

OPERATIONAL AUDIT

# ADAIR COUNTY

For the fiscal year ended June 30, 2014



*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

**ADAIR COUNTY OPERATIONAL AUDIT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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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

October 18, 2016

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

Transmitted herewith is the audit report of Adair County for the fiscal year ended June 30, 2014.

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 fluid and cursive, with the first name "Gary" being the most prominent.

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

**ADAIR COUNTY, OKLAHOMA  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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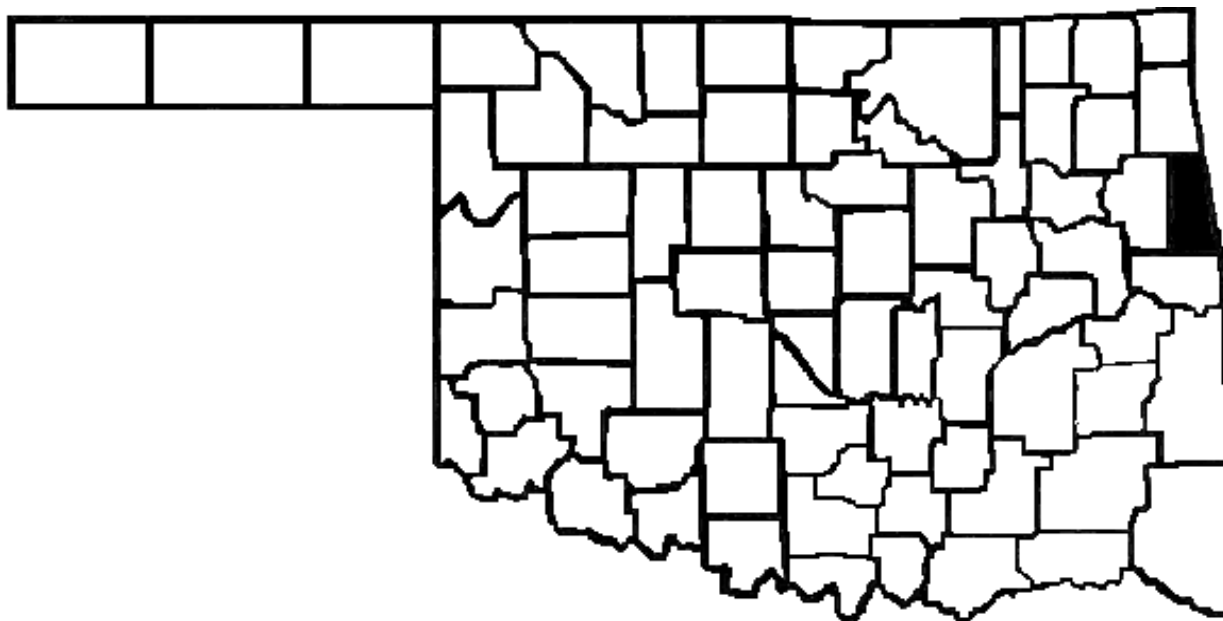
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**ADAIR COUNTY, OKLAHOMA  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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Bordering Arkansas, Adair County was created at statehood and named for a well-known Cherokee Indian family. The county seat has been located in Stilwell since 1910.

Primary industries of the county include food processing and canning, poultry raising, cattle ranching and horse breeding. The Annual Strawberry Festival is held on the second Saturday in May in Stilwell.

Sites of interest within Adair County include the Old Baptist Missionary Church, built in 1836 by the Cherokee Indians, who traversed on the Trail of Tears to Oklahoma. The church is located north of Stilwell near Westville. A marker stands near the community of Watts recognizing Fort Wayne, a military post established in 1838. Abandoned in 1842, it was reactivated and became the site of a Civil War battle in 1862.

Professional football player Sam Claphan and Wilma Mankiller, former principal chief of the Cherokee Nation, hail from Adair County.

The *Adair County History Book* provides additional facts about the county. For more county information, call the county clerk's office at 918/696-7198.

County Seat – Stilwell

Area – 577.3 Square Miles

County Population – 22,286  
(2012 est.)

Farms – 1,202

Land in Farms – 249,280 Acres

Primary Source: Oklahoma Almanac 2013-2014

**Board of County Commissioners**

District 1 – Danny Braden  
District 2 – Sam Chandler  
District 3 – Keith Davis

**County Assessor**

Rhonda Pritchett

**County Clerk**

Danya Curtis

**County Sheriff**

David Hardin

**County Treasurer**

Janice Brewer

**Court Clerk**

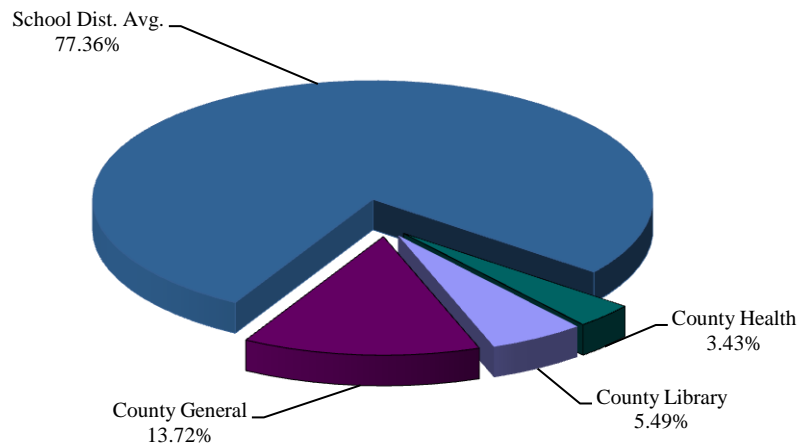
Paula McCarter

**District Attorney**

Brian Kuester

**ADAIR COUNTY, OKLAHOMA  
AD VALOREM TAX DISTRIBUTION  
SHARE OF THE AVERAGE MILLAGE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of a property is \$1,000.00 and the millage rate is 1.00, then the tax on that property is \$1.00. This chart shows the different entities of the County and their share of the various millages as authorized by the Constitution.



County-Wide Millages		School District Millages							
				Gen.	Bldg.	Skg.	Tech	Common	Total
County General	10.00								
County Health	2.50	Cave Springs	I-30	35.00	5.00	-	10.00	4.00	54.00
County Library	4.00	Dahlongegah	C-29	35.00	5.00	-	10.00	4.00	54.00
		Greasy	C-32	35.00	5.00	-	10.00	4.00	54.00
		Maryetta	C-22	35.00	5.00	-	10.00	4.00	54.00
		Peavine	C-19	35.00	5.00	-	10.00	4.00	54.00
		Rocky Mountain	C-24	35.00	5.00	-	10.00	4.00	54.00
		Skelly	C-1	35.00	5.00	-	10.00	4.00	54.00
		Stilwell	I-25	35.00	5.00	5.92	10.00	4.00	59.92
		Watts	I-4	35.00	5.00	-	10.00	4.00	54.00
		Westville	I-11	35.00	5.00	-	10.00	4.00	54.00
		Zion	CO-28	35.00	5.00	-	10.00	4.00	54.00
		Kansas	JT-3	35.00	5.00	27.26	10.00	4.00	81.26
		Mosley	JT-34	35.00	5.00	-	10.00	4.00	54.00
		Belfonte	JT-50	35.00	5.00	-	10.00	4.00	54.00



**ADAIR COUNTY, OKLAHOMA  
SALES TAX DISTRIBUTION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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## Sales Tax

