



# ATOKA COUNTY

## Financial Report

For the fiscal year ended June 30, 2020

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

**ATOKA COUNTY, OKLAHOMA  
FINANCIAL STATEMENT  
AND INDEPENDENT AUDITOR'S REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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Cindy Byrd, CPA | State Auditor & Inspector

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November 8, 2021

TO THE CITIZENS OF  
ATOKA COUNTY, OKLAHOMA

Transmitted herewith is the audit of Atoka County, Oklahoma for the fiscal year ended June 30, 2020. The audit was conducted in accordance with 19 O.S. § 171.

A report of this type can be critical in nature. Failure to report commendable features in the accounting and operating procedures of the entity should not be interpreted to mean that they do not exist.

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

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

Sincerely,

A handwritten signature in blue ink that reads "Cindy Byrd".

CINDY BYRD, CPA  
OKLAHOMA STATE AUDITOR & INSPECTOR



**ATOKA COUNTY OFFICIALS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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**Board of County Commissioners**

District 1 – Marvin Dale  
District 2 – Gilbert Wilson  
District 3 – Shane Tomlinson

**County Assessor**

Joe McClour

**County Clerk**

Christie Henry

**County Sheriff**

Tony Head

**County Treasurer**

Kim Harkey

**Court Clerk**

April Maxey

**District Attorney**

Emily Redman

**ATOKA COUNTY, OKLAHOMA  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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**FINANCIAL SECTION**

## Independent Auditor's Report

TO THE OFFICERS OF  
ATOKA COUNTY, OKLAHOMA

### *Report on the Financial Statement*

We have audited the combined total—all county funds on the accompanying regulatory basis Statement of Receipts, Disbursements, and Changes in Cash Balances of Atoka County, Oklahoma, as of and for the year ended June 30, 2020, and the related notes to the financial statement, which collectively comprise the County's basic financial statement as listed in the table of contents.

### *Management's Responsibility for the Financial Statement*

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the regulatory basis of accounting described in Note 1, and for determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



### ***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1, the financial statement is prepared by Atoka County using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

### ***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Atoka County as of June 30, 2020, or changes in financial position for the year then ended.

### ***Unmodified Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined total of receipts, disbursements, and changes in cash balances for all county funds of Atoka County, for the year ended June 30, 2020, in accordance with the basis of accounting described in Note 1.

### ***Other Matters***

#### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the combined total of all county funds on the financial statement. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statement.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the financial statement.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2021, on our consideration of Atoka County’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County’s internal control over financial reporting or on compliance. That report is an

integral part of an audit performed in accordance with *Government Auditing Standards* in considering Atoka County's internal control over financial reporting and compliance.



CINDY BYRD, CPA

September 27, 2021

**REGULATORY BASIS FINANCIAL STATEMENT**

**ATOKA COUNTY, OKLAHOMA**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND**  
**CHANGES IN CASH BALANCES—REGULATORY BASIS**  
**(WITH COMBINING INFORMATION)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	Beginning Cash Balances July 1, 2019	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2020
Combining Information:						
County General	\$ 1,571,987	\$ 1,552,873	\$ -	\$ 636,605	\$ 1,674,445	\$ 813,810
County Highway	464,489	2,841,029	592,347	-	3,628,016	269,849
County Health	518,441	456,203	-	-	351,720	622,924
County Sinking	252	2,277	-	-	-	2,529
Hospital Sales Tax	227,063	1,208,474	-	-	1,140,546	294,991
Resale Property	92,644	162,362	10,633	-	139,483	126,156
Sheriff Drug Account	791	10	-	-	-	801
911 Fund	5,652	135,991	167,899	-	114,032	195,510
County Bridge and Road Improvement	413,674	479,194	-	592,347	-	300,521
Fire Department Sales Tax	783,292	375,452	-	-	270,742	888,002
Sheriff Department Sales Tax	99,422	543,340	-	-	576,019	66,743
Donations	46,139	87,500	10,000	-	10,288	133,351
Flood Plain	50	50	2,009	-	-	2,109
Assessor Revolving Fee	-	1,257	9,980	-	720	10,517
County Clerk Lien Fee	-	13,123	44,568	-	1,420	56,271
RM&P	-	25,180	21,859	-	36,868	10,171
Jail	-	1,699	2,640	-	2,277	2,062
LEPC	-	-	2,000	-	-	2,000
Sheriff Commissary	-	13,517	9,534	-	16,394	6,657
Sheriff Forfeiture	-	1	1,816	-	300	1,517
Treasurer Mortgage Certification	-	2,735	12,274	-	1,762	13,247
Use Tax-ST	-	294,926	316,083	-	275,773	335,236
USDA Grant	-	50,000	-	-	39,944	10,056
Sheriff Service Fee	-	193,354	27,732	-	187,170	33,916
OLETS	-	4,200	2,246	-	-	6,446
<b>Combined Total - All County Funds</b>	<b>\$ 4,223,896</b>	<b>\$ 8,444,747</b>	<b>\$ 1,233,620</b>	<b>\$ 1,228,952</b>	<b>\$ 8,467,919</b>	<b>\$ 4,205,392</b>

