



BECKHAM COUNTY

Operational Audit

For the fiscal year ended June 30, 2017

Cindy Byrd, CPA
State Auditor & Inspector

**BECKHAM COUNTY OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

This publication, issued by the Oklahoma State Auditor and Inspector's Office as authorized by 19 O.S. § 171, has not been printed, but is available on the agency's website (www.sai.ok.gov) and in the Oklahoma Department of Libraries Publications Clearinghouse Digital Prairie Collection (<http://digitalprairie.ok.gov/cdm/search/collection/audits/>) pursuant to 65 O.S. § 3-114.

May 16, 2019

**TO THE CITIZENS OF
BECKHAM COUNTY, OKLAHOMA**

Transmitted herewith is the audit report of Beckham County for the fiscal year ended June 30, 2017.

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,



CINDY BYRD, CPA,
OKLAHOMA STATE AUDITOR & INSPECTOR



**BECKHAM COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

TABLE OF CONTENTS

OPERATIONAL AUDIT REPORT

Introductory Section (Unaudited)

County Officials.....	ii
Sales Tax Distribution.....	iii

Presentation of Apportionments, Disbursements, and Cash Balances of County Funds for the Fiscal Year Ended June 30, 2017.....	1
--	---

Description of County Funds and Transfers	2
---	---

Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis—General Fund	5
--	---

Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis—County Health Department Fund.....	6
--	---

Purpose, Scope, and General Methodology	7
---	---

Objectives and Results of Operational Audit.....	8
--	---

REPORT ON STATUTORY COMPLIANCE - OTHER MATTERS

Statutory Report.....	13
-----------------------	----

Schedule of Findings and Responses.....	14
---	----

INTRODUCTORY SECTION
UNAUDITED INFORMATION ON PAGES ii - iii
PRESENTED FOR INFORMATIONAL PURPOSES ONLY

**BECKHAM COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Board of County Commissioners

District 1 – Carl Don Campbell
District 2 – Tate Finnell
District 3 – Johnny Davis

County Assessor

Gayla Gillie

County Clerk

Leasa Hartman

County Sheriff

Derek Manning

County Treasurer

Jennifer Drury

Court Clerk

Donna Howell

District Attorney

Angela Marsee

**BECKHAM COUNTY, OKLAHOMA
SALES TAX DISTRIBUTION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Sales Tax

Sales Tax of February 12, 2002

On February 12, 2002, the voters of Beckham County approved a three-tenths of one percent ($3/10$ of 1%) county sales tax through March 31, 2017, after which time said tax shall be reduced to one-fourth of one percent ($1/4$ of 1%) with said one-fourth of one percent ($1/4$ of 1%) being unlimited in duration. The purpose of the three-tenths of one percent ($3/10$ of 1%) sales tax shall be to fund the acquisition, construction, equipping, furnishing, general operations and maintenance of a jail facility in Beckham County, Oklahoma, including payment of debt service on obligations issued to finance said jail facility. The one-fourth of one percent ($1/4$ of 1%) sales tax shall be to pay for general operations and capital improvements benefiting Beckham County, Oklahoma.

During the fiscal year the County collected \$1,157,927 in total sales tax, which is accounted for in the County Sales Tax fund.

**BECKHAM COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Presentation of Apportionments, Disbursements, and Cash Balances of County Funds for the Fiscal Year Ended June 30, 2017