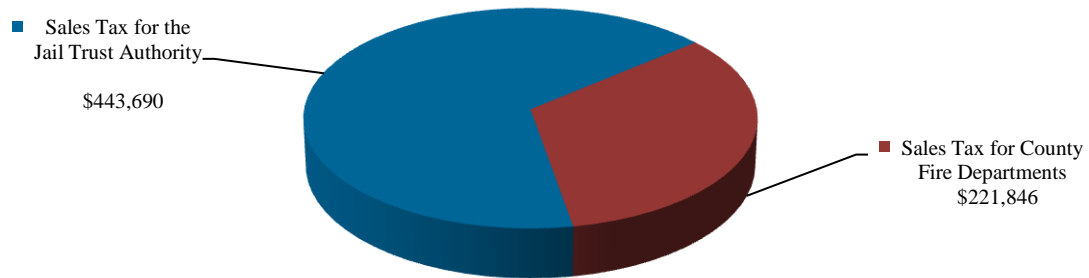
### Sales Tax of September 17, 1996

The voters of Adair County approved a permanent sales tax of one-half of one percent (0.5%). The sole purpose of this sales tax is for the construction, maintenance, and operation of the Adair County Jail Trust Authority and its facilities. These funds are accounted for in the Jail Trust Authority fund.

### Sales Tax of March 6, 2001

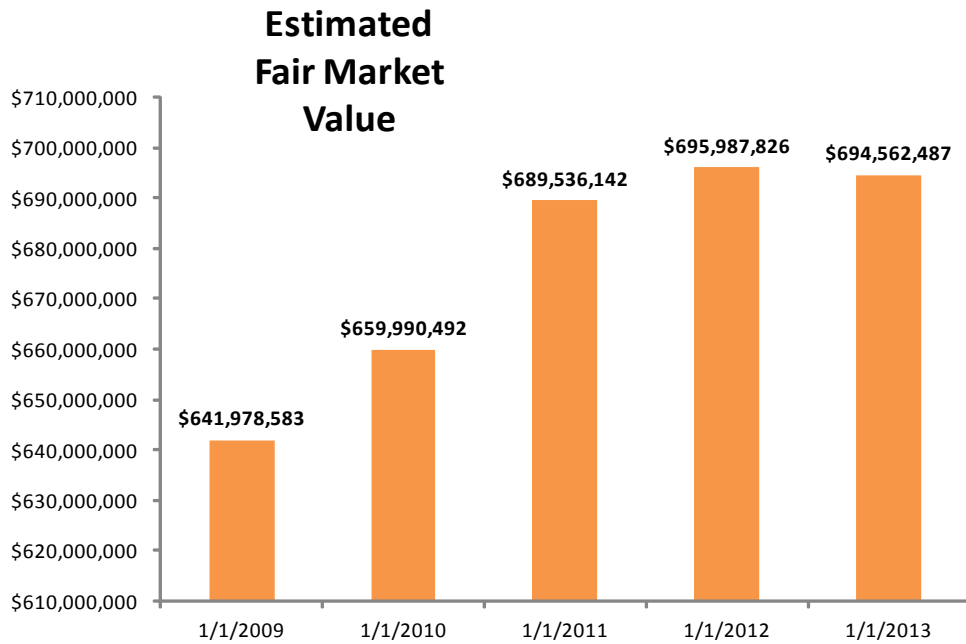
The voters of Adair County approved a permanent sales tax of one-quarter of one percent (0.25%). The purpose of this tax is to provide funds for fire departments in Adair County. These funds are accounted for in the Fire Districts fund.

During the fiscal year the County collected \$665,536 in total sales tax.



**ADAIR COUNTY, OKLAHOMA  
 ASSESSED VALUE OF PROPERTY  
 TREND ANALYSIS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

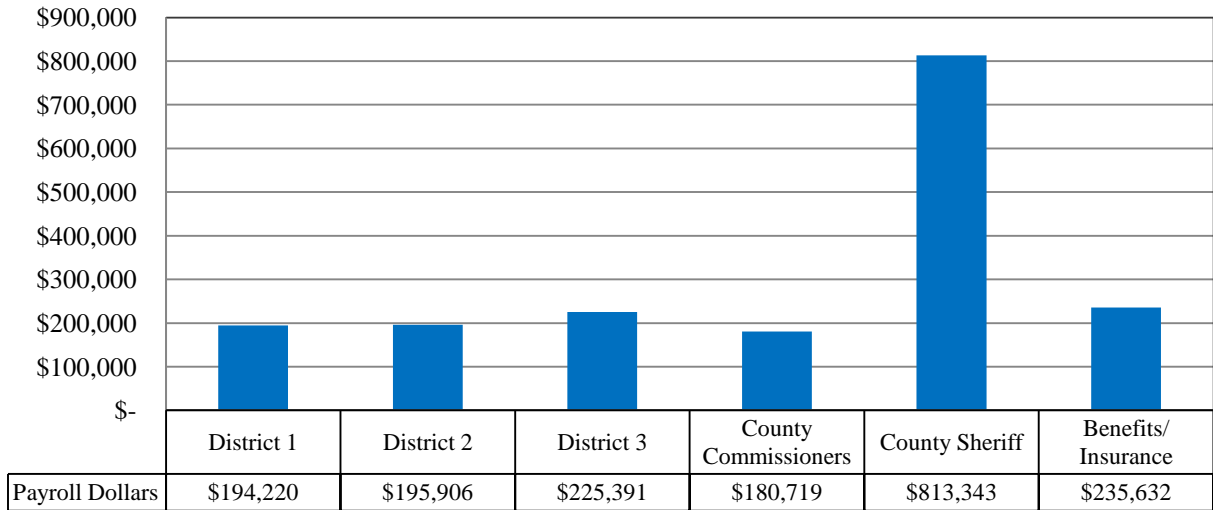
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2013	\$18,290,720	\$5,542,135	\$62,146,248	\$5,112,966	\$80,866,137	\$694,562,487
1/1/2012	\$18,907,105	\$6,615,835	\$61,137,035	\$5,107,060	\$81,552,915	\$695,987,826
1/1/2011	\$21,647,861	\$6,034,692	\$60,149,510	\$5,087,726	\$82,744,337	\$689,536,142
1/1/2010	\$19,096,426	\$6,051,163	\$59,175,030	\$5,123,760	\$79,198,859	\$659,990,492
1/1/2009	\$18,176,014	\$5,902,008	\$58,026,023	\$5,066,615	\$77,037,430	\$641,978,583



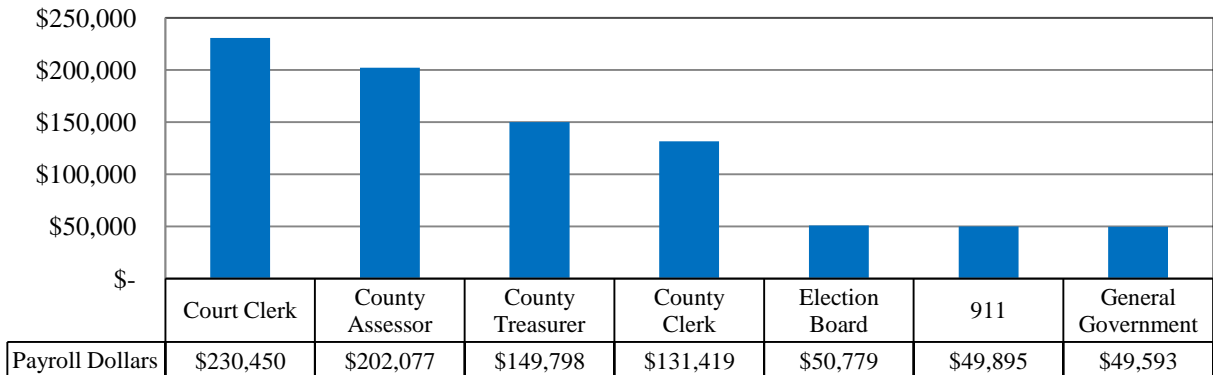
**ADAIR COUNTY, OKLAHOMA  
COUNTY PAYROLL EXPENDITURES ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

County officers' salaries are based upon the assessed valuation and population of the counties. State statutes provide guidelines for establishing elected officers' salaries. The Board of County Commissioners sets the salaries for all elected county officials within the limits set by the statutes. The designated deputy or assistant's salary cannot exceed the principal officer's salary. Salaries for other deputies or assistants cannot exceed the principal officer's salary. The information presented below is for the fiscal year ended June 30, 2014.