The notes to the financial statement are an integral part of this statement.

**ATOKA COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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**1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

Atoka County is a subdivision of the State of Oklahoma created by the Oklahoma Constitution and regulated by Oklahoma Statutes.

The accompanying financial statement presents the receipts, disbursements, and changes in cash balances of the total of all funds under the control of the primary government. The general fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund, where its use is restricted for a specified purpose. Other funds established by statute and under the control of the primary government are also presented.

The County Treasurer collects and remits material amounts of intergovernmental revenues and ad valorem tax revenue for other budgetary entities, including emergency medical districts, libraries, school districts, and cities and towns. The cash receipts and disbursements attributable to those other entities do not appear in funds on the County's financial statement; those funds play no part in the County's operations. Any trust or agency funds maintained by the County are not included in this presentation.

**B. Fund Accounting**

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.

During the fiscal year ended June 30, 2020, the County converted to a new chart of accounts; therefore, several fund names and descriptions changed. However, these changes do not reflect a change in the sources and uses of revenues over the prior fiscal year.

Following are descriptions of the county funds included as combining information within the financial statement:

County General – accounts for the collection of sales tax revenue, ad valorem taxes, officers' fees, interest earnings and miscellaneous collections of the County. Disbursements are for the operations of the government and disbursement of the funds as restricted by state statutes and sales tax ballots.

County Highway – 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.

**ATOKA COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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County Sinking – accounts for debt service receipts derived generally from a special ad valorem tax levy of cash not immediately required for debt service payments.

Hospital Sales Tax – accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the sales tax ballot.

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

Sheriff Drug Account – accounts for monies set aside for law enforcement to use for the intervention and prevention of narcotics.

911 Fund – accounts for monies received from private telephone companies for the operations of emergency 911 services.

County Bridge and Road Improvement – accounts for funds received from the Oklahoma Department of Transportation, and disbursements are restricted by state statutes for the purpose of reimbursement for constructing and maintaining county roads and bridges.

Fire Department Sales Tax – accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the sales tax ballot.

Sheriff Department Sales Tax – accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the sales tax ballot.

Donations – accounts for revenue from private donors to be disbursed for a specific purpose.

Flood Plain – accounts for a fee charged to minimize flood hazards and protect the natural and beneficial functions of the flood plain to be used to offset the cost of flood plain management.

Assessor Revolving Fee – accounts for the collection of fees for copies and the disbursement of funds as restricted by state statute.

County Clerk Lien Fee – accounts for fees collected for filing lien documents in the County Clerk's office. Proceeds to be expended for lawful operation of the County Clerk's office.

RM&P – accounts for a special fee collected on all documents filed of record in the County Clerk's office. Disbursements are restricted to activities related to preservation of records.

Jail – accounts for revenue generated from bond or security filing fees collected by the Court Clerk. Disbursements are for jail operations.

LEPC – accounts for legislative appropriations to assist the Local Emergency Planning Committee (LEPC) in the development of an emergency plan.