	Beginning Cash Balances July 1, 2016	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2017
Combining Information:						
County Funds:						
County General Fund	\$ 5,397,177	\$ 3,678,402	\$ -	\$ -	\$ 4,264,975	\$ 4,810,604
County Highway Fund	4,827,870	3,847,076	118,870	-	4,204,821	4,588,995
County Bridge and Road Improvement Fund 103	139,808	73	-	-	-	139,881
County Bridge and Road Improvement Fund 105	824,912	146,462	-	118,870	-	852,504
County Health Department	637,834	728,388	-	-	877,079	489,143
Resale Property	412,528	158,246	-	400	146,417	423,957
Treasurer Mortgage Tax Certification Fee	18,015	3,740	-	-	4,251	17,504
County Clerk Lien Fee	246,721	20,753	-	-	1,163	266,311
County Clerk Records Preservation Fee	122,099	29,555	-	-	23,766	127,888
Assessor Revolving	24,225	5,982	-	-	330	29,877
Assessor Visual Inspection	642	-	-	-	-	642
Sheriff Service Fee	56,952	139,114	-	-	139,450	56,616
Sheriff Department of Corrections	26,303	153,648	-	-	141,504	38,447
Sheriff Commissary	9,322	29,163	-	-	11,776	26,709
Sheriff Jail Funds	119,164	1,128,000	-	-	1,072,978	174,186
Courthouse Security	10,750	23,397	-	-	16,026	18,121
Sheriff Unclaimed Abandoned Property	9	-	-	-	-	9
Emergency Management	31,990	28,260	-	-	45,406	14,844
County Sales Tax	-	1,171,860	-	-	1,171,860	-
Rural Water District #1	820	97,395	-	-	98,215	-
Sheriff Forfeited Assets	5,058	-	-	-	-	5,058
Northfork Red River Conservative District	-	34,980	-	-	34,980	-
Drug Court Fund	17,851	55,561	-	-	58,396	15,016
Treasurer Cash Fund	-	-	400	-	-	400
Combined Total - All County Funds	\$ 12,930,050	\$ 11,480,055	\$ 119,270	\$ 119,270	\$ 12,313,393	\$ 12,096,712

Source: County Treasurer's Monthly Reports (presented for informational purposes)

**BECKHAM COUNTY
DESCRIPTION OF COUNTY FUNDS AND TRANSFERS
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Description of County Funds

The County uses funds to report on receipts, disbursements, and changes in cash balances. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

Following are descriptions of the county funds within the Presentation of Apportionments, Disbursements, and Cash Balances of County Funds:

County General Fund – accounts for the general operations of the government.

County Highway Fund – accounts for state, local, and miscellaneous receipts and disbursements for the purpose of constructing and maintaining county roads and bridges.

County Bridge and Road Improvement Fund 103 – accounts for state receipts and disbursed for the purpose of constructing and maintaining county roads and bridges.

County Bridge and Road Improvement Fund 105 – accounts for state receipts and disbursed for the purpose of maintaining bridges and roads.

County Health Department – accounts for monies collected on behalf of the county health department from ad valorem taxes and state and local revenues.

Resale Property – accounts for the collection of interest and penalties on delinquent ad valorem tax collections. Disbursements are to offset the expense of collecting delinquent ad valorem taxes.

Treasurer Mortgage Tax Certification Fee – accounts for the collection of fees by the Treasurer for mortgage tax certificates and the disbursement of the funds as restricted by state statute.

County Clerk Lien Fee – accounts for lien collections and disbursements as restricted by state statute.

County Clerk Records Preservation Fee – accounts for fees collected for instruments filed with the County Clerk as restricted by state statute to be used for preservation of records.

Assessor Revolving – accounts for the collection of fees for copies restricted by state statute.

Assessor Visual Inspection – accounts for the receipt and disbursement of funds by the Assessor as restricted by state statute for the visual inspection program.

Sheriff Service Fee – accounts for the collection and disbursement of sheriff process service fees as restricted by state statute.

**BECKHAM COUNTY
DESCRIPTION OF COUNTY FUNDS AND TRANSFERS
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Sheriff Department of Corrections – accounts for the collection of revenues for the housing of Department of Corrections’ inmates and disbursements as restricted by state statute.

Sheriff Commissary – accounts for the collection of the sale of items to inmates and disbursements to purchase commissary goods from the vendor. Excess funds are used for maintenance and operations of the Sheriff’s department.

Sheriff Jail Funds – accounts for the collection of reserve sales tax monies received from the Facilities Authority in excess of bond issue payments. Disbursements are for the general operations of the jail.

Courthouse Security – accounts for the receipt and disbursement of court fees for courthouse security.