**Payroll Expenditures by Department**



**Payroll Expenditures by Department**

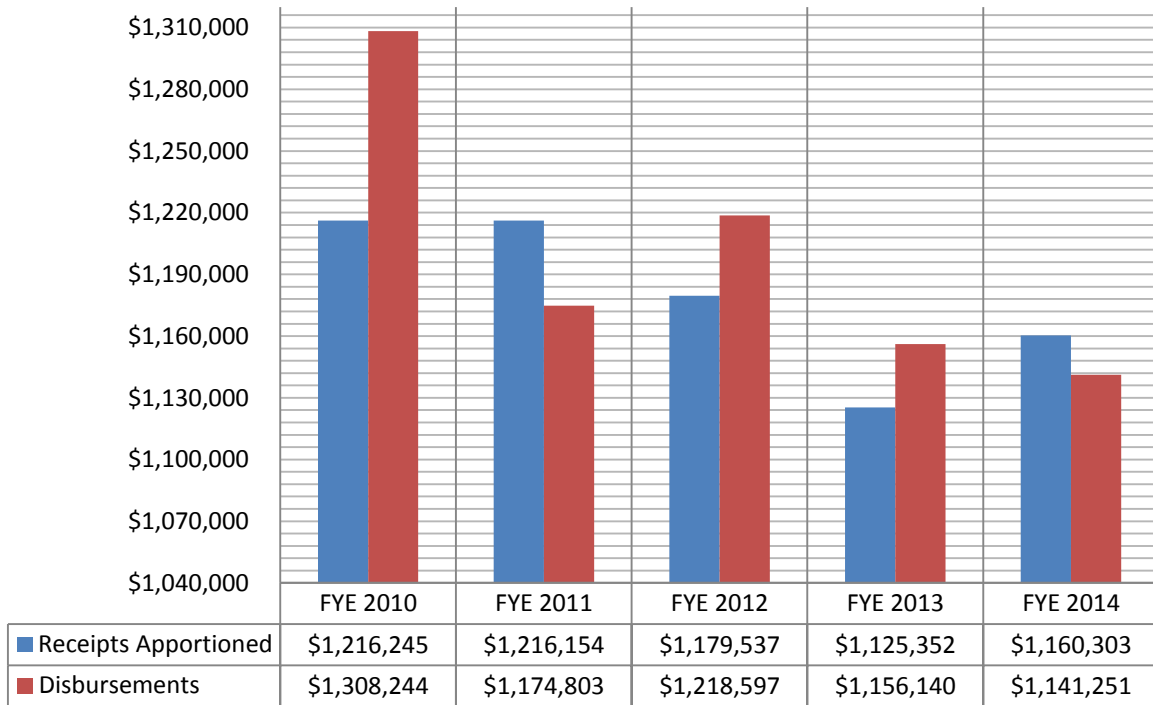


**ADAIR COUNTY, OKLAHOMA  
COUNTY GENERAL FUND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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## County General Fund

The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the county's primary source of operating revenue. The County General Fund is typically used for county employees' salaries plus many expenses for county maintenance and operation. It also provides revenue for various budget accounts and accounts that support special services and programs. The Board of County Commissioners must review and approve all expenditures made from the County General Fund. The primary revenue source for the County General Fund is usually the county's ad valorem tax collected on real, personal (if applicable), and public service property. Smaller amounts of revenue can come from other sources such as fees, sales tax, use tax, state transfer payments, in-lieu taxes, and reimbursements. The chart below summarizes receipts and disbursements of the County's General Fund for the last five fiscal years.

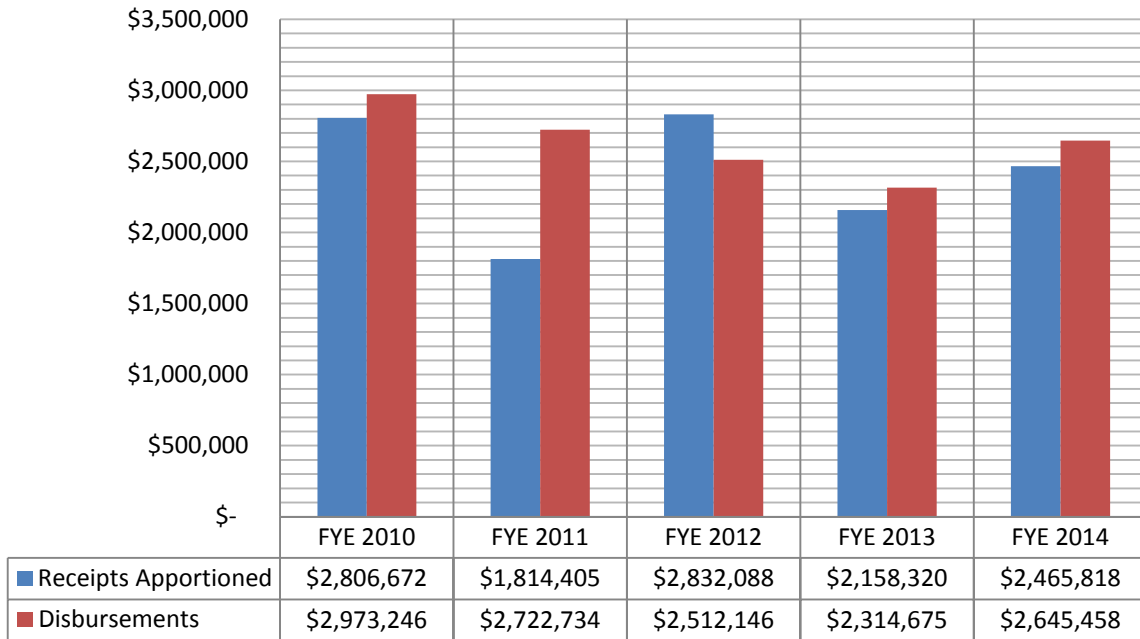


**ADAIR COUNTY, OKLAHOMA  
COUNTY HIGHWAY FUND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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## County Highway Fund

The County receives major funding for roads and highways from a state imposed fuel tax. Taxes are collected by the Oklahoma Tax Commission. Taxes are imposed on all gasoline, diesel, and special fuel sales statewide. The County's share is determined on formulas based on the County population, road miles, and land area and is remitted to the County monthly. These funds are earmarked for roads and highways only and are accounted for in the County Highway Fund. The chart below summarizes receipts and disbursements of the County's Highway Fund for the last five fiscal years.