**ATOKA COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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Sheriff Commissary – accounts for collections from selling items to prisoners incarcerated in the county jail. The revenue is to be used to improve and provide jail services and any surplus of this fund not needed for jail purposes for administering expenses for training equipment, travel or for capital expenditures.

Sheriff Forfeiture – accounts for proceeds from the sale of property seized by law enforcement in drug related cases and disbursed for enforcement of controlled dangerous substances laws, drug abuse prevention, and drug abuse education.

Treasurer Mortgage Certification – accounts for fees collected by the Treasurer for mortgage tax certificates and disbursement of funds for the lawful operation of the Treasurer’s office.

Use Tax-ST – consists of revenue derived from an excise tax levied on the storage, use or other consumption of tangible personal property used, stored, or consumed within the County. The purpose of the use tax is determined by the Board of County Commissioners.

USDA Grant – accounts for grant funds received from United States Department of Agriculture (USDA) to be used by the County Sheriff in accordance with the grant agreement.

Sheriff Service Fee – accounts for revenue generated from process service fees, housing of prisoners’ contracts, and courts fees. Proceeds are to be used for the lawful operation of the Sheriff’s office, jail expenses, courthouse security as directed by state statutes.

OLETS – accounts for monies that is paid from other agencies that utilize the Oklahoma Law Enforcement Telecommunications System (OLETS) and used to cover the cost of the OLETS system.

**C. Basis of Accounting**

The financial statement is prepared on a basis of accounting wherein amounts are recognized when received or disbursed. This basis of accounting differs from accounting principles generally accepted in the United States of America, which require revenues to be recognized when they become available and measurable or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred. This regulatory basis financial presentation is not a comprehensive measure of economic condition or changes therein.

Title 19 O.S. § 171 specifies the format and presentation for Oklahoma counties to present their financial statement in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) or on a regulatory basis. The County has elected to present their financial statement on a regulatory basis in conformity with Title 19 O.S. § 171. County governments (primary only) are required to present their financial statements on a fund basis format with, at a minimum, the general fund and all other county funds, which represent ten percent or greater of total county revenue with all other funds included in the audit presented in the aggregate in a combining statement. However, the County has elected to present all funds included in the

**ATOKA COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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audit in the Statement of Receipts, Disbursements, and Changes in Cash Balances—Regulatory Basis.

**D. Budget**

Under current Oklahoma Statutes, a general fund and a county health department fund are the only funds required to adopt a formal budget. On or before the first Monday in July of each year, each officer or department head submits an estimate of needs to the governing body. The budget is approved for the respective fund by office, or department and object. The County Board of Commissioners may approve changes of appropriations within the fund by office or department and object. To increase or decrease the budget by fund requires approval by the County Excise Board.

**E. Cash**

For the purposes of financial reporting, “Ending Cash Balances, June 30” includes cash and cash equivalents as allowed by statutes. The County pools the cash of its various funds in maintaining its bank accounts. However, cash applicable to a particular fund is readily identifiable on the County’s books. The balance in the pooled cash accounts is available to meet current operating requirements.

State statutes require financial institutions with which the County maintains funds to deposit collateral securities to secure the County’s deposits. The amount of collateral securities to be pledged is established by the County Treasurer; this amount must be at least the amount of the deposit to be secured, less the amount insured (by, for example, the FDIC).

The County Treasurer has been authorized by the County’s governing board to make investments. Allowable investments are outlined in statutes 62 O.S. § 348.1 and § 348.3.

All investments must be backed by the full faith and credit of the United States Government, the Oklahoma State Government, fully collateralized, or fully insured. All investments as classified by state statute are nonnegotiable certificates of deposit. Nonnegotiable certificates of deposit are not subject to interest rate risk or credit risk.

**2. Ad Valorem Tax**

The County’s property tax is levied each October 1 on the assessed value listed as of January 1 of the same year for all real and personal property located in the County, except certain exempt property. Assessed values are established by the County Assessor within the prescribed guidelines established by the Oklahoma Tax Commission and the State Equalization Board. Title 68 O.S. § 2820.A. states, “. . . Each assessor shall thereafter maintain an active and systematic program of visual inspection on a continuous basis and shall establish an inspection schedule which will result

**ATOKA COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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in the individual visual inspection of all taxable property within the county at least once each four (4) years."

