



# ADAIR COUNTY

## Operational Audit

For the fiscal year ended June 30, 2016

**Cindy Byrd, CPA**  
State Auditor & Inspector

**ADAIR COUNTY OPERATIONAL AUDIT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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**Cindy Byrd, CPA | State Auditor & Inspector**

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April 1, 2019

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

Transmitted herewith is the audit report of Adair County for the fiscal year ended June 30, 2016.

The goal of the State Auditor and Inspector is to promote accountability and fiscal integrity in state and local government. Maintaining our independence as we provide this service to the taxpayers of Oklahoma is of utmost importance.

We wish to take this opportunity to express our appreciation for the assistance and cooperation extended to our office during our engagement.

Sincerely,

A handwritten signature in blue ink that reads "Cindy Byrd". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

CINDY BYRD, CPA  
OKLAHOMA STATE AUDITOR & INSPECTOR



**ADAIR COUNTY, OKLAHOMA  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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**PRESENTED FOR INFORMATIONAL PURPOSES ONLY**

**ADAIR COUNTY OFFICIALS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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**Board of County Commissioners**

District 1 – Dale Dandridge  
District 2 – Sam Chandler  
District 3 – Keith Davis

**County Assessor**

Rhonda Pritchett

**County Clerk**

Danya Curtis

**County Sheriff**

David Harden

**County Treasurer**

Ann Bishop

**Court Clerk**

Nichole Cooper

**District Attorney**

Brian Kuester

**ADAIR COUNTY, OKLAHOMA  
SALES TAX DISTRIBUTION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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## **Sales Tax**

### **Sales Tax of September 17, 1996**

Adair County voters approved a permanent sales tax of one-half of one percent (0.50%). 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**

Adair County voters 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.

### **Sales Tax of April 1, 2014**

The voters of Adair County approved a permanent sales tax of five-tenths of one cent (0.50%). The sole and exclusive purpose of this tax is for the remodeling, new construction, maintenance and operations of the Adair County Courthouse. Duration will be until all costs, expenses and indebtedness are paid in full and at which time the sales tax will drop to two tenths of one cent (.20%) which shall be for the courthouse maintenance and operation and will be an unlimited duration. These funds are accounted for in the Courthouse Construction fund.

The voters of Adair County approved a permanent sales tax of five-tenths of one cent (0.50%). The purpose of this tax is for the use and benefit of the Adair County Jail Trust Authority Facility for the maintenance and operation of the Adair County Jail with an unlimited duration. These funds are accounted for in the Jail Trust Authority-2 fund.

During the fiscal year the County collected \$1,701,498 in total sales tax.

**ADAIR COUNTY  
OPERATIONAL AUDIT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**Presentation of Apportionments, Disbursements, and Cash Balances of County Funds for the Fiscal Year Ended June 30, 2016**

	Beginning Cash Balances July 1, 2015	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2016
Combining Information:						
County Funds:						
County General Fund	\$ 439,408	\$ 1,169,783	\$ 120,000	\$ 120,000	\$ 1,269,698	\$ 339,493
Highway Cash	1,008,740	2,518,351	650,000	-	2,593,215	1,583,876
County Health	349,565	202,078	-	-	201,233	350,410
Resale Property	154,105	115,753	-	-	163,487	106,371
County Clerk Records Preservation	26,120	17,345	-	-	28,691	14,774
Sheriff Drug Fund	1,414	1,206	-	-	1,429	1,191
County Clerk Lien Fee	5,331	7,620	-	-	6,530	6,421
Adair County Community Sentencing Program	54,440	44,977	-	-	60,608	38,809
Sheriff Service Fee	35,239	53,795	-	-	53,402	35,632
Treasurer Mortgage Fee	37,499	2,923	-	-	3,545	36,877
Assessor Cash-Visual Inspection	6,260	2,025	-	-	1,515	6,770
Fire Districts	434,617	245,507	-	-	247,290	432,834
Jail Operations	197,672	791,853	-	-	878,210	111,315
Sheriff Commissary Fund	11,870	67,624	-	-	59,363	20,131
Jail Trust Authority	38,352	508,995	-	-	505,490	41,857
Jail Trust Authority-2	38,352	485,330	-	-	483,425	40,257
Sheriff Detention	28	-	-	-	28	-
County Bridge and Road Fund 105	379,348	190,871	-	-	106,248	463,971
County Bridge and Road Fund 103	12,864	19	-	-	-	12,883
Sheriff Grant JAG	87	-	-	-	87	-
Emergency 911	72,282	147,406	-	-	141,102	78,586
Public Service Permit	40	25	-	-	-	65
Flood Plain Permit	173	375	-	-	-	548
Sheriff Violence Against Women Grant	212	-	-	-	127	85
Sheriff Cherokee Nation	532	48,667	-	-	18,445	30,754
Adair County Park	3,581	23,212	-	-	6,467	20,326
Courthouse Security	3,103	17,028	8,772	-	26,643	2,260
Courthouse Construction	50,839	510,330	-	-	478,693	82,476
Use Tax	147,829	202,890	120,000	178,772	32,564	259,383
PFD	7,980	-	-	-	7,452	528
Sheriff Environmental Officer	-	198	50,000	-	3,922	46,276
Adair County Local Emergency Planning Committee	-	1,000	-	-	-	1,000
Sheriff Carson Grant	-	35,000	-	-	18,025	16,975
<b>Combined Total - All County Funds</b>	<b>\$ 3,517,882</b>	<b>\$ 7,412,186</b>	<b>\$ 948,772</b>	<b>\$ 298,772</b>	<b>\$ 7,396,934</b>	<b>\$ 4,183,134</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, 2016**

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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 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 operations of the county health department.