**ADAIR COUNTY  
OPERATIONAL AUDIT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**Presentation of Apportionments, Disbursements, and Cash Balances of County Funds for Fiscal Year Ended June 30, 2014**

	Beginning Cash Balances July 1, 2013	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2014
Combining Information:						
County Funds:						
County General Fund	\$ 495,190	\$ 1,160,303	\$ 36,514	\$ -	\$ 1,141,251	\$ 550,756
Highway Cash	1,114,714	2,465,818	770,000	555,000	2,645,458	1,150,074
County Health	263,779	203,519	-	-	212,155	255,143
Resale Property	276,595	127,418	-	-	167,379	236,634
County Clerk Records Preservation	18,942	16,074	-	-	16,350	18,666
Sheriff Drug Fund	1,430	116	-	-	782	764
County Clerk Lien Fee	4,596	7,529	-	-	6,953	5,172
Adair County Community Sentencing Program	75,501	30,241	-	-	43,154	62,588
Sheriff Service Fee	27,401	56,087	-	-	63,457	20,031
Treasurer Mortgage Fee	40,038	2,463	-	-	1,977	40,524
Assessor Cash-Visual Inspection	2,520	2,688	-	-	562	4,646
Fire Districts	363,629	222,916	-	-	208,551	377,994
Jail Operations	116,507	711,643	-	-	744,075	84,075
Sheriff Commissary Fund	2,979	20,948	-	-	12,374	11,553
Advanced Environmental Recycling Tech Road	136,514	-	-	136,514	-	-
Jail Trust Authority	35,740	443,690	-	-	440,354	39,076
Sheriff Detention	268	-	-	-	240	28
County Bridge and Road Fund 105	422,353	262,915	-	-	291,003	394,265
County Bridge and Road Fund 103	12,800	41	-	-	-	12,841
Sheriff Grant JAG	397	-	-	-	260	137
Emergency 911	104,362	143,315	-	-	153,043	94,634
Public Service Permit	20	-	-	-	-	20
Flood Plain Permit	103	-	-	-	-	103
Sheriff Violence Against Women Grant	425	10,289	-	-	-	10,714
Sheriff Cherokee Nation	12,465	89	-	-	12,553	1
Adair County Park	4,366	42,534	-	-	40,132	6,768
Courthouse Security	21,351	7,787	-	-	13,003	16,135
<b>Combined Total - All County Funds</b>	<b>\$ 3,554,985</b>	<b>\$ 5,938,423</b>	<b>\$ 806,514</b>	<b>\$ 691,514</b>	<b>\$ 6,215,066</b>	<b>\$ 3,393,342</b>

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

**ADAIR COUNTY  
DESCRIPTION OF COUNTY FUNDS AND TRANSFERS  
OPERATIONAL AUDIT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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**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.

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

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

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.

County Clerk Records Preservation – accounts for fees collected by the County Clerk for recording instruments. Disbursements are for the maintenance and preservation of public records.

Sheriff Drug Fund – accounts for proceeds of forfeited property. Disbursements are for the enforcement of controlled substance laws.

County Clerk Lien Fee – accounts for fees charged by the County Clerk for filing liens. Disbursements are for any lawful expense of the Clerk's office.

Adair County Community Sentencing Program – accounts for monies received from the State Department of Corrections to reimburse the County for the expense of administering the Community Service Sentencing Program.

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

Treasurer Mortgage Fee – accounts for fees for certifying mortgages. Disbursements are for any lawful expense of the Treasurer's office.

**ADAIR COUNTY**  
**DESCRIPTION OF COUNTY FUNDS AND TRANSFERS**  
**OPERATIONAL AUDIT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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Assessor Cash-Visual Inspection – accounts for collections of fees for copies as restricted by state statute.

Fire Districts – accounts for the sales tax collections received for operating and maintaining the Fire Departments in Adair County.

Jail Operations – accounts for contract payments received from the Jail Trust Authority for operating the jail.

Sheriff Commissary Fund – accounts for profits on commissary sales in the County jail. Disbursements are for jail operations as defined by state statute.

Advanced Environmental Recycling Tech Road – accounts for federal grants and state and county monies. Disbursements are for road and bridge repair.

Jail Trust Authority – accounts for the collection of sales tax revenue. Disbursements are to the Adair County Jail Trust Authority for the construction and operation of a jail facility.

Sheriff Detention – accounts for a federal grant. Disbursements are for payroll of detention officer.

County Bridge and Road Fund 105 – accounts for monies received from Oklahoma Department of Transportation. Monies are earmarked for bridges, roads, and certain improvements for roads.

County Bridge and Road Fund 103 – accounts for monies received from Oklahoma Department of Transportation. Monies are earmarked for bridges only.

Sheriff Grant JAG – accounts for federal grant monies and disbursements are for local law enforcement.

Emergency 911 – accounts for the collection of fees charged on telephone bills for the County's emergency 911 system. Disbursements are for expenditures related to providing 911 services.

Public Service Permit – accounts for fees collected for permits issued by the County Commissioners when utilities cross county roadways. Disbursements are for county supplies and upkeep of records.

Flood Plain Permit – accounts for the collection of flood plain evaluation fees. Disbursements are used to pay any costs involved with the evaluations.



**ADAIR COUNTY  
DESCRIPTION OF COUNTY FUNDS AND TRANSFERS  
OPERATIONAL AUDIT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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Sheriff Violence Against Women Grant – accounts for a federal grant passed through the District Attorneys Council. Disbursements are for providing services to victims of domestic violence.

Sheriff Cherokee Nation – accounts for donations from the Cherokee Nation to fund a deputy's salary.

Adair County Park – accounts for the collection of campsite rentals at the County Park. Disbursements are for maintenance of the County Park and salary of the park manager.

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

**Transfers**

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

- \$36,514 from the Advanced Environmental Recycling Tech Road fund to the County General Fund for reimbursement of expenditures for road project.
- \$100,000 from the Advanced Environmental Recycling Tech Road fund to the Highway Cash fund for reimbursement of expenditures for road project.
- \$670,000 from Emergency Transportation Revolving Fund, (a trust and agency fund) to the Highway Cash fund for expenditures on bridge and road projects.
- \$555,000 from Highway Cash fund to the Emergency Transportation Revolving Fund (a trust and agency fund) for the repayment of the loan.

**ADAIR COUNTY, OKLAHOMA**  
**COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND**  
**CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—**  
**COUNTY GENERAL FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 507,227	\$ 495,190	\$ (12,037)
Less: Prior Year Outstanding Warrants	(43,528)	(43,528)	-
Less: Prior Year Encumbrances	(12,381)	(9,779)	2,602
Beginning Cash Balances, Budgetary Basis	<u>451,318</u>	<u>441,883</u>	<u>(9,435)</u>
 Residual Transfer	 -	 36,514	 36,514
 Receipts:			
Ad Valorem Taxes	772,923	799,500	26,577
Charges for Services	45,725	47,703	1,978
Intergovernmental Revenues	225,473	282,110	56,637
Miscellaneous Revenues	20,493	30,990	10,497
Total Receipts, Budgetary Basis	<u>1,064,614</u>	<u>1,160,303</u>	<u>95,689</u>
 Expenditures:			
County Sheriff	265,809	269,098	(3,289)
County Treasurer	44,233	44,233	-
County Commissioners	295,262	32,113	263,149
County Commissioners OSU Extension	22,400	22,400	-
County Clerk	107,728	105,491	2,237
Court Clerk	72,497	72,497	-
County Assessor	45,190	45,162	28
Revaluation	233,679	189,935	43,744
General Government	63,339	51,145	12,194
Excise Equalization	2,861	2,448	413
County Election Expense	55,744	55,523	221
Insurance - Benefits	260,639	235,904	24,735
County Purchasing Agent	30,251	27,829	2,422
County Audit Budget Account	10,000	-	10,000
Free Fair Budget Account	3,000	3,000	-
Budget Maker	3,000	3,000	-
Provision for Interest	300	-	300
Total Expenditures, Budgetary Basis	<u>1,515,932</u>	<u>1,159,778</u>	<u>356,154</u>