Taxes are due on November 1 following the levy date, although they may be paid in two equal installments. If the first half is paid prior to January 1, the second half is not delinquent until April 1. The County Treasurer, according to the law, shall give notice of delinquent taxes and special assessments by publication once a week for two consecutive weeks at any time after April 1, but prior to the end of September following the year the taxes were first due and payable. Unpaid real property taxes become a lien upon said property after the treasurer has perfected the lien by public notice.

Unpaid delinquent personal property taxes are usually published in May. If the taxes are not paid within 30 days from publication, they shall be placed on the personal tax lien docket.

**3. Other Information**

**A. Pension Plan**

Plan Description. The County contributes to the Oklahoma Public Employees Retirement Plan (the Plan), a cost-sharing, multiple-employer defined benefit pension plan administered by the Oklahoma Public Employees Retirement System (OPERS). Benefit provisions are established and amended by the Oklahoma Legislature. The Plan provides retirement, disability, and death benefits to Plan members and beneficiaries. Title 74, Sections 901 through 943, as amended, establishes the provisions of the Plan. OPERS issues a publicly available financial report that includes financial statements and supplementary information. That report may be obtained by writing OPERS, P.O. Box 53007, Oklahoma City, Oklahoma 73105 or by calling 1-800-733-9008.

Funding Policy. The contribution rates for each member category are established by the Oklahoma Legislature and are based on an actuarial calculation which is performed to determine the adequacy of contribution rates.

**B. Other Post Employment Benefits (OPEB)**

In addition to the pension benefits described in the Pension Plan note, OPERS provides post-retirement health care benefits of up to \$105 each for retirees who are members of an eligible group plan. These benefits are funded on a pay-as-you-go basis as part of the overall retirement benefit. OPEB expenditure and participant information is available for the state as a whole; however, information specific to the County is not available nor can it be reasonably estimated.

**C. Contingent Liabilities**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, primarily the federal government. Any disallowed claims, including amounts

**ATOKA COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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already collected, may constitute a liability of the applicable fund. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time; although, the County expects such amounts, if any, to be immaterial.

The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in management's opinion, the resolution of these matters will not have a material adverse effect on the financial condition of the County.

**D. Sales Tax**

The voters of Atoka County passed a permanent one cent (1%) sales tax on March 26, 1985. All proceeds of the sales tax are designated for the purpose of the operation, maintenance, and improvement of the Atoka County Memorial Hospital and public acute healthcare purposes. These funds are accounted for in the Hospital Sales Tax fund.

The voters of Atoka County approved the continuation of a one-half cent (1/2%) sales tax on November 6, 2012, with the proceeds of such tax becoming a permanent tax beginning January 1, 2013. This sales tax was designated as follows: ninety percent (90%) for funding the maintenance and operation of the Atoka County Sheriff's Office and Atoka County Jail; and ten percent (10%) for all fire departments in Atoka County. These funds are accounted for in the County General fund, Sheriff Department Sales Tax fund and Fire Department Sales Tax fund.

The voters of Atoka County approved an unlimited duration one-fourth cent (1/4%) sales tax on February 9, 2016, effective January 1, 2017 to replace the one-half cent (1/2%) sales tax that was previously approved, and which expired on December 31, 2016, with the sole and only purpose of such sales tax to be for the equal benefit of all Atoka County Fire Departments (existing as of the day of this election and continuing to remain as the existing certified fire departments as determined by the Atoka County Fire Chief's Association and the Atoka County Board of Commissioners). These funds are accounted for in the Fire Department Sales Tax fund.

**E. Interfund Transfers**

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

- \$592,347 was transferred from the County Bridge and Road Improvement fund to the County Highway fund for road projects of Atoka County.
- \$10,633 was transferred from the Excess Resale fund, a trust and agency fund, to the Resale Property fund in accordance with 68 O.S. § 3131C.