Resale Property – accounts for the collection of interest and penalties on delinquent ad valorem taxes and disbursement as restricted by state statute.

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 the collections and disbursements of lien fees as restricted by state statute.

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 the collection of fees by the County Treasurer for mortgage tax certificates and disbursements as restricted by state statute.

Assessor Cash-Visual Inspection – accounts for the receipt of fees charged to all entities receiving ad valorem taxes. Disbursements are for the expenses incurred for the re-evaluation of all county property for ad valorem purposes.

**ADAIR COUNTY**  
**DESCRIPTION OF COUNTY FUNDS AND TRANSFERS**  
**OPERATIONAL AUDIT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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Fire Districts – accounts for the sales tax collections received for operating and maintaining the Fire Departments in Adair County, as restricted by the sales tax ballot.

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

Sheriff Commissary Fund – accounts for collections from commissary sales in the county jail. Disbursements are for jail operations as defined by state statute.

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, as restricted by the sales tax ballot.

Jail Trust Authority-2 – accounts for the collection of sales tax revenue. Disbursements are for the maintenance and operation of a jail facility, as restricted by the sales tax ballot.

Sheriff Detention – accounts for the receipt of federal funds and disbursements as restricted by the grant agreement.

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 monies received from private telephone companies for the operations of emergency 911 services, as restricted by state statute.

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.

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 county sheriff deputy's salary.

**ADAIR COUNTY**  
**DESCRIPTION OF COUNTY FUNDS AND TRANSFERS**  
**OPERATIONAL AUDIT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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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.

Courthouse Construction – accounts for the collection of sales tax revenue. Disbursements are for the remodeling, new construction, and maintenance and operations of the Adair County Courthouse, as restricted by the sales tax ballot.

Use Tax – account for use tax from the Oklahoma Tax Commission. Disbursements are for the general operation of the County.

PFD – accounts from proceeds from property forfeiture auctions. These funds are disbursed by the County Sheriff's office for the intervention and prevention of narcotics use.

Sheriff Environmental Officer – account for use tax collections disbursed to pay costs related to the environmental officer's salary.

Adair County Local Emergency Planning Committee – accounts for the receipt of funds from state and local governments and disbursed as restricted by the grant agreement.

Sheriff Carson Grant – accounts for grant monies received from the Tom J. and Edna Mae Carson Foundation and disbursements are for the County Sheriff's office to purchase vehicles.

**Transfers**

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

- \$120,000 was transferred from the Use Tax fund to County General Fund to meet requirements of appropriations in accordance with 68 O.S. § 3021.
- \$120,000 was transferred from the County General Fund to Use Tax fund for repayment of the loan in accordance with 68 O.S. § 3021.
- \$650,000 was transferred from the Emergency Transportation Revolving fund, a trust and agency fund, to the Highway Cash fund for expenditures on bridge and road projects.
- \$2,433 was transferred from Use Tax fund via purchase order to the Courthouse Security fund to cover the costs associated with the courthouse security officer's salary. These funds were not repaid to the Use Tax fund by the end of the fiscal year in accordance with 68 O.S. § 3021.
- \$6,339 was transferred from Use Tax fund to the Courthouse Security fund to meet requirements

**ADAIR COUNTY**  
**DESCRIPTION OF COUNTY FUNDS AND TRANSFERS**  
**OPERATIONAL AUDIT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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of appropriations in accordance with 68 O.S. § 3021. These funds were not repaid in accordance with 68 O.S. § 3021.

- \$50,000 was transferred from the Use Tax via purchase order to the Sheriff Environmental Officer fund to cover the costs associated with the environmental officer's salary. These funds were not repaid to the Use Tax fund by the end of the fiscal year in accordance with 68 O.S. § 3021.