Sheriff Unclaimed Abandoned Property – accounts for unclaimed money or property in the possession of the sheriff and the disbursement of the funds as restricted by state statute.

Emergency Management – accounts for Emergency Management Performance Grants received from the U.S. Department of Homeland Security and disbursed as restricted by the grant agreement.

County Sales Tax – accounts for the collections of sales tax revenue disbursed to the Beckham County Facilities Authority for the payment of revenue bonds issued for the construction of the County jail.

Rural Water District #1 – accounts for Rural Economic Action Plan grant funds from South Western Oklahoma Development Authority and disbursed for water system improvements.

Sheriff Forfeited Assets – accounts for the collection of monies of the Sheriff’s percentage of drug forfeitures and disbursements are used for drug prevention, education, and awareness.

Northfork Red River Conservative District – accounts for a Rural Economic Action Plan grant funds from Southwestern Oklahoma Development Authority and disbursed for the purchase of vehicles.

Drug Court Fund – accounts for monies collected from the Oklahoma Department of Mental Health and Substance Abuse Services and is disbursed for salaries of the drug court administration.

Treasurer Cash Fund – accounts for monies held as cash on hand to set up a cash drawer.

BECKHAM COUNTY
DESCRIPTION OF COUNTY FUNDS AND TRANSFERS
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Interfund Transfers

During the fiscal year, the County made the following transfers between cash funds.

- \$118,870 was transferred from the County Bridge and Road Improvement Fund to the County Highway Fund for bridge and road improvements.
- \$400 was transferred from the Resale Property Fund to the Treasurer Cash Fund to establish a cash drawer in the Treasurer's Office.

**BECKHAM COUNTY, OKLAHOMA
COMBINING STATEMENT OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
COUNTY GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 5,397,177	\$ 5,397,177	\$ -
Less: Prior Year Outstanding Warrants	(56,583)	(56,583)	-
Less: Prior Year Encumbrances	(49,879)	(39,044)	10,835
Beginning Cash Balances, Budgetary Basis	5,290,715	5,301,550	10,835
Total Receipts, Budgetary Basis	3,020,669	3,678,402	657,733
Total Expenditures, Budgetary Basis	8,311,384	4,677,914	3,633,470
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	4,302,038	\$ 4,302,038
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Outstanding Warrants		73,300	
Add: Current Year Encumbrances		435,266	
Ending Cash Balance		\$ 4,810,604	

**BECKHAM COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
COUNTY HEALTH DEPARTMENT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	637,834	\$ 637,834	\$ -
Less: Prior Year Outstanding Warrants	(4,086)	(4,086)	-
Less: Prior Year Encumbrances	(131,986)	(130,197)	1,789
Beginning Cash Balances, Budgetary Basis	501,762	503,551	1,789
Total Receipts, Budgetary Basis	695,771	728,388	32,617
Total Expenditures, Budgetary Basis	1,197,533	776,700	420,833
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	455,239	\$ 455,239
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		9,426	
Add: Current Year Outstanding Warrants		24,478	
Ending Cash Balance		\$ 489,143	

**BECKHAM COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

PURPOSE, SCOPE, AND GENERAL METHODOLOGY

This audit was conducted in response to 19 O.S. § 171, which requires the State Auditor and Inspector's Office to audit the books and accounts of county officers.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

In planning and conducting our audit, we focused on the major financial related areas of operations based on assessment of materiality and risk for the fiscal year ended June 30, 2017.

Our audit procedures included inquiries of appropriate personnel, inspections of documents and records, and observations of the County's operations. Further details regarding our methodology are included under each objective.

We utilized sampling of transactions to achieve our objectives. To ensure the samples were representative of the population and provided sufficient, appropriate evidence, the random sample methodology and the judgmental sample methodology were used. We identified specific attributes for testing each of the samples and when appropriate, we projected our results to the population.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, errors or fraud may occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that conditions may change or compliance with policies and procedures may deteriorate.

This report is 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.

**BECKHAM COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Objective 1: To determine the receipts apportioned, disbursements, and cash balances are accurately presented on the County Treasurer's monthly reports for FY 2017.