**ATOKA COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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The Board of County Commissioners approved the transfers of balances, totaling \$636,605, from the County General fund to the following funds as part of the County's conversion to a new framework for the systematic reporting and accounting of county government transactions (Chart of Accounts):

- \$9,980 to the Assessor Revolving Fee fund.
- \$44,568 to the County Clerk Lien Fee fund.
- \$21,859 to the RM&P fund.
- \$2,640 to the Jail fund.
- \$2,000 to the LEPC fund.
- \$9,534 to the Sheriff Commissary fund.
- \$1,816 to the Sheriff Forfeiture fund.
- \$12,274 to the Treasurer Mortgage Certification fund.
- \$316,083 to the Use Tax-ST fund.
- \$167,899 to the 911 Fund.
- \$27,732 to the Sheriff Service Fee fund.
- \$2,246 to the OLETS fund.
- \$10,000 to the Donations fund.
- \$2,009 to the Flood Plain fund.
- \$5,965 to the District Attorney Drug Fund, a trust and agency fund.

**SUPPLEMENTARY INFORMATION**

**ATOKA COUNTY, OKLAHOMA**  
**COMPARATIVE SCHEDULE OF EXPENDITURES—BUDGET AND ACTUAL—**  
**BUDGETARY BASIS—GENERAL FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	General Fund		
	Budget	Actual	Variance
County Sheriff	\$ 402,702	\$ 194,010	\$ 208,692
County Treasurer	93,179	79,290	13,889
County Commissioners	6,000	4,943	1,057
County Commissioners O.S.U. Extension	22,000	15,026	6,974
County Clerk	246,549	172,546	74,003
Court Clerk	88,372	88,372	-
County Assessor	94,093	80,660	13,433
Revaluation of Real Property	221,052	182,801	38,251
Drug Court	2,500	2,398	102
General Government	192,294	161,378	30,916
Excise - Equalization Board	11,600	9,954	1,646
County Election Expense	67,100	65,037	2,063
Insurance - Benefits	736,084	420,000	316,084
Atoka County Flood Plain	2,009	-	2,009
E-911	205,299	35,024	170,275
OLETS	4,684	-	4,684
Courthouse Security	12,513	12,513	-
Sheriff Account	13,241	-	13,241
County Audit Budget Account	12,802	1,371	11,431
Free Fair Budget Account	3,500	3,479	21
Sales Tax - Fire Department (1)	144,500	46,473	98,027
Sales Tax - Fire Department (2)	338,364	33,132	305,232
Total Expenditures, Budgetary Basis	<u>\$ 2,920,437</u>	<u>\$ 1,608,407</u>	<u>\$ 1,312,030</u>

**ATOKA COUNTY, OKLAHOMA**  
**COMPARATIVE SCHEDULE OF EXPENDITURES—BUDGET AND ACTUAL—**  
**BUDGETARY BASIS—HEALTH FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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	Health Fund		
	Budget	Actual	Variance
Health and Welfare	\$ 739,675	\$ 412,861	\$ 326,814
Total Expenditures, Budgetary Basis	\$ 739,675	\$ 412,861	\$ 326,814

**ATOKA COUNTY, OKLAHOMA  
NOTE TO SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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**1. Budgetary Schedules**

The Comparative Schedules of Expenditures—Budget and Actual—Budgetary Basis for the General Fund and the Health Fund present comparisons of the legally adopted budget with actual data. The "actual" data, as presented in the comparison of budget and actual, will differ from the data as presented in the Statement of Receipts, Disbursements, and Changes in Cash Balances (with Combining Information) because of adopting certain aspects of the budgetary basis of accounting and the adjusting of encumbrances and outstanding warrants to their related budget year.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in these funds. At the end of the year unencumbered appropriations lapse.

**INTERNAL CONTROL AND COMPLIANCE SECTION**

**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

TO THE OFFICERS OF  
ATOKA COUNTY, OKLAHOMA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined total—all funds of the accompanying Statement of Receipts, Disbursements, and Changes in Cash Balances (with Combining Information) of Atoka County, Oklahoma, as of and for the year ended June 30, 2020, and the related notes to the financial statement, which collectively comprises Atoka County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated September 27, 2021.