**ADAIR COUNTY, OKLAHOMA**  
**COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND**  
**CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—**  
**COUNTY GENERAL FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 439,408	\$ 439,408	\$ -
Less: Prior Year Outstanding Warrants	(59,825)	(59,825)	-
Less: Prior Year Encumbrances	(29,206)	(8,155)	21,051
Beginning Cash Balances, Budgetary Basis	350,377	371,428	21,051
Receipts:			
Ad Valorem Taxes	747,404	806,700	59,296
Charges for Services	48,868	57,818	8,950
Intergovernmental Revenues	238,534	287,193	48,659
Miscellaneous Revenues	7,144	18,072	10,928
Total Receipts, Budgetary Basis	1,041,950	1,169,783	127,833
Expenditures:			
County Sheriff	269,114	269,110	4
County Treasurer	44,107	43,806	301
County Commissioners	154,819	80,178	74,641
County Commissioners OSU Extension	22,400	22,399	1
County Clerk	107,452	104,129	3,323
Court Clerk	73,773	73,772	1
County Assessor	45,190	45,138	52
Revaluation	237,548	220,676	16,872
General Government	62,600	56,310	6,290
Excise Equalization	2,861	2,694	167
County Election Expense	56,064	51,507	4,557
Insurance - Benefits	269,848	247,015	22,833
Purchasing Agent	30,251	29,949	302
County Audit Budget Account	10,000	10,000	-
Free Fair Budget Account	3,000	3,000	-
Budget Preparation	3,000	-	3,000
Provision for Interest on Warrants	300	-	300
Total Expenditures, Budgetary Basis	1,392,327	1,259,683	132,644

Continued on next page

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

**ADAIR COUNTY, OKLAHOMA**  
**COMPARATIVE 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, 2016**

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	General Fund		
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Continued from previous page			
Excess of Receipts and Beginning Cash			
Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	281,528	<u>\$ 281,528</u>
Interfund Transfers:			
Interfund Transfer In		120,000	
Interfund Transfer Out		<u>(120,000)</u>	
Net Interfund Transfers		<u>-</u>	
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Cancelled Warrants		288	
Add: Current Year Outstanding Warrants		14,375	
Add: Current Year Encumbrances		<u>43,302</u>	
Ending Cash Balance		<u>\$ 339,493</u>	

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

**ADAIR COUNTY  
OPERATIONAL AUDIT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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**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, 2016. 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.

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OPERATIONAL AUDIT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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**Objective 1:** To determine the receipts apportioned, disbursements, and cash balances are accurately presented on the County Treasurer's monthly reports for FY 2016.

**Conclusion:** With respect to the items reconciled and reviewed; the receipts apportioned, disbursements, and cash balances are not accurately presented on the County Treasurer's monthly reports. Additionally, we noted some deficiencies in internal controls regarding the financial reporting process.

**FINDINGS AND RECOMMENDATIONS**

**Finding 2016-001 – Inadequate Internal Controls Over the County Treasurer's Monthly Report Presentation (Repeat Finding)**

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

- The monthly reports are generated and prepared by the County Treasurer using a spreadsheet; they are not reviewed by someone other than the preparer.
- One employee receives payments, prepares the deposits, voids receipts, and performs bank reconciliations.
- All employees work from the same cash drawer.
- The County Clerk's appropriation ledger is not being reconciled to the County Treasurer's general ledger monthly.
- Voided receipts or voided receipt reports are not being reviewed by management.

Additionally, it was noted that the County Treasurer's monthly reports were not accurately presented:

- Receipts apportioned were materially overstated \$701,424.

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure receipts apportioned, disbursements, and cash balances are accurately presented on the County Treasurer's monthly reports. Additionally, policies and procedures have not been designed and implemented to adequately segregate duties within the County Treasurer's office and to ensure reconciliations between the County Clerk's appropriation ledger to the County Treasurer's general ledger are performed monthly.

**Effect of Condition:** These conditions resulted in the County Treasurer's monthly reports not being presented accurately and could result in misstated financial records, unrecorded transactions, undetected errors, or misappropriated 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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OPERATIONAL AUDIT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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- Monthly reports should be reviewed and approved by someone other than the preparer.
- 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.
- Key processes and/or critical functions of the office should be separated and having management review and approval of accounting functions.
- All employees receiving cash should have separate cash drawers established.
- A report of voided receipts should be generated daily and reviewed for validity and accuracy. Explanations for voided receipts should be included on the report. The report should reflect evidence of the review with initials and dates.

**Management Response:**

**County Treasurer:** In August 2016, I started using an accounting system which will fix the issue of the monthly reports being prepared by just myself. Due to limited staffing, some duties overlap; however, I implemented procedures to have one-person balance cash drawer daily and sign off, another person to review and prepare the deposit slip, and another person to take the deposit to bank.

Additionally, voided receipts are reviewed by either me or the first deputy. We will start printing out the voided receipt report to document the reviewed by myself or the first deputy. I will also take into consideration and try to implement having more than one cash drawer in my office.

I have and will continue to provide the County Clerk with all information needed for balancing purposes. The current County Clerk balances every month and provides me with a reconciliation each month.

**County Clerk:** When I took office in January 2017 the appropriation ledger had not been reconciled to the County Treasurer's general ledger for years. It took me until August 2017 to get the accounts reconciled and from that point forward we have been reconciling the appropriation ledger to the general ledger on a monthly basis.

