


STATUTORY REPORT

# OSAGE COUNTY COMMISSIONER DISTRICT 2 TURNOVER

January 3, 2017



*Independently serving the citizens of  
Oklahoma by promoting the  
accountability and fiscal integrity of  
governmental funds.*



Oklahoma State  
Auditor & Inspector  
Gary A. Jones, CPA, CFE

**COUNTY OFFICER TURNOVER STATUTORY REPORT  
SCOTT HILTON  
OSAGE COUNTY COMMISSIONER  
DISTRICT 2  
JANUARY 3, 2017**

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# Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

February 21, 2017

BOARD OF COUNTY COMMISSIONERS  
OSAGE COUNTY COURTHOUSE  
PAWHUSKA, OKLAHOMA 74056

Transmitted herewith is the Osage County Officer Turnover Statutory Report for January 3, 2017. 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 "Gary A. Jones". The signature is written in a cursive style with a long, sweeping underline.

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



# Oklahoma State Auditor & Inspector

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Scott Hilton  
Osage County Commissioner, District 2  
Osage County Courthouse  
Pawhuska, Oklahoma 74056 zip code

For the purpose of complying with 19 O.S. § 171, we have performed the following procedures for January 3, 2017:

- Verify that equipment items on hand agree with inventory records maintained per 19 O.S. § 178.1.
- 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.
- Verify that a monthly report of the Office is on file with the County Clerk per 19 O.S. § 684.
- Verify that the Office is not exceeding the maximum amount of cash authorized for their change needs per 19 O.S. § 682.
- Verify that the Officer's depository account balances reconcile with the County Treasurer's records and that undeposited cash reconciles to receipts.

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 "Gary A. Jones". The signature is written in a cursive style with a large initial "G" and a long horizontal stroke at the end.

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

January 17, 2017

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OSAGE COUNTY COMMISSIONER  
JANUARY 3, 2017**

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**SCHEDULE OF FINDINGS AND RESPONSES**

**Finding 2017-01 - Inadequate Internal Controls and Noncompliance Over Fixed Assets Inventory**

**Condition:** Upon inquiry and observation of 121 fixed asset inventory items, the following exceptions were noted:

- Two (2) items listed on inventory could not be located:
  - Item number 420-0202, Pacer Water Pump
  - Item number 420-0203, Barnes Pump
- Eight (8) items listed on inventory could not be verified due to the inventory number or serial number not being visible.
- Twenty-two (22) items were not marked as “Property of Osage County”.

Additionally, nine (9) items were visually inspected that were not on inventory even though two (2) items had inventory numbers attached to them and seven (7) items were valued over \$500.

**Cause of Condition:** Policies and procedures have not been adequately designed and implemented to ensure the accurate reporting of fixed assets or to ensure equipment is properly identified in accordance with state statutes.

**Effect of Condition:** These conditions resulted in noncompliance with state statutes. Opportunities for loss and misappropriation of county assets may be more likely to occur when the County does not have procedures in place to account for fixed assets.

**Recommendation:** The Oklahoma State Auditor & Inspector’s Office (OSAI) recommends management implement internal controls to ensure compliance with state statutes by maintaining inventory records and marking assets with a county identification number and “Property of Osage County.”

**Management Response:**

**Outgoing Commissioner:** The two items that could not be located were purchased under previous administration. The eight items that could not be verified due to inventory number or serial number not visible on the items, four items were left to the County on a drug bust and the remaining four items are too small to keep inventory numbers on them. The twenty-two items not properly marked, several of these items cannot tolerate a sticker being on them in the manner they are used; they would be worn off quickly and I was not aware that stickers were needed on both sides of the vehicle and equipment. The additional nine items not on inventory were not valued over \$500.

**Auditor Response:** The items that could not be located need to be disposed of properly by the current administration. The remaining items need to be properly marked with an inventory tag so they can be easily verified and all vehicles and equipment should be marked “Property of” on both sides per Title 69 O.S. § 645. The additional items not listed on inventory should to be added and properly tagged or

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properly removed through the statutory process since seven (7) of the nine (9) items were valued over \$500 and two (2) of the nine (9) items had inventory tags attached to them indicating they were once valued above the inventory value threshold.

**Criteria:** Internal controls over safeguarding of assets constitute a process, affected by an entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from misappropriation.