Our report included an adverse opinion on the financial statement because the statement is prepared using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. However, our report also included our opinion that the financial statement does present fairly, in all material respects, the receipts, disbursements, and changes in cash balances – regulatory basis of the County for the year ended June 30, 2020, on the basis of accounting prescribed by Oklahoma state law, described in Note 1.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statement, we considered Atoka County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of Atoka County's internal control. Accordingly, we do not express an opinion on the effectiveness of Atoka County's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that



were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be material weaknesses: 2020-001, 2020-002, 2020-003, 2020-004, and 2020-005.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Atoka County's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2020-004.

We noted certain matters regarding statutory compliance that we reported to the management of Atoka County, which are included in Section 2 of the schedule of findings and responses contained in this report.

### **Atoka County's Response to Findings**

Atoka County's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. Atoka County's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on the response.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is also a public document pursuant to the Oklahoma Open Records Act (51 O.S. § 24A.1 et seq.), and shall be open to any person for inspection and copying.



CINDY BYRD, CPA  
OKLAHOMA STATE AUDITOR & INSPECTOR

September 27, 2021

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**SECTION 1—Findings related to the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

**Finding 2020-001 - Lack of County-Wide Internal Controls (Repeat Finding – 2012-001, 2013-001, 2014-001, 2017-001, 2018-001, 2019-001)**

**Condition:** The County has not addressed all of the components of an internal control framework which are the Control Environment, Risk Assessment, Information and Communication, and Monitoring.

**Cause of Condition:** Policies and procedures have not been designed and implemented to address Control Environment, Risk Assessment, Information and Communication, and Monitoring in the County.

**Effect of Condition:** This condition does not allow the County to function in the most effective manner possible. Additionally, without written documentation of the county-wide controls, it is more difficult to retain organizational knowledge, communicate that knowledge to personnel, indicate what internal controls are present and monitor those controls.

**Recommendation:** The Oklahoma State Auditor and Inspector’s Office (OSAI) recommends that the County design and implement procedures to document their internal control framework. This documentation should outline the importance of internal controls, the risks that the County has identified, the control activities established to address the risks, the steps to take to properly communicate pertinent information in a timely manner and the methodology to monitor the quality of performance over time.

**Management Response:**

**Chairman of the Board of County Commissioners:** Will work with the elected officials to help with risk assessment meetings and for better communication and procedures to allow the county to function in the most effective manner possible.

**County Clerk:** I feel communication between elected officials has improved, and we are implementing more procedures to address these issues, so that we may better monitor controls county-wide and adhere to the recommendation of the State Auditor.

**County Treasurer:** I participate in the risk management meetings and feel as though we are improving with communication and attendance with all elected officials.

**Criteria:** The United States Government Accountability Office’s *Standards for Internal Control in the Federal Government* (2014 version) aided in guiding our assessments and conclusion. Although this publication (GAO Standards) addresses controls in the federal government, this criterion can be treated as best practices and may be applied as a framework for an internal control system for state, local, and quasi-governmental entities.

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The GAO Standards – Section 1 – Fundamental Concepts of Internal Control – OV1.01 states in part:

*Definition of Internal Control*

Internal control is a process effected by an entity’s oversight body, management, and other personnel that provides reasonable assurance that the objectives of an entity will be achieved.

Additionally, GAO Standards – Section 2 – Establishing an Effective Internal Control System – OV2.04 states in part:

*Components, Principles, and Attributes*

**Control Environment** - The foundation for an internal control system. It provides the discipline and structure to help an entity achieve its objectives.

**Risk Assessment** - Assesses the risks facing the entity as it seeks to achieve its objectives. This assessment provides the basis for developing appropriate risk responses.

**Information and Communication** - The quality information management and personnel communicate and use to support the internal control system.

**Monitoring** - Activities management establishes and operates to assess the quality of performance over time and promptly resolve the findings of audits and other reviews.