**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.

**ADAIR COUNTY  
OPERATIONAL AUDIT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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**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. However, the internal controls over the apportionment of the sales tax should be strengthened.

### **FINDINGS AND RECOMMENDATIONS**

**Finding 2016-002 – Inadequate Internal Controls Over Sales Tax Apportionments (Repeat Finding)**

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

- The calculations of sales tax collections performed and apportioned by the County Treasurer are not reviewed or approved by someone other than the preparer.

Additionally, sales tax collections are comingled with other sources of revenues that are deposited into the County sales tax revolving funds.

- Revenues received for the boarding of prisoners, which are restricted funds, were apportioned in the Jail Trust Authority fund, a sales tax revolving fund.
- Revenues received from donations, which would be restricted as per the donation acceptance resolution, were apportioned in the Courthouse Construction fund, a sales tax revolving fund.

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure sales tax collections are properly apportioned and appropriated to designated funds.

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

**Recommendation:** OSAI recommends management design and implement policies and procedures to ensure the calculation of sales tax apportionments and appropriations are reviewed by someone other than the preparer and documentation of this review should be maintained. Additionally, restricted funds should not be comingled.

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**Management Response:**

**County Treasurer:** Sales tax calculations are now performed by the County Treasurer and are reviewed and signed off by another employee. Revenues from the boarding of prisoners were added to the Jail Trust Authority sales tax because the contract for boarding of prisoners was with the Jail Trust Authority and not the County Sheriff; however, boarding of prisoner revenue is now paid to the County Sheriff and deposited into his Sheriff Service Fee fund. Donations were made to Adair County for the construction of the new courthouse, and I did not realize that these monies needed to be in a separate account. I will implement this policy from now on.

**County Clerk:** These issues occurred prior to me taking office.

**Criteria:** Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure the proper appropriation of sales tax collections, a recalculation of apportionments and appropriations should be performed and documented and restricted funds should not be comingled with other sources of revenues.

<b>Objective 3:</b>	<b>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.</b>
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**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.

<b>FINDINGS AND RECOMMENDATIONS</b>
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**Finding 2016-003 – 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.

**ADAIR COUNTY  
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FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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**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:** The tax levies are now entered by the County Treasurer and are then reviewed and signed off by another employee.

**Criteria:** Accountability and stewardship are overall goals in evaluating management's accounting of funds. Internal controls should be designed and implemented to analyze and check accuracy and completeness. To help ensure proper accounting of funds, the duties of allocating, and apportioning ad valorem tax should be segregated or reviewed by an independent party.

**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.

The County's financial operations did not comply with 19 O.S. § 1505, which requires that disbursements be made for all goods or services purchased, be properly supported by adequate documentation, and charged to the appropriate fund and account.

## FINDINGS AND RECOMMENDATIONS

### **Finding 2016-004 – Inadequate Internal Controls Over Payroll Process (Repeat Finding)**

**Condition:** Upon inquiry, observation, and review of the County's payroll disbursement process, the following was noted:

- One employee enrolls new hires; maintains personnel files; inputs payroll information into the system and prints payroll reports; calculates withholdings and prepares withholding reports; prepares, prints, and distributes payroll warrants; and removes terminated employees from payroll system.

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- Updated payroll claims are not being reviewed for accuracy by someone other than the preparer prior to being presented to the BOCC for approval.

The audit of four (4) payroll claims which included the review of twenty-six (26) timesheets resulted in the following exceptions:

- Overtime was not calculated properly on three (3) timesheets.
- One (1) timesheet was not signed by the employee.

**Cause of Condition:** Policies and procedures have not been designed and implemented with regards to segregation of duties and/or compensating controls over the payroll process. Additionally, policies and procedures have not been designed and implemented to ensure timesheets are signed by the employee and a supervisor and overtime pay calculations are accurate.

**Effect of Condition:** These conditions could result in unrecorded transactions, undetected errors, inaccurate records, incomplete information, and misappropriation of funds.

**Recommendation:** OSAI recommends management be aware of these conditions and determine if duties can be properly 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. The following key accounting functions of the payroll process should be adequately segregated:

- Enrolling new employees and maintaining personnel files.
- Reviewing time records and preparing payroll.
- Distributing payroll warrants to individuals.

Additionally, OSAI recommends all timesheets be signed by the employee and approved by the official or immediate supervisor and be checked for accuracy.

**Management Response:**

**County Clerk:** These issues took place prior to me taking office; however, I have implemented the following procedures to alleviate these issues:

- The County Clerk now reviews the timesheets, and the verification report before any checks are printed.
- After the checks are printed, the County Clerk now reviews the payroll affidavits to ensure they agree.

Additionally, the County Clerk's office has budgetary constraints and staffing limitations, but we try to ensure adequate controls are in place.

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**County Commissioner District 1:** Timesheets will be reviewed and checked for accuracy by supervisor to ensure calculations are accurate, before they are turned into payroll clerk for processing.