Conclusion: With respect to the items reconciled and reviewed; the receipts apportioned, disbursements, and cash balances are accurately presented on the County Treasurer's monthly reports.

Objective 1 Methodology: To accomplish objective 1, we performed the following:

- Evaluated significant internal controls related to preparing the Treasurer's Monthly Reports, which included:
 - Reviewing 100% of the Treasurer's monthly reports to ensure the monthly reports were signed and approved by someone other than the preparer, reconciled to the general ledger, and reconciled to the bank statement.
 - Reviewing a random sample of 5 bank statements and related bank reconciliations (10.42% of the total bank statements in the population tested) to ensure bank reconciliations were signed and approved by someone other than the preparer and correctly reconciled to the bank statement.
- Reconciled total collections from the monthly reports to the apportionments ledger for each month and to the annual summary of the Treasurer's reports.
- Confirmed \$6,719,911 in cash receipts (58.54% of total cash receipts) received from the Oklahoma Tax Commission, Federal grantor agencies, and the State Treasurer's Office, and determined that these receipts were apportioned to the proper fund in the proper amount.
- Reconciled the general ledger of cash and investments at June 30 to the annual summary of the Treasurer's reports.
- Confirmed all cash and investment balances.
- Re-performed the June 30 bank reconciliation and confirmed reconciling items.
- Reviewed bank balances of all accounts at June 30 on the Treasurer's general ledger to ensure that investments were adequately secured as required by 62 O.S. § 517.4.
- Examined the Treasurer's total cash disbursements and compared it to the County Clerk's total checks and cash vouchers issued to ensure the totals reconciled.

Objective 2: To determine the County's financial operations complied with 68 O.S. § 1370E, which requires the sales tax collections to be deposited in the general revenue or Sales Tax Revolving Fund of the County and be used only for the purpose for which such sales tax was designated.

Conclusion: With respect to the items tested, the County complied with 68 O.S. § 1370E, which requires the sales tax collections to be deposited in the general revenue or Sales Tax Revolving Fund of the County and be used only for the purpose for which such sales tax was designated.

**BECKHAM COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Objective 2 Methodology: To accomplish objective 2, we performed the following:

- Evaluated significant internal controls related to sales tax, which included:
 - Reviewing sales tax collections to ensure the collection was apportioned and appropriated in accordance with the sales tax ballot and that the apportionment and appropriation were reviewed and approved.
 - Reviewing 100% sales tax disbursements totaling \$1,157,927 to ensure the expenditure was approved and made for the purposes designated in the sales tax ballot.
- Confirmed all sales tax receipts received from the Oklahoma Tax Commission.

Objective 3: To determine the County's financial operations complied with 68 O.S. § 2923, which requires the ad valorem tax collections to be apportioned and distributed monthly among the different funds to which they belong.

Conclusion: With respect to the items tested, the County complied with 68 O.S. § 2923, which requires the ad valorem tax collections to be apportioned and distributed monthly among the different funds to which they belong.

Objective 3 Methodology: To accomplish objective 3, we performed the following:

- Evaluated significant internal controls related to ad valorem tax collections, which included comparing the certified levies to the approved levies entered into the computer system to ensure levies were entered correctly.
- Recalculated the apportionment of ad valorem tax collections to determine collections were accurately apportioned to the taxing entities.

Objective 4: To determine whether the County's internal controls provide reasonable assurance that expenditures (including payroll) were accurately reported in the accounting records and financial operations complied with significant laws and regulations.

Conclusion: The County's internal controls did not provide reasonable assurance that expenditures, (including payroll) were accurately reported in the accounting records.

The County's financial operations complied with 19 O.S. § 1505, which requires that disbursements be properly encumbered.

