

**WASHINGTON COUNTY COMMISSIONER
DISTRICT NO. 1
SPECIAL AUDIT REPORT
JANUARY 14, 2005 THROUGH JULY 31, 2006**

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STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

Jeff A. McMahan
State Auditor and Inspector

August 23, 2006

Honorable Frederick S. Esser
District Attorney – District No. 11
420 S. Johnstone, #222
Bartlesville, Oklahoma 74003

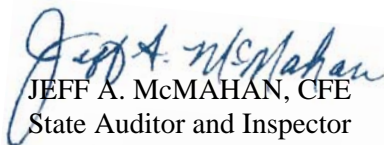
Transmitted herewith is the Special Audit Report of the employment and pay records of Jim Hines, District No. 1 employee. We performed our special audit in accordance with the requirements of **74 O.S. 2001, § 212.H.**

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 District No. 1 employment and pay records.

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,


JEFF A. McMAHAN, CFE
State Auditor and Inspector

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SPECIFIC CONCERN

The following concern is presented in its entirety in italics as it was communicated to us:

I. Concern: *Possible irregularities in employment and pay records for Jim Hines* 2

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GOVERNING BOARD

Gary DeckardMember
District No. 1 County Commissioner

Linda HerndonChairperson
District No. 2 County Commissioner

Jim SheetzMember
District No. 3 County Commissioner



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

Jeff A. McMahan
State Auditor and Inspector

Honorable Frederick S. Esser
District Attorney – District No. 11
420 S. Johnstone, #222
Bartlesville, Oklahoma 74003

Dear Mr. Esser:

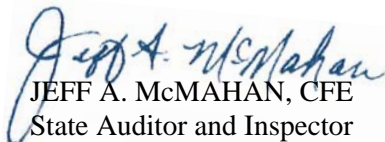
In accordance with the requirements of **74 O.S. 2001, § 212.H**, we performed a special audit with respect to the employment and pay records of Jim Hines, District No. 1 employee for the period January 14, 2005 through July 31, 2006.

The objective of our special audit primarily included, but was not limited to, the area noted in the specific concern and is presented in its entirety in italics as it was communicated to us. 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 County for the period January 14, 2005 through July 31, 2006. 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 taken as a whole.

This report is intended to provide information to the District Attorney. 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,


JEFF A. McMAHAN, CFE
State Auditor and Inspector

August 1, 2006

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CONCERN, FINDINGS AND RECOMMENDATIONS

I. CONCERN: *The District Attorney's letter dated July 18, 2006, requested that we examine the books and accounts of District No. 1 County Commissioner, in particular the employment and pay records for Jim Hines. According to the letter, it appeared that Mr. Hines had been paid as an employee of the County and as an independent contractor at the same time and for the same tasks.*

Finding: We made inquiries into the employment history of Jim Hines as a District No. 1 county employee and found that he began working for the County May 3, 1999, and terminated his employment with the County on January 14, 2005. In July 2005, Mr. Hines began performing contract labor projects for District No. 1 County Commissioner, and those projects continued until he was re-hired as a District No. 1 county employee on June 1, 2006.

To determine the projects that were performed by Mr. Hines and whether the projects were paid as an independent contractor or county employee, we obtained the purchase orders and payroll claims issued to Jim Hines for the period July 13, 2005 through July 31, 2006. In addition, we interviewed the County Clerk and the District No. 1 County Commissioner.

Based on our review, we found that four purchase orders had been issued to Jim Hines from July 13, 2005 through May 2, 2006, and are as follows:

Date	PO #	Description of PO	Amount	Comments
7/13/05	60272	Construct 37' Swinging water gap & tie to existing fence Project # BRO-174D (020) CO	\$2,850.00	Mr. Hines supplied both materials and labor for this project. It is not subject to 19 O.S. § 1505.B. – bid procedures because the amount is less than \$10,000.00.
8/17/05	60851	Contract labor to build pond on inwards property in exchange for right of way acquisition Project # BRO-174D (023) CO	\$622.75	Contract labor – not subject to bid procedures.
12/21/05	62919	Cost to build fence for N 3970 Rd widening project each side between 7.5 and 7.875	\$2,352.75	Mr. Hines supplied the labor for this project and the County supplied the materials. This PO is not subject to bid procedures.
5/2/06	64920	Cost to complete fencing on bridge Project #BRO-174D (024) CO	\$956.75	Mr. Hines supplied the labor for this project and the County supplied the materials. This PO is not subject to bid procedures.
		Total Purchase Orders	\$6,782.25	

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On May 1, 2006, Mr. Hines entered into a contract labor agreement with District No. 1 County Commissioner to construct fencing on road and bridge projects in District No. 1, at a rate of \$35.00 per hour. The agreement, which was approved by the Board of County Commissioners, states that Mr. Hines would furnish all labor and equipment to perform this work. Under this agreement, Mr. Hines performed various fencing projects in District No. 1, from the period May 1 through May 14, 2006. However, no purchase order was encumbered by District No. 1 County Commissioner prior to services being performed. When Mr. Hines submitted an invoice to District No. 1 for the work performed, the number of hours worked was 142 and the amount owed was \$4,970.00.

On May 17, 2006, after work was completed, District No. 1 County Commissioner submitted a requisition for encumbrance to the County Clerk's office for \$4,970.00. The purchasing agent rejected the requisition without issuing a purchase order stating the amount of the invoice when added to the previous invoices submitted would exceed the \$10,000.00 bid limit. However, none of the previous invoices submitted would have met the criteria of 19 O.S. § 1505.B., which requires the County to follow bid procedures for purchases, lease purchases, or rentals of supplies, materials, and equipment used by a county that are in excess of \$10,000.00. Purchase order 60272 was for \$2,850.00, which is under the \$10,000.00 limit. Purchase orders 60851, 62919 and 64920 are for services only and, therefore not covered by the statute.