**County Commissioner District 2:** Timesheets will be reviewed and checked for accuracy by supervisor to ensure calculations are accurate, before they are turned into payroll clerk for processing. Additionally, each timesheet will be reviewed for employee's signatures.

**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 help ensure a proper a proper accounting of funds, the duties of processing, authorizing, and payroll distribution should be segregated and supporting documentation such as payroll claims, and timesheets should be signed and approved by the appropriate personnel.

**Finding 2016-005 – Inadequate Internal Controls Over Disbursement Process (Repeat Finding)**

**Condition:** Upon inquiry and observation of the County's disbursement process, we noted the following:

- One employee encumbers the funds, issues purchase orders, assigns warrant on purchase orders, verifies purchase orders upon receiving all supporting documentation, prepares warrants, receives registered warrants from County Treasurer, signs warrants with use of County Clerk's signature stamp, distributes signed warrants, signs warrant register for those offices to which warrants are delivered, and receives approved purchase orders from Board of County Commissioners.
- The encumbrance portion of the purchase order contain the pre-printed name of the County Clerk and the Purchasing Agent.

**Cause of Condition:** Policies and procedures have not been designed and implemented with regard to the segregation of duties and/or compensating controls over the disbursement process. Additionally, policies and procedures have not been designed and implemented to safeguard the County from unauthorized use of the County Clerk's stamp.

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

**Recommendation:** OSAI recommends management be aware of this condition and determine if duties can be properly segregated. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risk 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 approve accounting functions.

Additionally, OSAI recommends signature stamps be adequately safeguarded and use of the stamp be restricted to only the owner and purchase orders contain the actual signature or initials of either the County Clerk or Purchasing agent to indicate the encumbrance/purchase has actually been reviewed/approved.

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**Management Response:**

**County Clerk:** These issues occurred prior to me taking office. However, due to limited personnel it is difficult to have everything on purchase orders verified by two employees. The purchasing agent is very diligent about ensuring that all documentation required is with purchase order, is signed by authorized persons and that the purchase orders are encumbered before goods or services are rendered. My signature stamp is now kept in my possession, in a locked drawer. The pre-printed signatures on the purchase orders are now initialed by the actual individuals who are approving the encumbrance and verification of encumbrance. On a weekly basis, the BOCC reviews all purchase orders and supporting documentation before approving. Additionally, the individuals who are designated to pick up warrants are now signing the warrant register.

**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. To help ensure a proper accounting of funds, the duties of processing, authorizing, and distribution should not be segregated.

**All Objectives:**

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

**Finding 2016-006 - 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 Control Environment, Risk Assessment, Information and Communication, and Monitoring have not been designed.

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure that an adequate system of county-wide controls exists.

**Effect of Condition:** Without an adequate system of county-wide controls, there is greater 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 a system of county-wide procedures to identify and address risks related to financial reporting and to ensure that information is communicated effectively. 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.

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**Management Response:**

**Chairman of the Board of County Commissioners, County Treasurer, and County Clerk:** We are going to work together and try to implement quarterly meeting with all elected official to address the risks of the County.

**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 Control Environment, Risk Assessment, Information and Communication, and Monitoring for the achievement of these goals.

Control Environment is the foundation for all other components of internal control. When management believes that internal controls are important to meeting its goals and objectives and communicates this belief to its employees at all levels, internal controls are more likely to be functioning well. However, if management views internal controls as unrelated to achieving its goals and objectives, or even as an obstacle, it is almost a certainty that this attitude will be held by all employees, despite official statements or policies to the contrary. This understanding by management of the importance of internal controls and the communication of this importance to its employees are key elements of the control environment.

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.

Information and Communication is a component of internal control which should provide for a county to run and control its operations. A county must have relevant, reliable information, both financial and nonfinancial. The information should be recorded and communicated to management and others within the county who need it and in a form and within a time frame that enables them to carry out their internal control and operational responsibilities. In addition, the county needs to make sure that the forms of communication are broad-based and that information technology management assures useful, reliable, and continuous communications.

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 processes. Proper monitoring will ensure that controls continue to be adequate and function properly.



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**Finding 2016-007 - 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 have 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.

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

**Management Response:**

**County Treasurer:** I am working on resolving these issues.

**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.

**Finding 2016-008 – Lack of Disaster Recovery Plan (Repeat Finding)**

**Condition:** The following offices did not have a written Disaster Recovery Plan for the audit period:

- County Commissioners District 1, 2, and 3, County Assessor, County Sheriff, and Court Clerk.

Also, it was noted the County Clerk’s office had a written Disaster Recovery Plan, however, it had not been updated since 2012.

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

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**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 Assessor:** I was not in office during this audit period. I believe I have located a disaster recovery plan and will update it with current information.

**County Sheriff:** We will work on preparing the disaster recovery plan and get it filed with the County Clerk as soon as possible.

**Court Clerk:** I have received a guideline for a Disaster Recovery Plan and I have begun the process of developing a specific plan for my office. Once complete I will distribute a copy of the plan to all employees of the Adair Court Clerk's office, file a plan with the Adair County Commissioners with the County Clerk and both Adair County Judges.