Continued on next page

Source: County Estimate of Needs (presented for informational purposes)

**ADAIR COUNTY, OKLAHOMA**  
**COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND**  
**CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—**  
**COUNTY GENERAL FUND - CONTINUED**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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	General Fund		
	Budget	Actual	Variance
Continued from previous page			
Excess of Receipts and Beginning Cash			
Balances Over Expenditures, Budgetary Basis	\$ -	442,408	\$ 442,408
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Outstanding Warrants		60,767	
Add: Current Year Encumbrances		11,067	
Ending Cash Balance		\$ 550,756	

*Source: County Estimate of Needs (presented for informational purposes)*

**ADAIR 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, 2014**

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 263,779	\$ 263,779	\$ -
Less: Prior Year Outstanding Warrants	(1,285)	(1,286)	(1)
Less: Prior Year Encumbrances	(60,854)	(54,824)	6,030
Beginning Cash Balances, Budgetary Basis	201,640	207,669	6,029
Receipts:			
Ad Valorem Taxes	183,787	201,417	17,630
Charges for Services	-	2,102	2,102
Intergovernmental Revenues	-	-	-
Miscellaneous Revenues	14,818	-	(14,818)
Total Receipts, Budgetary Basis	198,605	203,519	4,914
Expenditures:			
County Health Budget Account	400,245	179,363	220,882
Total Expenditures, Budgetary Basis	400,245	179,363	220,882
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	231,825	\$ 231,825
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		22,185	
Add: Current Year Outstanding Warrants		1,133	
Ending Cash Balance		\$ 255,143	

*Source: County Estimate of Needs (presented for informational purposes)*

### **PURPOSE, SCOPE, AND SAMPLE 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, 2014. Our audit procedures included:

- Inquiries of appropriate personnel,
- Inspections of documents and records,
- Observations of the County's operations,
- Reconciling total apportionments, disbursements, and balances presented on the County's Presentation of Apportionments, Disbursements, and Cash Balances of County Funds for the fiscal year to the County Treasurer's and County Clerk's financial ledgers,
- Confirming third party confirmations to the financial ledgers,
- Selecting representative samples to determine disbursements were made in accordance with state statutes, approved ballots, and county purchasing procedures, and
- Gaining an understanding of the County's internal controls as it relates to each audit objective.

To ensure the samples were representative of the population and provided sufficient, appropriate evidence, both random sample and judgmental sample methodologies 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.

**Objective 1:** To determine the receipts apportioned, disbursements, and cash balances are accurately presented on the County Treasurer's monthly reports for FY 2014.

**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. However, we noted some deficiencies in internal controls regarding the financial reporting process.

### FINDINGS AND RECOMMENDATIONS

**Finding 2014-1 – Inadequate Internal Controls Over the County Treasurer's Monthly Reports and Lack of Segregation of Duties in the County Treasurer's Office (Repeat Finding)**

**Condition:** Upon inquiry, observation, review of documentation, and testwork, the following was noted:

- The monthly reports are not being reviewed for accuracy by someone other than the preparer.
- The month of September 2013 had several fund balances on the general ledger that did not agree to the fund balances on the monthly reports.
- There was no documentation to verify the County Clerk reconciles all funds with the County Treasurer.
- Bank reconciliations were not reviewed and approved by someone other than the preparer.

Additionally, duties were not adequately segregated in the County Treasurer's office for preparing, reviewing deposits, and performing bank reconciliations. The employee that performs these duties also issues receipts. Also, all employees work from the same cash drawer.

**Cause of Condition:** Policies and procedures have not been designed and implemented to review apportionments, disbursements, and cash balances to verify that these amounts are accurately presented on the monthly reports, and ensure a reconciliation of the County Clerk's appropriation ledger to the County Treasurer. Additionally, policies and procedures have not been designed and implemented to adequately segregate the duties within the Treasurer's office.

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

**Recommendation:** The Oklahoma State Auditor & Inspector's Office (OSAI) recommends that the County Treasurer implement a system of internal controls to provide reasonable assurance that receipts apportioned, disbursements, and cash balances are accurately presented on the County Treasurer's monthly reports. To improve internal controls over the County Treasurer's monthly reports, we recommend the following:

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- Monthly reports should be reviewed by someone other than the preparer, and all bank accounts should balance to bank statements.
- The funds presented on the County Clerk's appropriation ledger and the County Treasurer's general ledger should be reconciled monthly. Documentation of this reconciliation should be reviewed and approved by someone other than the preparer.
- Bank reconciliations should be reviewed by someone other than the preparer.
- Separating key processes and/or critical functions of the office, and having management review and approval of accounting functions.
- Establish separate cash drawers for all employees receiving cash.

**Management Response:**

**County Treasurer:** I was not the County Treasurer during this audit period; I was sworn into office on October 5, 2015. I have taken into consideration the audit finding and I am currently working on ways to segregate our duties better and ensure that someone will review all reports.

**Criteria:** Accountability and stewardship are overall goals of management in the accounting of funds. An important aspect of internal controls is the safeguarding of assets. 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. To help ensure a proper accounting of funds, the duties of receiving, receipting, recording, depositing cash and checks, reconciliations, and transaction authorization should be segregated.

**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 did not comply 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. However, the internal controls over the apportionment of the sales tax should be strengthened.

**FINDINGS AND RECOMMENDATIONS**

**Finding 2014-4 – Inadequate Internal Controls and Noncompliance Over Sales Tax Apportionments (Repeat Finding)**

**Condition:** Upon inquiry and observation of the recordkeeping process of apportioning sales tax collections and disbursing of sales tax funds, the following was noted:

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- The calculations of sales tax collections performed and apportioned by the County Treasurer are not reviewed or approved, by someone other than the preparer.
- The one half of one percent (0.5%) sales tax is apportioned to the Jail Trust Authority fund and subsequently remitted, by Treasurer's check, to the Jail Trust Authority's bank account instead of being expended by purchase order.

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure collections are properly apportioned and appropriated to the designated funds. Additionally, policies and procedures have not been established or implemented to ensure the County's sales tax collections are properly expended in accordance with state statute.

**Effect of Condition:** A single person having responsibility for recording, authorization, custody of assets, and execution of transactions without management oversight could result in unrecorded transactions, misstated financial reports, clerical errors, or misappropriation of funds. Additionally, by failing to accurately account for sales tax disbursements on the County's financial statements and ensuring that County sales tax is expended using the proper procedures and in the appropriate amounts, the County increased the risk for misappropriation of assets and understated the disbursements on the financial statement.

**Recommendation:** The most effective controls lie in management's overseeing of office operations and a periodic review of operations. OSAI recommends designing and implementing internal controls that are critical functions of the office, and having management review and approval of accounting functions. Also, documentation and evidence of management reviewing these ledgers and reports should be retained in the County Treasurer's Office. Also, OSAI recommends management establish procedures to oversee and ensure sales tax disbursements are recorded accurately on the County's financial statements and all sales tax expenditures are issued by purchase order, are supported by adequate documentation and reviewed for accuracy, and warrants are for the proper amounts to comply with state statute.

**Management Response:**

**Chairman Board of County Commissioners:** After reviewing the finding and speaking with the County Clerk, she informed me that the County Treasurer and the County Clerk's office have worked together to correct this issue.

