



PITTSBURG COUNTY DISTRICT 2 TURNOVER

Statutory Report

July 9, 2024

Cindy Byrd, CPA
State Auditor & Inspector

**COUNTY OFFICER TURNOVER STATUTORY REPORT
KEVIN SMITH
PITTSBURG COUNTY COMMISSIONER
DISTRICT 2
JULY 9, 2024**

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September 20, 2024

BOARD OF COUNTY COMMISSIONERS
PITTSBURG COUNTY COURTHOUSE
MCALESTER, OKLAHOMA 74501

Transmitted herewith is the Pittsburg County Officer Turnover Statutory Report for July 9, 2024. 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



Kevin Smith
County Commissioner, District 2
Pittsburg County Courthouse
McAlester, Oklahoma 74501

For the purpose of complying with 19 O.S. § 171, we have performed the following procedures for July 9, 2024:

- 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.

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.

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

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SCHEDULE OF FINDINGS AND RESPONSES

Finding 2025-001 – Internal Controls and Noncompliance Over Fixed Assets and Consumable Inventory

Condition: While comparing the items listed on the District’s inventory to the inventory on hand, the following exceptions were noted:

- Two (2) items that were listed on the inventory verification (dated July 1, 2024) were filed with the County Clerk and marked as being physically present; however, these items had been previously sold and disposed of as noted below.

County Number	Description	Serial/ VIN Number	Cost	Date of Disposal	Date of Resolution
D2-320.70B	Sakai Roller SV510	VSV16-30283	\$7,200	03/11/24	05/20/24
D2-320.70D	BOMAG Roller	410-124870	\$161,616	03/13/21	03/29/21

- One (1) item listed on the inventory verification (dated July 1, 2024) was filed with the County Clerk was marked as being physically present; however, this item could not be located.

County Number	Description	Serial/ VIN Number	Cost
D2-403.8	Lincoln Portable Welder	U1940401364	\$883.65

- Five (5) items were located on-site, but were not listed on the inventory:

Description	Serial Number	Cost
CAT 326F Trackhoe	FBR20852	Unknown
John Deere Brush Hog	Serial Number Not Located/Not Legible	Unknown
Lincoln Ranger Welder	U1160309677	Unknown
Lincoln Power Mig Welder	M3190100374	Unknown
Vermeer Wood Chipper	1VRY151Z1K1007191	Unknown

Additionally, the observation and test of consumable inventories for the District indicated the following internal control weaknesses and noncompliance:

- Fuel usage logs were not maintained.
- Reconciliations between fuel usage, fuel acquired, and fuel on hand were not performed.
 - As of the day of audit, the fuel measurement indicated 1,480.55 gallons of gasoline fuel and 1,895.98 gallons of diesel fuel on hand.
- Consumable records are not maintained.

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- Eleven (11) items were located on-site, but were not listed on the consumable inventory:

Description	Quantity
Caterpillar Grader Blades	17
John Deere Grader Blades	24
1.5" ODOT Gravel	35 Tons
8" Surge Rock	6 Tons
1.5" Crusher Run	120 Tons
Tires (various sizes)	30
12"X13' Culvert	28
18"X13' Culvert	13
18"X20' Culvert	35
24"X13' Culvert	7
24"X20' Culvert	9

Cause of Condition: Policies and procedures have not been designed and implemented over the County's fixed assets and consumable inventories to ensure compliance with state statutes.

Effect of Condition: These conditions resulted in noncompliance with state statutes and inaccurate fixed asset and consumable inventory records. When fixed asset and consumable inventory items are not adequately safeguarded and accounted for, there is an opportunity for misappropriation and undetected errors.

Recommendation: The Oklahoma State Auditor & Inspector's Office recommends that management design and implement internal controls to ensure compliance with 19 O.S. § 178.2 and 19 O.S § 1502 and that fixed assets and consumable inventories are safeguarded against misuse and loss. An annual inventory verification should include the following:

- Be performed annually by two individuals.
- Physically verify items on-site by serial or asset tag.
- Properly file resolutions of surplus and disposal of assets.
- Inventory records should be properly maintained to reflect assets disposed and/or acquired.

Consumable inventory records should include the following:

- Fuel usage logs should be maintained.
- Reconciliation of fuel on hand should be performed weekly.
- Consumable inventory records should be created and maintained for all consumable items.
- Reconciliation of consumable inventory should be performed weekly.

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Management Response:

Incoming County Commissioner Mike Haynes: Regarding the District's inventory exceptions noted:

- These items were removed by resolution of the Board of County Commissioners but were inadvertently left on the fiscal inventory. Steps will be taken to ensure items are removed promptly from the fiscal inventory as soon as approved for removal by the Board of County Commissioners.
- The item in question had become inoperable and was disposed of at the Alderson Regional Landfill. District 2 failed to notify the Courthouse Commissioners' Office when disposed, so it was never declared junk and removed from inventory. This item was removed from inventory on July 15, 2024 by Resolution 25-015. I will discuss with the District 2 bookkeepers the proper steps that need to be taken to declare items surplus or junk and will also instruct his bookkeepers that no item will be disposed of until a resolution to remove from inventory has been received at the District 2 shop and that it will be the bookkeeper's responsibility to notify the BOCC Courthouse Office of items that need to be declared surplus or junked.
- Items will be researched for purchasing information and added to inventory promptly.

Regarding the District's consumable inventory concerns noted:

- Procedures will be adopted, and training conducted to ensure proper maintenance to fuel usage logs are followed.
- Reconciliation between fuel usage, fuel acquired and fuel on hand will be conducted on a weekly and monthly basis.
- We will make every effort to ensure all consumables are tracked to the best of our ability in the future.

I am confident that the findings in this report can be corrected, and the inventory brought up-to-date immediately.

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 – 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. § 1502(A) states, "The board of county commissioners or a designated employee shall:

- a. prescribe a uniform identification system for all supplies, materials and equipment of a county used in the construction and maintenance of roads and bridges, and
- b. create and

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administer an inventory system for all: (1) equipment of a county having an original cost of Two Thousand Five Hundred Dollars (\$2,500.00) or more for use in the construction and maintenance of roads and bridges, and (2) supplies and materials of a county purchased in lots of Two Thousand Five Hundred Dollars (\$2,500.00) or more for use in the construction and maintenance of roads and bridges. Such person shall be the county road and bridge inventory officer.”

Title 19 O.S. § 178.2 states, “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. Such inventory shall be filed with the county clerk.

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S·A·I
STATE AUDITOR & INSPECTOR



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