**County Clerk:** This issue was prior to me taking office, however I have since updated my Disaster Recovery Plan.

**County Commissioner District 1:** We are currently in the process of completing a Disaster Recovery Plan for Adair County District 1. Once we get this completed we will file it with the Adair County Clerk and then disburse a copy to the road crew for Adair County District 1.

**County Commissioner District 2:** We are currently in the process of completing a Disaster Recovery Plan for Adair County District 2. Once we get this completed we will file it with the Adair County Clerk and then disburse a copy to the road crew for Adair County District 2.

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**County Commissioner District 3:** We are currently in the process of completing a Disaster Recovery Plan for Adair County District 3. Once we get this completed we will file it with the Adair County Clerk and then disburse a copy to the road crew for Adair County District 3.

**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.

**Other Item(s) Noted:**

**Finding 2016-014 – Inadequate Internal Controls and Noncompliance Over Estimate of Needs**

**Condition:** Upon review of the County's Estimate of Needs for the fiscal year ending June 30, 2016, it was noted that the County's budgeted revenues and cash balances for the County Health fund exceeded the County's budgeted appropriations in the amount of \$19,575.

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure the County's Estimate of Needs is prepared accurately.

**Effect of Condition:** This condition resulted in noncompliance with state statute and the approval of an inaccurate Estimate of Needs and could result in misstated financial reports, undetected errors, and misappropriation of funds.

**Recommendation:** OSAI recommends County management establish policies and procedures to ensure that detailed, accurate information is reported on all exhibits of the County Health Department Estimate of Needs and to ensure budgeted amounts comply with 68 O.S. § 3002(A).

**Management Response:**

**County Treasurer:** We will get with our budget maker to see if we can determine the cause of this issue and will work to ensure that financial information is accurately presented in the future.

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**Chairman of the Board of County Commissioners:** I have reached out to our budget maker to determine the cause of this issue and we will work to ensure that financial information for the budget is accurately presented.

**County Clerk:** This issue occurred prior to me taking office.

**Criteria:** The adopted budget is an expression of public policy and financial intent and is a method of providing controls over that intent. Effective internal controls as they relate to government entities financial reporting should assist in fulfilling government's duty to be publicly accountable and should enable user's access to that accountability by demonstrating whether resources were obtained and used in accordance with the entity's adopted budget.

Title 68 O.S. § 3002(A) states, "Notwithstanding the provisions of the School District Budget Act, each board of county commissioners and the board of education of each school district, shall, prior to October 1 of each year, make, in writing, a financial statement, showing the true fiscal condition of their respective political subdivisions as of the close of the previous fiscal year ended June 30<sup>th</sup>, and shall make a written itemized statement of estimated needs and probable income from all sources including ad valorem tax for the current fiscal year. Such financial statement shall be supported by schedules or exhibits showing, by classes, the amount of all receipts and disbursements, and shall be sworn to as being true and correct. The statement of estimated needs shall be itemized so as to show, by classes: first, the several amounts necessary for the current expenses of the political subdivision and each officer and department thereof as submitted in compliance with the provisions of Section 3004 of this title; second, the amount required by law to be provided for sinking fund purposes; third, the probable income that will be received from all sources, including interest income and ad valorem taxes; and shall be detailed in form and amount so as to disclose the several items for which the excise board is authorized and required, by this article, to approve estimates and make appropriations."

**REPORT ON STATUTORY COMPLIANCE – OTHER MATTERS**

Adair County  
Board of County Commissioners  
Adair County Courthouse  
Stilwell, 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, 2016:

- 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 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.



CINDY BYRD, CPA  
OKLAHOMA STATE AUDITOR & INSPECTOR

March 27, 2019



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**SCHEDULE OF FINDINGS AND RESPONSES**

**Finding 2016-009 – Inadequate Internal Controls and Noncompliance Over Inmate Trust Fund Checking Account, Sheriff Commissary, and Sheriff Commissary Fund (Repeat Finding)**

**Condition:** We noted the following weaknesses regarding the Inmate Trust Fund Checking Account, Sheriff Commissary, and Sheriff Commissary Fund:

**Inmate Trust Fund Checking Account:**

- One employee receives monies, issues receipts, voids receipts, updates inmates' account balances, prepares deposits, takes deposits to bank, issues and signs checks, and incurs credit card charges on inmate's credit cards and posts charges to inmate's accounts as deposits.
- Bank reconciliations were not performed on a monthly basis.
- Individual inmate fund balances maintained in offender data information system (ODIS) cannot be reconciled back to the bank statement.
- Bank statements for July 2015 through October 2016 could not be located.
- Deposits are not made daily and deposits are not reconciled to ODIS system.
- Receipts are issued from the same receipts book for multiple revenue sources, original receipts were missing, voided receipts were not always retained, and the receipt books were not in sequential order.
- Receipts were not clearly marked for the purpose of the Inmate Trust Fund Checking Account.
- Handwritten receipts were not reconciled back to receipts issued within the accounting system (ODIS).
- Amounts posted to the inmates' accounts after hours is not reconciled to the amounts retained in the drop box.
- There is no log used to track unclaimed funds. ODIS is unable to generate a report denoting balances for inmates that have been released.
- Documentation is not prepared or retained authorizing County personnel to access the inmates' personal credit cards for the purposes of depositing funds into the inmates' individual inmate fund balances.
- Expenditures:
  - After hours jailers are closing out inmate account balances prior to checks being paid out.
  - Not all checks were signed by two employees.