**Finding 2020-002 - Segregation of Duties in the County Treasurer's Office (Repeat Finding – 2002-002, 2003-001, 2004-001, 2005-001, 2006-001, 2007-001, 2012-004, 2013-004, 2014-004, 2017-003, 2018-003, 2019-003)**

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

- The following duties performed in the County Treasurer’s office are not properly segregated: issuing receipts, preparing deposits, and reconciling bank statements. The County Treasurer has implemented some mitigating controls. After evaluating the mitigating controls that have been implemented, the following weaknesses still exist:
  - Voids are reviewed/approved, but not signed by reviewer documenting the review.
  - The apportionments are reviewed and approved by someone other than the preparer, but the review is not documented.
- The County Treasurer’s office did not maintain documentation that certified levies were reviewed for accuracy when entered into the ad valorem tax system.
- The calculation of sales tax collections performed and apportioned by the County Treasurer’s First Deputy and that are appropriated by the County Clerk are not reviewed or approved by someone other than the preparer.

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**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure adequate segregation of duties in the County Treasurer’s office.

**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 a concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. OSAI recommends designing and implementing internal controls over the critical functions of the office and having management review and approval of accounting functions. Additionally, we recommend the following:

- Maintain documentation for:
  - The review of voided receipts performed by someone other than the preparer.
  - The review of apportionments performed by someone other than the preparer.
  - Showing that certified levies were reviewed for accuracy when entered into the ad valorem tax system.
- Sales tax calculations be reviewed by someone other than the preparer.

**Management Response:**

**County Treasurer:** We have implemented a process to maintain documentation showing someone other than the preparer has reviewed the documentation of all of the items noted above. We actually already review the items, just did not have the proper documentation.

**Criteria:** The GAO Standards – Principle 10 – Design Control Activities – 10.03 states in part:

*Segregation of Duties*

Management divides or segregates key duties and responsibilities among different people to reduce the risk of error, misuse, or fraud. This includes separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets so that no one individual controls all key aspects of a transaction or event.

Additionally, Principle 10 - Segregation of Duties states:

10.12 – Management considers segregation of duties in designing control activity responsibilities so that incompatible duties are segregated and, where such segregation is not practical, designs alternative control activities to address the risk.

10.13 – Segregation of duties helps prevent fraud, waste, and abuse in the internal control system. Management considers the need to separate control activities related to authority, custody, and accounting of operations to achieve adequate segregation of duties. In

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particular, segregation of duties can address the risk of management override. Management override circumvents existing control activities and increases fraud risk. Management addresses this risk through segregation of duties, but cannot absolutely prevent it because of the risk of collusion, where two or more employees act together to commit fraud.

10.14 – If segregation of duties is not practical within an operational process because of limited personnel or other factors, management designs alternative control activities to address the risk of fraud, waste, or abuse in the operational process.

**Finding 2020-003 - Lack of Internal Controls Over the Reconciliation of the Appropriation Ledger to the General Ledger (Repeat Finding – 2012-008, 2013-008, 2014-008, 2017-004, 2018-004, 2019-004)**

**Condition:** The County Clerk's appropriation ledger is not reconciled to the County Treasurer's general ledger.

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure a monthly reconciliation of the County Clerk's appropriation ledger to the County Treasurer's general ledger.

**Effect of Condition:** This condition could result in unrecorded transactions, misstated financial reports, undetected errors, misappropriation of funds, or clerical errors that are not detected in a timely manner.

**Recommendation:** OSAI recommends management take steps to ensure reconciliations are performed between the funds presented on the County Clerk's appropriation ledger and the County Treasurer's general ledger on a monthly basis. Documentation of this reconciliation be reviewed and approved by someone other than the preparer.

**Management Response:**

**County Clerk:** This issue has been corrected and a monthly reconciliation is now being performed regularly.

**County Treasurer:** My office started the reconciling process in April 2020.

**Criteria:** The GAO Standards - Principle 16 – Perform Monitoring Activities: 16.05 states, in part:

*Internal Control System Monitoring*

Management performs ongoing monitoring of the design and operating effectiveness of the internal control system as part of the normal course of operations. Ongoing monitoring includes regular management and supervisory activities, comparisons, reconciliations and other routine actions.