**County Treasurer:** I was not the County Treasurer during this audit period; I was sworn into office on October 5, 2015. I will ensure that someone verifies the sales tax apportionment amounts and we will start using purchase orders for the Jail Trust Authority sales tax expenditures.

**County Clerk:** I took office on January 1, 2013; I was unaware of the need for a pass through account to meet the requirements for the sales tax monies. County Treasurer and I have worked together to correct this issue. As always, the County Clerk's office strives to achieve statute compliance.

**Criteria:** Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure proper accounting of funds, ledgers and reports should be reviewed by someone other than the preparer to reduce the risk of error or fraud. The duties of receiving, receipting, recording, depositing cash and checks, reconciliations, and transaction authorization should be reviewed and documented.



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Title 68 O.S. § 1370 (E) states in part, "...The proceeds of any sales tax levied by a county shall be deposited in the general revenue or sales tax revolving fund of the county and shall be used only for the purpose for which such sales tax was designated."

**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. However, we noted some deficiencies in internal controls over the apportionment of ad valorem taxes.

**FINDINGS AND RECOMMENDATIONS**

**Finding 2014-6 – Inadequate Internal Controls Over Ad Valorem Tax Apportionments (Repeat Finding)**

**Condition:** Upon inquiry and observation of the recordkeeping process of apportioning ad valorem collections, the following was noted:

- The County Treasurer's office did not maintain documentation that certified levies were reviewed for accuracy when entered into the ad valorem tax system.

**Cause of Condition:** Policies and procedures have not been designed and implemented to document and retain evidence of procedures performed to ensure ad valorem tax levies are accurately entered into the ad valorem system.

**Effect of Condition:** This condition could result in ad valorem tax collections being incorrectly apportioned and remitted.

**Recommendation:** OSAI recommends that the County Treasurer implement a system of internal controls to provide reasonable assurance that the tax levies are entered into the County Treasurer's system accurately and to maintain evidence of these controls.

**Management Response:**

**County Treasurer:** I was not the County Treasurer during this audit period; I was sworn into office on October 5, 2015. I will take into consideration the findings and I will ensure that someone will review all reports and someone will review the certification of the levies once they have been input into the system.

**Criteria:** Accountability and stewardship are overall goals of management in the accounting of funds. Effective internal controls include a documented review of key functions be performed by someone other than the preparer to reduce the risk of error or fraud.

**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 do not provide reasonable assurance that expenditures, including payroll, were accurately reported in the accounting records. In addition, the County’s financial operations did not comply with 19 O.S. § 1505, which requires that disbursements be properly supported and charged to the appropriate fund and account.

## FINDINGS AND RECOMMENDATIONS

### **Finding 2014-7 – Inadequate Internal Controls Over the Payroll Process (Repeat Finding)**

**Condition:** Upon inquiry and observation of the County’s payroll process and testwork performed, we noted the following:

- Two (2) of the five (5) payroll claims were supported by a timesheet; however, the timesheet was not signed by the employee and the supervisor.

**Cause of Condition:** Policies and procedures have not been designed and implemented with regard to the payroll process to ensure adequate internal controls.

**Effect of Condition:** This condition could result in unrecorded transactions, misstated financial reports, undetected errors, and misappropriation of funds.

**Recommendation:** OSAI recommends all supporting documentation be attached to claims and all timesheets should be signed by the employee and the official or immediate supervisor.

#### **Management Response:**

**Chairman of the Board of County Commissioner:** We are going to strive to ensure that all timesheets are signed by both the employee and supervisor before being delivered to the County Clerk.

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**County Sheriff:** Effective immediately the jail administrator will review and sign off on all jail employee time sheets, and the Lieutenant or shift supervisor will review and sign off on all Sheriff's Office employee timesheets.

**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 payroll calculations and/or transactions to allow for prevention and detection of errors and abuse. To help ensure a proper accounting of funds, supporting documentation such as payroll claims and timesheets should be maintained and signed for review and approval by the appropriate personnel.

**Finding 2014-8 – Inadequate Internal Controls and Noncompliance Over Purchasing (Repeat Finding)**

**Condition:** While testing forty (40) purchase orders, we noted the following:

- Nine (9) were not timely encumbered.
- Twenty three (23) did not contain a signature certifying the purchase order contained adequate supporting documentation.

**Cause of Condition:** The County did not follow the policies and procedures designed by state statute regarding the purchasing process.

**Effect of Condition:** This condition resulted in noncompliance with state statute and could result in inaccurate records, incomplete information, or misappropriation of assets.

**Recommendation:** OSAI recommends that the County adhere to state purchasing guidelines. Purchase orders should be encumbered before goods or services are ordered. Purchase orders should have invoices attached and additional supporting documentation attached and all should be approved by the Board of County Commissioners.

**Management Response:**

**Chairman of the Board of County Commissioner:** After reviewing the findings for the Adair County Park I would like to inform you we dispute your finding. We encumbered those funds at the time of the purchase so that we knew the exact amount of funds we needed to encumber. We will continue to strive to achieve statute compliance.

**County Clerk:** Of the nine (9) claims not timely encumbered four (4) were for reimbursement travel claims. Adair County's policy is that we only pay claims with itemized dates and miles traveled with the exact mileage figured based on the set rate. Paying by itemized mileage prevents dishonesty; therefore, Adair County does not plan to adjust their current travel policy of submission of mileage after the date/dates of travel. The other five (5) that were not timely encumbered were out of the Adair County Clerk's control we do our best to ensure that all offices know the proper purchasing procedures, and when

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an office submits a purchase order that did not follow proper purchasing we red stamp that purchase order and try and get a District Attorney approval letter and explanation from the office's requisitioning officer.

In regards to the signature certifying the purchase order contained adequate documentation this issue was resolved after attending purchase training class.

**Health Department:** Our protocol has been to encumber funds for these services on receipt of the invoice from the provider. In accordance with audit recommendations, Adair County Health Department will encumber purchase orders prior to services being performed.

**Community Sentencing:** In the future, we will be sure to encumber our funds prior to the services being rendered.

**Emergency 911:** No response received.

**County Sheriff:** The Adair County Sheriff's office will implement policies and procedures to ensure compliance with purchasing procedures.

**OSU Extension:** Our office will follow all Adair County Courthouse policies and OSU extension policies regarding all travel purchase order encumbrances in the future.

**Auditor Response:** Oklahoma Statute 19 O.S. § 1505 requires purchases to be encumbered prior to receiving goods or services.

**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 disbursements and/or transactions.

Effective internal controls require that management properly implement procedures to ensure that purchases comply with 19 O.S. § 1505.

**All Objectives:**

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

**Finding 2014-9 – Inadequate County-Wide Controls (Repeat Finding)**

**Condition:** County-wide controls regarding Risk Assessment and Monitoring have not been designed and implemented to address risks of the County.

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

**Effect of Condition:** These conditions could result in unrecorded transactions, undetected errors, or misappropriation of funds.

**Recommendation:** OSAI recommends that the County design 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.

**Management Response:**

**Chairman of the Board of County Commissioner:** We are going to work together to address Risk Assessment and Monitoring within the County.

**County Treasurer:** I was not the County Treasurer during this audit period. I was sworn into office on October 5, 2015. However, I will get with the Chairman of the Board of County Commissioners and the County Clerk to discuss what we can do as a county to address Risk Assessment and Monitoring.

**County Clerk:** I took office January 1, 2013; however, as time allows, the Adair County Clerk will work with the County Commissioners to ensure that the risk management and monitoring issues are addressed.