Objective 4 Methodology: To accomplish objective 4, we performed the following:

- Evaluated significant internal controls related to the expending of County funds through purchase orders, which included reviewing a random sample of purchase orders totaling \$113,359 (2.18% of purchase orders in the population tested) to ensure:

**BECKHAM COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

- The purchase order was requisitioned and signed by an approved Requisition County Official,
- The encumbrance was made, or funds were available prior to ordering goods or services and the encumbrance was approved by the County Clerk/Deputy,
- The disbursement was reviewed and authorized and supported by adequate documentation, and
- The BOCC reviewed and approved the disbursement and the disbursement was made for the appropriate amount.
- Evaluated significant internal controls related to payroll expenditures, which included reviewing a judgmental sample of 5 payroll claims (5.21% of payroll claims in the population tested) to ensure:
 - Timesheets are accurate and are signed by the employee and supervisor,
 - The payroll claim was reviewed and approved, and
 - The payroll claim was supported by adequate documentation.

FINDINGS AND RECOMMENDATIONS

Finding 2017-005 – Inadequate Internal Controls Over the Disbursement and Payroll Processes (Repeat Finding)

Condition: Upon inquiry and observation of the payroll disbursement process, we noted the duties of processing payroll are not adequately segregated. The Payroll Clerk enrolls new hires, makes payroll changes, maintains personnel files, and prepares end of month payroll reports.

Cause of Condition: Policies and procedures have not been designed over the disbursement process to strengthen internal controls.

Effect of Condition: These conditions could result in unrecorded transactions, misstated financial reports, undetected errors, and misappropriation of funds.

Recommendation: The Oklahoma State Auditor & Inspectors Office (OSAI) recommends management be aware of these conditions and determine if accounting functions over disbursements can be adequately segregated. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risks involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office and having management review and approval of accounting functions.

OSAI also recommends the following key account functions of the payroll process be adequately segregated:

**BECKHAM COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

- Posting new hires and/or making payroll changes to the payroll system,
- Maintaining personnel files, and
- Preparing end of month payroll reports.

Management Response:

County Clerk: we will work to improve segregation of duties in regard to payroll.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. Internal controls should be designed to analyze and check accuracy, completeness, and authorization of disbursement calculations and/or transactions.

An important aspect of internal control is the safeguarding of assets. Internal controls over safeguarding of assets constitute a process, affected by the entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or untimely detection of unauthorized acquisition, use, or disposition of the entity's assets and safeguarding assets from loss, damage, or misappropriation.

All Objectives:

The following findings are not specific to any objective but are considered significant to all of the audit objectives.

Finding 2017-001 – Inadequate County-Wide Controls (Repeat Finding)

Condition: Through the process of gaining an understanding of the County's internal control structure, it was noted that county-wide controls regarding Risk Assessment and Monitoring have not been designed.

Cause of Condition: Policies and procedures have not been designed and implemented to address risks of the County.

Effect of Condition: Without an adequate system of county-wide controls, there is risk of a breakdown in control activities which could result in unrecorded transactions, undetected errors, or misappropriation of funds.

Recommendation: OSAI recommends that the County design and implement procedures to identify and address risks. OSAI also recommends that the County design monitoring procedures to assess the quality of performance over time. These procedures should be written policies and procedures and could be included in the County's policies and procedures handbook.

**BECKHAM COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Management Response:

Chairman, Board of County Commissioners: The Board of County Commissioners will work towards assessing and identifying risks to design written county-wide controls and procedures regarding county-wide controls.

Criteria: Internal control is an integral component of an organization's management that provides reasonable assurance that the objectives of effectiveness and efficiency of operations, reliability of financial reporting and compliance with laws and regulations are being met. Internal control comprises the plans, methods, and procedures used to meet missions, goals, and objectives. Internal control also serves as the first line of defense in safeguarding assets and preventing and detecting errors and fraud. County management is responsible for designing a county-wide internal control system comprised of Risk Assessment and Monitoring for the achievement of these goals.

Risk Assessment is a component of internal control which should provide for an assessment of the risks the County faces from both internal and external sources. Once risks have been identified, they should be analyzed for their possible effect. Management then has to formulate an approach for risk management and decide upon the internal control activities required to mitigate those risks and achieve the internal control objectives.