When the requisition was rejected, the District No. 1 County Commissioner was not sure how to proceed. Mr. Hines had already performed the work for the fencing projects and the \$4,970.00 submitted was owed to him.

Because District No. 1 County Commissioner believed he could no longer pay Mr. Hines under contract labor, he decided to hire him as a District No. 1 employee. As a result, Mr. Hines was hired as a seasonal employee on June 1, 2006, at a rate of \$25.00 per hour to complete fencing projects within District No. 1. The rate of \$25.00 per hour required Mr. Hines to use his own vehicle and tools to complete the fencing projects.

According to District No. 1 County Commissioner, he did not require Mr. Hines to report to the District No. 1 barn everyday prior to beginning or ending work. He also did not require Mr. Hines to prepare or maintain a timesheet to track hours worked for each project as is required for all other county employees. Instead, using a calendar for the months of June and July 2006, District No. 1 County Commissioner estimated the number of hours worked for fencing projects for each pay period.

From June 1, 2006 to July 31, 2006, four payroll claims were paid for Mr. Hines and are as follows:

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Date	Payroll Claim No.	Hours Reported	Rate of Pay	Total Paid	Comments
6/9/06	65491	110	\$25.00	\$2,750.00	Estimated hours computed by taking 10 hours a day for 11 work days within the period of 6/1/06 through 6/15/06.
	<i>Overtime</i>	30 (20 hrs X 1.5)	\$25.00	\$750.00	Estimated hours computed by taking 10 hours a day for 2 Saturdays within the period 6/1/06 through 6/15/06 at time and one-half. (20 hours X 1.5 = 30 hours.)
6/16/06	65595	80	\$25.00	\$2,000.00	Estimated hours computed by taking 10 hours a day for 5 days a week for two weeks and one day at 10 hours a day during the period 6/16/06 through 6/30/06. This included 20 hours of overtime at time and one-half. (20 X 1.5 = 30 hours.) See line below.
	<i>Overtime</i>	30** (20 hrs X 1.5)	\$25.00	\$750.00	Estimated hours computed by taking the number of hours worked over the regular 40 hour work week for two weeks at time and one-half within the period 6/16/06 through 6/30/06.
7/7/06	71108	40	\$12.01	\$480.40	Estimated hours computed by taking 10 hours a day for 4 days during the period 7/3/06 through 7/7/06 for dozer work.
		40	\$25.00	\$1,000.00	Estimated hours computed by taking 10 hours a day for 5 days within the period 7/10/06 through 7/14/06. This work- week included 10 hours of overtime at time and one-half. (10 X 1.5 = 15 hours.) See line below.
	<i>Overtime</i>	15** (10 hrs X 1.5)	\$25.00	\$375.00	Estimated hours computed by taking the number of hours worked over the regular 40 hour work week at time and one-half for the period 7/10/06 through 7/14/06.
7/20/06	70330	55** <i>Includes Overtime hrs (10 hrs X 1.5 = 15 hrs)</i>	\$25.00	\$1,375.00	Estimated hours computed by taking 10 hours a day for 5 days for the period 7/17/06 through 7/31/06. This calculation included 40 hours of regular time and 10 hours of overtime at time and one-half. (10 X 1.5 = 15 hours.) (40 regular hours + 15 overtime hours = 55 hours).
		55** <i>Includes Overtime hrs (10 hrs X 1.5 = 15 hrs)</i>	\$25.00	\$1,375.00	Estimated hours computed by taking 10 hours a day for 5 days for the period 7/17/06 through 7/31/06. This calculation included 40 hours of regular time and 10 hours of overtime at time and one-half. (10 X 1.5 = 15 hours.) (40 regular hours + 15 overtime hours = 55 hours).
		10	\$25.00	\$250.00	Estimated hours computed by taking 10 hours a day for one day on July 31, 2006.
		Total Paid		\$11,105.40	

**Payroll claim does not indicate these hours have already been calculated at time and one-half before being entered onto the payroll claim.

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To date, Mr. Hines has been paid \$11,105.40 as a county employee for fencing projects within District No. 1. In addition, Mr. Hines is still owed \$4,970.00 for 142 hours of contract labor during the period May 1, 2006 through May 14, 2006. After being hired as a District No. 1 employee, timesheets were not required for Mr. Hines for fencing projects. However, District No. 1 County Commissioner indicated that the projects were completed according to his specifications and in a timely manner. He knows Mr. Hines worked the hours that were estimated on the payroll claims and does not believe those hours to be unreasonable.

Based on the finding presented above, it appears that Mr. Hines was paid as both an independent contractor and a county employee. However, these payments were for different time periods and for different fencing projects. In addition, it appears that Mr. Hines is still owed \$4,970.00 by the County for 142 hours of contract labor for the period May 1 through May 14, 2006. Hours paid to Mr. Hines as a county employee were based on estimated hours instead of actual hours worked and he was paid at a higher rate than other District No. 1 employees due to being required to use his own vehicle and tools to complete the projects.

Recommendation: We recommend the proper authorities review this finding and consider the following recommendations:

1. Whether Mr. Hines should be paid the \$4,970.00 that is owed to him for fencing projects.
2. Whether timesheets that support the number of hours worked on the payroll claim must be submitted for each employee paid on a payroll claim.
3. Whether overtime hours reported on the payroll claim must be shown as actual hours and then calculated at time and one-half.
4. Whether it is proper for the County to pay claims for services based on the documentation presented.
5. Purchase orders be encumbered prior to services being performed.