Title 19 O.S. § 178.1 states in part, "The board of county commissioners in each county of this state shall take, or cause to be taken, an inventory of all working tools, apparatus, machinery and equipment belonging to the county or leased or otherwise let to it or to any department thereof, other than that which is affixed to and made a part of lands and buildings, the cost of which as to each complete working unit thereof is more than Five Hundred Dollars (\$500.00), and thereafter maintain or cause to be maintained a continuous inventory record thereof and of like tools, apparatus, machinery and equipment purchased, leased or otherwise coming into the custody of the county or of any office, board, department, commission or any or either thereof, and the disposition thereof whether sold, exchanged, leased or let where authorized by statute, junked, strayed or stolen, and annually thereafter, or oftener in event of death, resignation or removal of an elective officer with a term, to verify or cause to be verified by count and report of the same as of the end of a term of office and as part and parcel of the accounting required by law of a retiring or re-elected officer, and, as to appointive heads of departments amenable directly to the board of county commissioners..."

Title 19 O.S. § 178.2 states in part, "It shall be and is hereby made the duty of every county officer, board, commission, or department, and by record directive of the board of county commissioners may be made the duty of any employee of the board of county commissioners subject to summary discharge and removal by the board, to conform in all respects and be amenable to all uniform resolutions adopted by their respective boards of county commissioners directing the taking, recording, maintaining and reporting inventories of properties in their respective custody in accordance with the provisions of this act. It shall be the duty and responsibility of each elected county official to create and maintain inventory records of said office..."

Title 69 O.S. § 645 states, "The board of county commissioners shall cause each piece of county-owned, rented or leased road machinery and equipment, and each automobile and truck, to be marked in accordance with the provisions of this section. County-owned automobiles, trucks, road machinery and equipment shall be conspicuously and legibly marked PROPERTY OF (name of county) COUNTY, and leased automobiles, trucks, road machinery and equipment shall be conspicuously and legibly marked LEASED BY (name of county) COUNTY, on each side, in upper case letters, on a background of sharply contrasting color."

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**Finding 2017-02 - Inadequate Internal Controls and Noncompliance Over Consumable Inventories**

**Condition:** During our review of 40 consumable inventory items, the following exceptions were noted:

<b>Consumable Item</b>	<b>Quantity Recorded</b>	<b>Quantity Verified</b>	<b>Variance</b>
Unleaded Fuel	1,341 Gallons	1,376 Gallons	35 Gallons
Diesel Fuel	3,589 Gallons	2,518 Gallons	-1,071 Gallons
1 ½ OD Tubing	200 Feet	240 Feet	40 Feet
12in. X 24ft. Corrugated Pipe	6 Each	5 Each	-1 Each
12in. X 30ft. Corrugated Pipe	1 Each	2 Each	1 Each
18in. Band	3 Each	2 Each	-1 Each
24in. Band	9 Each	10 Each	1 Each
5/8in. Sucker Rod	19 Each	100 Each	81 Each
Barb Wire	15 Each	16 Each	1 Each
Field Wire	2 Each	1 Each	-1 Each
Rip Rap	0 Tons	13 Tons	13 Tons
Sign Posts-2 3/8in. X 9ft.	20 Each	37 Each	17 Each
T Post	30 Each	55 Each	25 Each

**Cause of Condition:** The consumable inventory records are not being properly maintained, accurately updated, and reconciled to physical counts.

**Effect of Condition:** These conditions resulted in noncompliance with state statutes. Also, failure to maintain accurate records of consumable inventory items and to perform a periodic physical inventory of consumable inventory items could result in inaccurate records, unauthorized use, or misappropriation of consumable inventory.

**Recommendation:** OSAI recommends that management implement internal controls to ensure consumable items be adequately secured and fuel records be accurately maintained and reconciled to the actual fuel on hand. OSAI also recommends management implement internal controls to ensure compliance with O.S. § 1502 and 19 O.S. § 1504(A).

**Management Response:**

**Outgoing Commissioner:** Concerning the unleaded and diesel fuel, my assistant had been very ill the month of December for two weeks she had been unavailable to be at work and was gone on vacation the week prior to the audit and unfortunately did not have time to reconcile the fuel. She did show the auditor where she reconciled almost daily prior to December. For the remaining items, they were either recorded incorrectly or were not used on the project. These items were never reported to the inventory clerk when an item was not used to be put back on the inventory report.



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**Criteria:** Title 19 O.S. § 1502 states in part: "...1. The Board of County Commissioners or a designated employee shall: a. Prescribes a uniform identification system for all supplies, material, and equipment of a county used in the construction and maintenance of roads and bridges..."

Title 19 O.S. § 1504(A) states, "A receiving officer shall receive all purchased, lease-purchased or rented items procured for the department and shall identify such items received in a manner prescribed by the county road and bridge inventory officer or board of county commissioners or designee. The receiving officer shall also maintain a record of all such items received, disbursed, stored and consumed by the department."



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