**Sheriff Commissary:**

- One employee orders/purchases inventory; stocks, maintains and receives inventory items; records inventory input and output in ODIS; filling commissary orders; and posted order changes to the individual inmates' accounts maintained in ODIS.
- No one is performing a reconciliation of items purchased to items input into ODIS system.
- Inventory records on phone card and e-cig sales are not maintained in a way to reconcile amounts on hand to records.
- Employees can purchase commissary items at cost.

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- No one verifies receipts issued, for employee commissary purchases, to deposit amount.
- Collections from employee commissary purchases are not deposited daily.

**Sheriff Commissary Fund:**

- Profits from phone cards and e-cigs sales are deposited into the Sheriff Commissary fund.
- The County Sheriff's office does not file an annual report for the Sheriff Commissary Fund with the Board of County Commissioners by January 15<sup>th</sup>, of each year.

After performing testwork regarding Inmate Trust Fund Checking Account expenditures, the following noncompliance was noted regarding the two hundred eight-three (283) disbursements/checks tested:

- One (1) was issued to an individual other than an inmate.

**Cause of Condition:** Policies and procedures have not been designed and implemented for proper administration regarding the Inmate Trust Fund Checking Account, the Sheriff run commissary, and the Sheriff Commissary Fund.

**Effect of Condition:** These conditions resulted in noncompliance with state statutes. In addition, without proper accounting and safeguarding of the Inmate Trust Fund Checking Account, there is an increased risk of misappropriation of funds.

**Recommendation:** OSAI recommends that management be aware of these conditions and determine if duties can be properly 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 further recommends the County Sheriff implement procedures to ensure:

- Inmate Trust Fund Checking Account monies are maintained in a manner that reflects each inmate's trust deposits, disbursements, and account balances. The inmates' trust fund balances should be reconciled to the bank statements each month.
- All receipts are accounted for and issued for all collections.
- Receipts are reconciled to collections received.
- Receipts are clearly marked for the purpose of the Inmate Trust Fund.
- Bank reconciliations are performed on a monthly basis and reviewed and approved by someone other than the preparer.
- All collections are deposited daily.
- All checks issued from the Inmate Trust Fund Checking Account have two authorizing signatures.
- Expenditures are made from the Inmate Trust Fund Checking Account in accordance with 19 O.S. § 531 A.
- A log of unclaimed property is maintained.
- Inventory is taken on all items purchased or held in stock in the Sheriff Commissary.
- Employees are not allowed to purchase items from Sheriff Commissary.



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- Profits from the sale of phone cards and e-cigs are deposited into the proper County funds.
- The County Sheriff files a report of the commissary with the County Commissioners by January 15th, of each year in accordance with 19 O.S. § 180.43 (D).

**Management Response:**

**County Sheriff:** In reference to the Inmate Trust Fund Checking Account, we have set up procedures to ensure this account is reconciled monthly and collections, deposits, distributions, and account balances are correct and accurate for each inmate by:

- Ensuring the daily deposit is now being counted and taken to the bank by two people. We are also going to have someone other than the person that receipts monies reconcile receipts to the bank deposit.
- Performing bank reconciliations monthly and making sure they are reviewed and approved by someone other than the prepare.
- Depositing collections daily.
- Clearly marking receipts for the Inmate Trust Fund and accounting for and reconciling them to collections.
- Ensuring handwritten receipts are only issued after the amount entered into the ODIS system is confirmed to agree with the amount in the envelope placed in the lock safe and noted on the inmate's individual book in sheet.
- Identifying the amount of monies in inmate trust that is unclaimed, so we will be able to reconcile individual inmate balances in ODIS to the bank statement.
- Requiring checks issued from the Inmate Trust Fund Checking Account to have two authorizing signatures and be made in accordance with statutory requirements.

Additionally, the process of personnel being able to access inmate's credit cards has been stopped and jailers have received training on how to properly transfer account balances for an inmate being released to pending rather than paid.

In reference to deficiencies noted in the Sheriff Commissary and Sheriff Commissary Fund:

- We now have someone compare what was bought for the commissary to the receipt, comparing items put in stock to inventory records. Additionally, we have started doing random spot checks of inventory to records.
- Phone cards and e-cigs now have inventory records that have a running balance that can be reconciled to items on hand.
- Employees can no longer purchase commissary items.
- Profits for phone cards are now being put into the proper account.
- Checks are only issued to commissary or inmate upon release.
- We will ensure we prepare and file the Sheriff Commissary Fund report with the BOCC by January 15<sup>th</sup> of each year.