**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.

**Finding 2014-10 – Lack of Disaster Recovery Plan (Repeat Finding)**

**Condition:** The County Treasurer, County Assessor, County Sheriff, Court Clerk, County Commissioner District 1, 2, and 3 do not have a written Disaster Recovery Plan.

**Cause of Condition:** Policies and procedures have not been designed and implemented to develop a formal Disaster Recovery Plan.

**Effect of Condition:** The failure to have a current formal Disaster Recovery Plan for all areas could result in the County being unable to function in the event of a disaster. The lack of a formal plan for each area could cause significant problems in ensuring that county business could continue uninterrupted.

**Recommendation:** OSAI recommends that each of the county offices develop a Disaster Recovery Plan that addresses how critical information and systems within their offices would be restored in the event of a disaster. The Disaster Recovery Plan should include the following:

- Current names, addresses, contact numbers of key county personnel and their roles and responsibilities of information services function.
- Listing of contracted service providers.
- Information on location of key resources, including back-up site for recovery operating system, application, data files, operating manuals and program/system/user/documentation.
- Alternative work locations once IT resources are available.

In addition, OSAI recommends that all Disaster Recovery Plans be updated yearly and distributed to key personnel. To safeguard the document in times of disaster, a copy should be stored in a secure off-site location.

**Management Response:**

**County Treasurer:** I was not the County Treasurer during this audit period; I was sworn into office on October 5, 2015. I will work on creating a Disaster Recovery Plan for my office.

**County Assessor:** I have a Disaster Recovery Plan in place as of November 2015 and it is filed with the County Clerk's office.

**County Sheriff:** The Adair County Sheriff's Office will start to create a Disaster Recovery Plan immediately.

**Court Clerk:** I was appointed as Court Clerk in January 2015. I have not been able to locate a previous Disaster Recovery Plan. I have received the guidelines for a Disaster Recovery Plan and I have begun the process of developing a specific plan for the Adair County Court Clerk's Office. Once completed I will

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distribute a copy of the plan to all employees of the Adair County Court Clerk's Office, the Adair County Commissioners via the Adair County Clerk and both Judges.

**County Commissioner District 1:** We are currently in the process of creating a Disaster Recovery Plan for District 1, once the plan is completed it will be filed with the Adair County Clerk's Office and copies will be disbursed to the road crew.

**County Commissioner District 2:** We are currently in the process of creating a Disaster Recovery Plan for District 2; once the plan is completed it will be filed with the Adair County Clerk's Office.

**County Commissioner District 3:** We are currently in the process of creating a Disaster Recovery Plan for District 1, once the plan is completed it will be filed with the Adair County Clerk's Office and copies will be disbursed to the road crew.

**Criteria:** An important aspect of internal control is the safeguarding of assets which includes adequate Disaster Recovery Plans. 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 in a county being unable to function in the event of a disaster. Disaster Recovery Plan(s) are an integral part of county operations to ensure that business can continue as usual in the event of a disaster. Each office or the county as a whole should have a current, detailed Disaster Recovery Plan on file and should be aware of its content.

According to the standards of the Information Systems Audit and Control Association (CobiT, Deliver and Support 4), information services function management should ensure that a written Disaster Recovery Plan is documented and contains guidelines and instructions for the county to follow in the event of a disaster.

**Finding 2014-11 – Inadequate Internal Controls Over Information Systems Security – County Treasurer (Repeat Finding)**

**Condition:** Upon review of the computer systems within the County Treasurer's office, it was noted that there does not appear to be adequate internal 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.

**Cause of Condition:** Policies and procedures have not been designed and implemented to prevent unauthorized access to data.

**Effect of Condition:** This condition could result in compromised security for computers, computer programs, and data.

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**Recommendation:** OSAI recommends 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 Treasurer:** I was not the County Treasurer during this audit period; I was sworn into office on October 5, 2015.

**Criteria:** According to the standards of the Information Systems Audit and Control Association (CobiT, Delivery and Support DS5), the need to maintain the integrity of information and protect IT assets requires a security management process. This process includes establishing and maintaining IT security roles and responsibilities, policies, standards, and procedures. Security management also includes performing security monitoring and periodic testing and implementing corrective actions for identified security weaknesses or incidents. Effective security management protects all IT assets to minimize the business impact of security vulnerabilities and incidents.



**REPORT ON STATUTORY COMPLIANCE – OTHER MATTERS**



# Oklahoma State Auditor & Inspector

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Adair County  
Board of County Commissioners  
Adair County Courthouse  
Stillwell, Oklahoma 74960

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, 2014:

- All County Offices - Fixed Assets procedures (19 O.S. § 178.1 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 Adair 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.

A handwritten signature in blue ink that reads "Gary A. Jones". The signature is fluid and cursive, with the first name "Gary" being the most prominent.

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

October 13, 2016

**SCHEDULE OF FINDINGS AND RESPONSES**

**Finding 2014-12 – Inadequate Segregation of Duties – Court Clerk (Repeat Finding)**

**Condition:** Upon inquiry and observation of the Court Clerk’s office, we noted the following weaknesses with regard to internal controls related to receipting and the expenditure processes.

Receipting process:

- All employees operate from the same cash drawer.
- One employee balances the cash drawer, prepares the deposit, takes the deposit to Treasurer’s office, and reconciles to Treasurer.

Expenditure process:

- One employee prepares vouchers, prints vouchers, takes vouchers to be registered, picks up vouchers from the County Treasurer, signs vouchers, distributes vouchers, reconciles accounts, prepares monthly, quarterly, and annual reports, and has permissions to make changes and voids in system.

**Cause of Condition:** Policies and procedures have not been designed and implemented to adequately segregate the duties of the receipting and expenditure processes within the office of the Court Clerk.

**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 management be aware of these conditions and realize that concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. Regarding the receipting process, OSAI recommends that one employee should not be performing all of the duties regarding balancing the cash drawer, preparing the deposit, and delivering the deposit to the County Treasurer’s office, reconciling. Further, we recommend that all employees issuing receipts operate from separate cash drawers.

**Management Response:**

**Court Clerk:** Due to the accessibility of the Court Clerk’s office as to other court and county employees, it is my belief that having multiple cash drawers has the potential to create the possibility of impropriety, whereas we have one cash drawer centrally located with limited access seems to be the best policy for our situation at the current time, considering our temporary location and available space. Once our permanent office is completed, I will re-evaluate this condition.

As to the balancing of the cash drawer and daily deposits, I plan to resolve this issue by assigning one employee to count the cash drawer and total receipts, another to print the depository ticket and verify the

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amounts of cash, checks, and credit card payments. The Court Clerk will then deliver deposit to the County Treasurer.

In regards to the expenditure process I am currently in the process of learning all of the financial aspects of the Court Clerk's office. I am currently implementing the following: Have one employee prepare and print vouchers, another employee deliver vouchers to be registered, I will verify each voucher and mail them out, and I will reconcile accounts monthly with the County Treasurer.

**Criteria:** Accountability and stewardship are over all goals of management in the accounting of funds. To help ensure a proper accounting of funds, key duties and responsibilities should be segregated among different individuals to reduce the risk of error or fraud. No one individual should have the ability to authorize transactions, have physical custody of assets, and record transactions.