Monitoring is a component of internal control which should assess the quality of performance over time and ensure that the findings of audits and other reviews are promptly resolved. Ongoing monitoring occurs during normal operations and includes regular management and supervisory activities, comparisons, reconciliations, and other actions people take in performing their duties. It includes ensuring that management know their responsibilities for internal control and the need to make control monitoring part of their regular operating process.

REPORT ON STATUTORY COMPLIANCE – OTHER MATTERS

Beckham County
Board of County Commissioners
Beckham County Courthouse
Sayre, Oklahoma 73662

Dear Chairman:

For the purpose of complying with 19 O.S. § 171 and 20 O.S. § 1312, we have performed statutory procedures regarding the following offices and departments for the fiscal year ended June 30, 2017:

- All County Offices - Fixed Assets procedures (19 O.S. § 178.1, 19 O.S. § 178.2, and 69 O.S. § 645).
- All County Offices - Consumable Inventories procedures (19 O.S. § 1502 and 19 O.S. § 1504).
- Court Clerk procedures (20 O.S. § 1304 and 19 O.S. § 220).
- Inmate Trust Fund procedures (19 O.S. § 531 and 19 O.S. § 180.43).

Our statutory compliance engagement was limited to the procedures related to the statutes above and was less in scope than an audit performed in accordance with generally accepted auditing standards. Accordingly, we do not express an opinion on any basic financial statement of Beckham County.

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

This report is intended for the information and use of the management of the County. This restriction is not intended to limit the distribution of this report, which is a matter of public record.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

May 15, 2019



**BECKHAM COUNTY, OKLAHOMA
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

SCHEDULE OF FINDINGS AND RESPONSES

Finding 2017-006 – Inadequate Internal Controls and Noncompliance Over Inmate Trust Fund Checking Account and Sheriff’s Commissary Fund (Repeat Finding)

Condition: Upon inquiry and observation of the Inmate Trust Fund Checking Account and Sheriff Commissary Fund the following exceptions were noted:

- The Office Administrator is primarily responsible for reconciling cash to receipts; however, there is no review over this process. The original receipts issued are not being maintained. Additionally, receipts can be voided by the Office Administrator with no oversight.
- Ledgers containing the balance of each inmate’s funds are not reconciled to the bank accounts monthly.
- Monthly bank statement reconciliations are not reviewed for accuracy.
- The commissary computer system used within the County Sheriff’s office does not appear to have adequate controls in place to safeguard data from unauthorized modification, loss or disclosure. The specifics of the condition has been sanitized to protect the County pursuant to the provision of 51 O.S. § 24A.28.
- In a test of 100% of disbursements, it was noted forty (40) checks, totaling the amount of \$54,448.35, were not issued in compliance with state statute.
- The County Sheriff does not file an Annual Report of the Sheriff Commissary Fund with the Board of County Commissioners by January 15th of each year.

Cause of Condition: Policies and procedures have not been designed and implemented regarding the Inmate Trust Fund Checking Account and Sheriff Commissary Fund.

Effect of Condition: These conditions resulted in noncompliance with state statutes, laws, and regulations. Also, without proper accounting and safeguarding of the Inmate Trust Fund Checking Account, there is an increased risk of undetected errors and possible misappropriation of funds.

Recommendation: OSAI recommends the following:

- Management be aware of these conditions and realize that a concentration of duties and responsibilities is not desired from a control point of view. Management should provide segregation of duties so that no one employee is able to void receipts with no oversight.
- Maintain all financial receipts.
- Passwords should be changed every 90 days.
- Inmate trust fund monies should be maintained in a manner that reflects each inmate’s trust deposits, disbursements, and account balances. The inmate’s trust fund balances should be reconciled to the bank statements each month and bank statements should be reviewed for accuracy.

**BECKHAM COUNTY, OKLAHOMA
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

- Disbursements should be made from the Sheriff's Commissary Fund in accordance with 19 O.S. § 180.43D.
- The Sheriff should file a report of the commissary with the County Commissioners by January 15th, of the fiscal year.

OSAI further recommends that the County comply with best practices presented in the criteria. The specifics of the recommendation has been sanitized to protect the County pursuant to the provision of 51 O.S. § 24A.28.