**Criteria:** Effective accounting procedures and internal controls are necessary to ensure stewardship and accountability of public funds. Safeguarding controls are an aspect of internal controls. Safeguarding

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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 segregating duties or implementing compensating reviews, performing bank reconciliation accurately and timely, and maintaining records in a manner to ensure compliance with state statutes and/or to minimize the risk of misappropriation, are deficiencies in internal control.

Additionally, effective internal controls should provide for procedures wherein receipts for the monies collected are maintained and available for inspection and deposits are made on a daily basis.

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 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 2016-010 – Inadequate Internal Controls and Noncompliance Over the Court Clerk Collection and Disbursement Processes (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 the collection and disbursement processes.

Collection process:

- All employees operate from the same cash drawer.
- One employee balances the cash drawer, prepares the deposit, takes the deposit to County Treasurer's office, and reconciles to the County Treasurer.
- The system allows employees to void the receipt they issue.
- A mail log is not maintained.

Disbursement processes - Court Fund and Court Clerk Revolving Fund:

- One employee prepares the claims, prints vouchers, takes vouchers to be registered, picks up vouchers from the County Treasurer, signs vouchers, distributes vouchers, reconciles accounts,

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prepares monthly, quarterly, and annual reports, and has permissions to make changes and voids in system.

- End of the month disbursements are not reviewed for accuracy by someone other than the preparer.

Additionally, tax intercepts are not held for sixty (60) days and there is no one besides the preparer reviewing the end of month disbursements for accuracy.

**Cause of Condition:** Policies and procedures have not been designed and implemented with regard to segregation of duties over all aspects of the collection and disbursement processes of Court Fund and Court Clerk Revolving Fund.

**Effect of Condition:** These conditions resulted in noncompliance with state statute. Additionally, 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. OSAI further recommends implementing compensating procedures to mitigate the risks involved with a concentration of duties. Compensating procedures would include separating key processes and/or critical functions of the office and having management review and approve the accounting functions.

OSAI further recommends all disbursements are supported by adequate documentation and proof of receipt and management design and implement policies and procedures to ensure compliance with 68 O.S. § 205.2.

**Management Response:**

**Court Clerk:** Yes, all employees operate from the same cash drawer, but since we have moved back to the original courthouse, our cash drawer is located at the front counter and we have a security camera that is set to view the entire front counter and is monitored by courthouse security. Yes, we do not maintain a mail log; however, I am going to take the maintenance of a mail log under consideration and may implement one in the future.

Yes, I as the Court Clerk have been the handling all the monthly payouts. But over the last few months, my first deputy has begun the process of learning how to do the end of month reports and payouts. From this point forward, she will prepare them, and I will review them for accuracy and verification.

If a receipt is to be voided, it must be done by someone other than the employee who wrote the original receipt and must be signed by the employee who voided the receipt and an explanation of the reason for the void is written on the original receipt. Each receipt is accounted for and totaled at the end of the day to verify that they balance with the monies received.

We now have a log of tax roll intercepts received. The money is receipted into the case but not applied. It is held in a holding account. We then send proper notice to the defendant of the tax intercept, as required by statute. Our log contains the date the intercept was received, the name of defendant, the case number,

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the amount, and the date the 60 days' notice will expire. We check the book on a monthly basis to see which intercepts needs to be transferred once the 60 days have expired and no hearing has been requested.

**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.

Title 68 O.S. § 205.2 states in part..."2. The qualified entity shall send notice to the debtor by regular mail at the last-known address of the debtor as shown by the records of the Tax Commission when seeking to collect a debt not reduced to final judgment. The qualified entity shall send notice to the judgment debtor or municipal court defendant by first-class mail at the last-known address of the judgment debtor or municipal court defendant as shown by the records of the Tax Commission when seeking to collect a final judgment or unpaid municipal fines and cost. The Tax Commission shall provide in an agreed electronic format to the Department of Human Services the amount withheld by the Tax Commission, the home address and the Social Security number of the taxpayer. The notice shall state:

d. that in order to obtain the refund due, the taxpayer must apply, in writing, for a hearing with the qualified entity named in the notice within sixty (60) days after the date of the mailing of the notice. Provided, if the claim was filed by the Department of Human Services, the notice shall state that the taxpayer must apply, in writing, for a hearing with the Department within thirty (30) days after the date of the mailing of the notice, ...

e. if the taxpayer against whom no debt, no unpaid municipal fines and cost, or final judgment is claimed fails to apply in writing for a hearing within sixty (60) days after the mailing of the notice, the taxpayer shall have waived his or her right to a refund. Provided, if the claim was filed by the Department of Human Services, the notice shall state that if the taxpayer fails to apply in writing for a hearing with the Department within thirty (30) days after the date of the mailing of the notice, the taxpayer shall have waived his or her right to a refund."



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