**Finding 2014-13 – Inadequate Internal Controls and Noncompliance Over the Inmate Trust Fund Checking Account and Sheriff Commissary Fund (Repeat Finding)**

**Condition:** Regarding the Inmate Trust Fund Checking Account and the Sheriff Commissary Fund, the following exceptions were noted:

- One employee receives monies, issues receipts, inputs money into system and prepares and makes deposits and issues checks.
- Individual Inmate Trust Fund Checking Account balances are not being reconciled to the bank statement each month.
- The Sheriff's office did not file an annual report for the Commissary Fund with the Board of County Commissioners by January 15th, of each year.
- All checks issued did not have two (2) authorized signatures.
- All voided receipts were not retained.
- Deposits were not made daily.
- Bank reconciliations were not performed on a monthly basis.
- The Sheriff's office was unable to provide any contracts between the Sheriff and commissary vendors.

After performing testwork regarding Inmate Trust Fund Checking Account expenditures, the following noncompliance was noted regarding the five hundred fifteen (515) disbursements/checks tested:

- Thirty (30) checks were issued to a vendor for commissary items and fees.
- Seven (7) checks were issued to a vendor for telephone service and calling cards.
- Four (4) checks were issued to Adair County Sheriff's Office for medical services.
- One (1) check was issued to a person other than the inmate.
- Three hundred three (303) checks were issued to the inmates to purchase e-cigarettes from the Sheriff's office.

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**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. Also, without proper accounting and safeguarding of the Inmate Trust Fund Checking Account, there is an increased risk of misappropriation of funds.

**Recommendation:** OSAI recommends the following:

- Key duties and responsibilities should be segregated among different individuals to reduce the risk of error or fraud. No one individual should have the ability to authorize transactions, have physical custody of assets, and record transactions.
- Inmate trust fund monies should be maintained in a manner that reflects each inmate's trust deposits, disbursements, and account balances. The inmate's ledger balances should be reconciled to the bank statements each month.
- The Sheriff should file a report of the Commissary with the Board of County Commissioners by January 15th, of each year.
- All checks issued should have two (2) authorized signatures.
- All voided receipts should be retained.
- All funds received should be deposited to the Inmate Trust Fund Checking Account daily.
- Bank reconciliation should be performed monthly.

OSAI recommends that the expenditures should be made from the Inmate Trust Fund Checking Account in accordance with 19 O.S. § 531 A. OSAI recommends that checks be issued with enough detail as to ascertain the name of the inmate being released/transferred. OSAI recommends that the Sheriff review all expenditures for accuracy and approve them by affixing his signature.

**Management Response:**

**County Sheriff:** The Adair County Sheriff's Office with its limited funds and personnel will make every possible attempt to correct any Inadequate Internal Controls and noncompliance over the Inmate Trust Fund checking and Sheriff Commissary funds by implementing policies and procedures for the condition listed above.

**Criteria:** Effective accounting procedures and internal controls are necessary to ensure stewardship and accountability of public funds. Safeguarding controls are an important aspect of internal controls. Safeguarding controls relate to the prevention or timely detection of unauthorized transaction and unauthorized access to assets. Failure to perform tasks that are part of internal controls, such as reconciliations not performed or not timely prepared, are deficiencies in internal control. Further, reconciliations should be performed on a monthly basis.

Effective internal controls should provide for procedures wherein receipts for the monies collected are maintained and available for inspection and deposits are made in a timely manner.

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Title 19 O.S. § 180.43 D. states in part, "...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..."

Title 19 O.S. § 531 A. states in part, "...the county sheriff may establish a checking account, to be designated the "Inmate Trust Fund Checking Account." 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."

**Finding 2014-14 – Inadequate Internal Controls and Noncompliance Over Fixed Assets and Consumable Inventories (Repeat Finding)**

**Condition:** While gaining an understanding of internal controls over fixed assets and testing compliance with state statutes over fixed assets, we noted the following weaknesses:

- Adair County has not designed procedures to perform and document an annual physical inventory of all fixed assets.
- The following offices did not file an inventory list with the County Clerk: County Commissioner District 1, 2 and 3, County Treasurer and Election Board, and County Sheriff.
- County Commissioner District 1 has an employee who is a requisitioning officer and a receiving officer.

Upon inquiry and observation of consumable inventory items for District 1, 2, and 3, we noted the following:

**District 1:**

- A monthly physical count of consumable inventory is not performed.
- Does not maintain a fuel log on their portable tanks.

**District 2:**

- A monthly physical count of consumable inventory is not performed.
- Actual fuel on hand is not reconciled to the fuel log balance.

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**District 3:**

- A monthly physical count of consumable inventory is not performed.
- Does not keep or maintain fuel logs.

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure compliance with the state statutes regarding maintaining and properly identifying fixed assets. Additionally, procedures have not been designed and implemented to provide for accurate inventory records and the safeguarding of consumable inventory items.

**Effect of Condition:** These conditions resulted in noncompliance with state statutes. When fixed assets are not monitored, opportunities for misuse or loss of equipment can occur. Additionally, when consumable inventories are not monitored on a monthly basis, opportunities for misuse or theft of items are more likely to occur.

**Recommendation:** OSAI recommends management implement internal controls to ensure compliance with 19 O.S. § 178.1 and 19 O.S. § 178.2. OSAI recommends the performing and documenting of periodic inventory of fixed assets. Additionally, the key functions of receiving duties and inventory control duties should be performed by separate employees in order to effectively segregate those duties.

OSAI also recommends the performing and documenting of a monthly consumable inventory count. Counts should be initialed and dated by the employee performing the physical count and retained to show the design and implementation of internal controls by the County Commissioners. Additionally, the key functions of receiving duties and consumable inventory control duties should be performed by separate employees in order to effectively segregate those duties.

**Management Response:**

**District 1:** We are currently in the process of assigning an individual to perform an annual physical inventory check of all assets and we will compare and update any information with the commissioner's secretary periodically throughout the year. We have filed an updated inventory list with the Adair County Clerk's Office for fiscal year 2015-2016. We will also work on addressing the one individual that is assigned to be both the receiving and requisitioning officer.

In regard to consumables, we are currently in the process of creating a recordkeeping log for the fuel purchased and fuel distributed to county equipment. We will strive to keep a better record of fuel usage and we are also assigning an individual to conduct a check over consumable inventory.

**District 2:** We are currently in the process of assigning an individual to perform an annual physical inventory check of all assets and we will compare and update any information with the Commissioner's Secretary periodically throughout the year. We have filed an updated inventory list with the Adair County Clerk's Office for fiscal year 2015-2016.

In regard to consumables we are currently in the process of creating a better way for recordkeeping of the diesel and unleaded fuel usage for Adair County District 2. We will strive to make sure we keep a more

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accurate count of gallons used. We are also assigning an individual to conduct a check over consumable inventory.

**District 3:** We are currently in the process of assigning an individual to perform an annual physical inventory check of all assets and we will compare and update any information with the Commissioner's Secretary periodically throughout the year. We have filed an updated inventory list with the Adair County Clerk's Office for fiscal year 2015-2016.

In regards to consumables, we are currently in the process of creating a fuel log for recordkeeping regarding the fuel usage and distribution by Adair County District 3. We will strive to keep an accurate record of fuel usage. We are also assigning an individual to conduct a check over consumable inventory.

**County Sheriff:** Effective immediately, the Adair County Sheriff's office will file inventory lists for the Sheriff's Office with the County Clerk.

**County Treasurer:** I was not the County Treasurer during this audit period; I was sworn into office on October 5, 2015. I will make sure and file a copy of our inventory list with the County Clerk.

**Secretary of Election Board:** We filed a current inventory list with the County Clerk in August 2015 and we will file an updated list yearly.

**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 therefore 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 custody of the county or of any office, board, department, commission or any either thereof, and the disposition thereof whether sold, exchanged, leased, or let where authorized by statute, junked, strayed or stolen, and annually thereafter..."

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



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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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