine what action, if any, may be required.

**II. OBJECTIVE:** Review circumstances surrounding billings related to gas cylinders.

**FINDING** The focus of this matter stems from a concern that District #2 has been billed for the rental of CO2 cylinders for several years even though district personnel indicate CO2 gas is not used by the district.

Through interviews with a former district yard employee, the shop foreman, and the welder, it appears the following events led to the concerns surrounding the CO2 cylinders:

- A now former employee asked the shop foreman to verify that the district had all the cylinders contained on an invoice from Airgas.
- It was subsequently discovered that the district did not have cylinders that they were billed for.

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- The district contacted Airgas, and on November 13, 2008, a representative from Airgas performed an audit (count) of the cylinders. From the audit, it was confirmed that the district did not have some of the cylinders contained in the invoice.
- The district received an invoice for \$4,468.57, dated November 18, 2008, from Airgas for 15 lost cylinders, 11 of which were CO2 cylinders.



OSAI interviewed the welder for District #2 who stated the District had originally obtained cylinders and gas from a company named Redball which was later acquired by Airgas.

District #2 employees determined they did not believe they had the Airgas cylinders on the premises. Therefore, they contacted Airgas employee Mike Elkins.

Mr. Elkins came to the District #2 yard and performed an audit (count) of the cylinders.

District #2 employees stated they asked for an invoice showing who had signed the receiving ticket for the cylinders and were told by Mike Elkins the billing for the now unaccounted for cylinders may have been done because of records inherited by Airgas from Redball. The original, signed receiving invoice may not be in Airgas files. It would have been signed 20 or more years ago.

After the audit, the county employees felt the problem had been resolved, and the county would not receive any more bills. However, Airgas billed the county for the loss of the cylinders that could not be located.

Airgas provided OSAI invoices and delivery orders dating back to January 1995. The January 1995 rental invoice shows a "balance forward" of 22 high pressure cylinders and 9 low pressure cylinders.

The invoices appear to support the statement in the welder's interview that the billing issue could date back 20 years and the billing was thought to pre-date Airgas. For the audit period, OSAI calculated the amount billed for CO2 cylinder rental at \$4,529.07, which averages to approximately \$150.00 a month for the audit period.

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Beginning October 2000, the invoices provided a breakdown of the type of cylinders. Beginning with the October 31, 2000 invoice, it appears that District #2 was consistently billed for 16 CO2 cylinders.

District #2's contention is that there is no reason to have 16 CO2 cylinders when they use such a minimal amount of CO2. However, the district had been paying monthly rent on approximately 16 CO2 cylinders since at least January 1995 to October 2008 without objection.

In fact, there is a disclosure statement on the back of Airgas rental invoices, which states:

Notice Regarding Cylinder Rentals/Leases and Responsibility:

This Notice relates to rentals, leases and cylinder balances. This document shows the total number of cylinders charged to you (that is, cylinders which we have rented or leased to you, and which you have not returned) according to our records as of the month ending date shown. The number of cylinders thus charged to you shall be considered correct for all contractual purposes between you and us, unless you report to us in writing any errors you claim within sixty (60) days after the date hereof. You agree to continue to pay rent on all cylinders charged to you until you have either (i) returned such cylinders to us in good working order or (ii) paid us the replacement cost thereof. If, for any reason, you cannot return any cylinder to us, you shall, forthwith, upon our billing, pay us the replacement cost thereof.

OSAI met with Airgas officials who indicated that during the transition to develop more specific invoices, there could have been a coding error. To create the more detailed invoices, Airgas staff reviewed historical information to determine the specific type of tank leased to the customers. Airgas states there could have been a coding error in the type of gas, but the type of tank itself would have been accurate. Airgas appeared to rely upon the customer to identify any errors during this process and in its billings.

Moreover, Airgas provided records indicating in 2004 and 2005 District #2 employees had made personal purchases of gas cylinders on the District #2 account. Because Airgas and the county were unable to provide records prior to 1995, we are unable to determine if it could have been additional tanks purchased by other employees using the District #2 account that caused the cylinder count to be off.

Based on the records provided and our discussions with Airgas officials, it is possible that cylinders may have been purchased by employees for personal use,

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using the District's account. If those cylinders were not returned, the missing cylinders would have been attributed to the District's account.

OSAI inquired of a now former county employee as to how this issue came to light after what appears to be 20 or more years. According to the former employee, she had been asking shop employees to verify the number of cylinders and the shop employees had indicated that cylinders were accounted for.

Because of the 20 year time span and a lack of documentation prior to 1995, we are unable to make any determination as to when or under what circumstances the tank cylinders may have been misappropriated.

**RECOMMENDATIONS** OSAI recommends the District adopt policy to ensure employees are not using District accounts to make personal purchases. Further, OSAI recommends the county adopt procedures to ensure that rental items are accounted for and are actually being used for county purposes.

**III. OBJECTIVE:** Review circumstances related to missing computer equipment.

**FINDING** OSAI had previously published a report indicating there was missing computer equipment from District #2. OSAI was asked to follow-up on the missing equipment.

The missing equipment is described in the table below.

Tag Number	Date		Amount
	Purchased	Description	
DB236-00272	7/8/2002	Gateway 700 LB PC	\$1,042.00
DB236-00273	7/29/2002	Viewsonic 17" Panel Monitor	\$694.50
DB236-00280	7/29/2002	Viewsonic 17" Panel Monitor	\$694.50
<b>Total</b>			<b>\$2,431.00</b>

During the course of our investigative audit, we were notified by the District Attorney's Office that one of the missing monitors had been located in the District Attorney's Office and, most likely, the other equipment had been used or reissued to the District Attorney's Office.

Based on the information provided, it appears there was no misappropriation of assets but rather a failure to adequately monitor assets belonging to the county.

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Because the items had been located, we did not pursue this allegation any further.

**RECOMMENDATION** OSAI recommends the county implement procedures to properly account for assets when they are transferred from one department to another.

**DISCLAIMER** The State Auditor and Inspector 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 and such determinations are within the exclusive jurisdiction of regulatory, law enforcement, and judicial authorities designated by law.



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