Management Response:

County Sheriff: We will work towards putting a policy in place where passwords will be changed more frequently. The County Sheriff will begin preparing an Annual Report for the Sheriff Commissary Fund. Also, the County Sheriff will work towards enhancing internal controls over collections, disbursements, bank reconciliations, and inmate ledgers. We will also work towards retaining all records. Further, checks out of the Inmate Trust Fund Checking Account will only be disbursed to the inmate upon release and to move funds to Sheriff Commissary Fund for inmate purchases and profits.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. Internal controls should be designed to analyze and check accuracy, completeness, and authorization of disbursement calculations and/or transactions. To help ensure a proper accounting of funds, the duties of processing and authorizing should be segregated.

Title 19 O.S. § 531A states, "...the county sheriff may establish a checking account, to be designated the "Inmate Trust Fund Checking Account", to be managed by the county sheriff and maintained separately from regular county funds...The county sheriff shall deposit all monies collected from inmates incarcerated in the county jail into this checking account and may write checks to the Sheriff's Commissary Account for purchases made by the inmate during his or her incarceration and to the inmate from unencumbered balances due the inmate upon his or her discharge."

Title 19 O.S. § 180.43D states in part, "Each county sheriff may operate...a commissary for the benefit of persons lawfully confined in the county jail under the custody of the county sheriff. Any funds received pursuant to said operations shall be the funds of the county where the persons are incarcerated and shall be deposited in the Sheriff's Commissary Account. The sheriff shall be permitted to expend the funds to improve or provide jail services. The sheriff shall be permitted to expend any surplus in the Sheriff's Commissary Account for administering expenses for training equipment, travel or for capital expenditures. The claims for expenses shall be filed with and allowed by the board of county commissioners in the same manner as other claims. The sheriff shall receive no compensation for the operation of said commissary. The sheriff shall file an annual report on any said commissary under his or her operation no later than January 15 of each year..."

**BECKHAM COUNTY, OKLAHOMA
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Title 19 O.S. § 155.4.4 states in part, “After the expiration of seven (7) years, provided that the State Auditor and Inspector has completed his audit for such years and has not in his report required the record to be retained for a longer period of time:...miscellaneous income and distribution receipts and records...”

Finding 2017-007 – Inadequate Internal Controls and Noncompliance Over the Court Clerk Disbursement Processes (Repeat Finding)

Condition: Upon inquiry and observation of records, with regards to the collection and disbursement processes of the Court Fund, we noted the following:

- With regards to the Court Fund disbursement process, the Court Clerk performs the duties of requisitioning, preparing vouchers, calculating amounts to other agencies, signing vouchers, and mailing or delivering vouchers to vendors.
- In the audit of twenty-five (25) Court Fund claims it was revealed that two (2) claims did not have all supporting documentation attached; therefore, proper itemization, correct pricing, and mathematical accuracy could not be verified.

Cause of Condition: Policies and procedures have not been designed and implemented with regard to internal controls over all aspects of the collection and disbursement processes of the Court Fund.

Effect of Condition: A single person having responsibility for more than one area of recording, authorization, custody of assets, and execution of transactions could result in unrecorded transactions, misstated financial reports, clerical errors, or misappropriation of funds not being detected in a timely manner.

Recommendation: OSAI recommends that the duties of the disbursement process be adequately segregated regarding requisitioning, receiving goods and services, issuing vouchers, and mailing or delivering vouchers to vendors.

OSAI recommends obtaining adequate supporting documentation for all claims.

Management Response:

Court Clerk: We will work to have another employee help in the process of the Court Fund expenditure process. We will also work to ensure all claims have supporting documentation attached.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. 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.

Effective internal controls are necessary to ensure stewardship and accountability of public funds. Aspects of effective accounting procedures include proper documentation to support all claims.

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



Cindy Byrd, CPA | State Auditor & Inspector

2300 N. Lincoln Blvd., Room 123, Oklahoma City, OK 73105 | 405.521.3495 | www.sai.ok.gov