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**Finding 2020-004— Segregation of Duties and Noncompliance Over the Disbursement Process (Repeat Finding – 2002-002, 2003-001, 2004-001, 2005-001, 2006-001, 2007-012, 2012-005, 2012-011, 2013-005, 2013-011, 2014-005, 2014-011, 2017-005, 2018-005, 2019-005)**

**Condition:** Upon inquiry and observation of the County’s purchasing process, it was noted that the Purchasing Deputy prepares purchase orders, encumbers purchase orders, approves/authorizes the encumbrance, reviews the purchase order for accuracy, maintains ledgers, and prepares, prints and distributes warrants. Also, The County Clerk’s signature stamp is utilized by the Purchasing Deputy to sign warrants.

Additionally, of the sixty-two (62) disbursements tested, the following exceptions were noted:

- One (1) was not supported by adequate documentation.
- Eleven (11) were not encumbered prior to ordering goods or services.

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure adequate segregation of duties in the County Clerk’s office with regard to the purchasing process and control over the County Clerk’s signature stamp. Additionally, policies and procedures have not been designed and implemented to ensure the County is in compliance with state statute regarding the disbursement process.

**Effect of Condition:** These conditions resulted in noncompliance with state statute and could result in unrecorded transactions, undetected errors, inaccurate records, incomplete information, and misappropriation of funds. Also, the concentration of duties regarding the purchasing process is increased due to the Purchasing Deputy utilizing the County Clerk’s signature stamp to sign all warrants.

**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 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 that the County implement internal control procedures to ensure compliance with purchasing guidelines. Purchase orders should be encumbered before goods or services are ordered and adequate supporting documentation should be attached to the purchase order.

Further, OSAI recommends that signature stamps be used only by the official to whom it belongs. Officials who utilize signature stamps should ensure their signature stamps are adequately safeguarded from unauthorized use.

**Management Response:**

**County Clerk:** I have visited with all officials about the importance of timely encumbrances of purchase orders. I also have recommended all officials attend a purchasing class. I will continue to encourage all departments to follow the purchasing act. Due to limited staff, segregation of duties can be difficult. I will continue to work on methods to resolve the finding. The County Clerk’s signature stamp from this point

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forward will only be utilized by the County Clerk. The signature stamp is secured in the County Clerk's office in a locked drawer that can only be accessed by the County Clerk.

**Chairman of the Board of County Commissioners:** I will talk with other elected officials about how important it is to make sure all timesheets are signed by employees and the importance of encumbering a purchase order in a timely manner.

**Criteria:** The GAO Standards – Principle 10 – Design Control Activities – 10.03 states in part:

*Segregation of Duties*

Management divides or segregates key duties and responsibilities among different people to reduce the risk of error, misuse, or fraud. This includes separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets so that no one individual controls all key aspects of a transaction or event.

Additionally, Principle 10 - Segregation of Duties states:

10.12 Management considers segregation of duties in designing control activity responsibilities so that incompatible duties are segregated and, where such segregation is not practical, designs alternative control activities to address the risk.

10.13 Segregation of duties helps prevent fraud, waste, and abuse in the internal control system. Management considers the need to separate control activities related to authority, custody, and accounting of operations to achieve adequate segregation of duties. In particular, segregation of duties can address the risk of management override. Management override circumvents existing control activities and increases fraud risk. Management addresses this risk through segregation of duties, but cannot absolutely prevent it because of the risk of collusion, where two or more employees act together to commit fraud.

10.14 If segregation of duties is not practical within an operational process because of limited personnel or other factors, management designs alternative control activities to address the risk of fraud, waste, or abuse in the operational process.

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

**Finding 2020-005 - Segregation of Duties Over the Payroll Process (Repeat Finding – 2012-006, 2013-006, 2014-006, 2017-006, 2018-006, 2019-006)**

**Condition:** A lack of segregation of duties exists over the County's payroll process. The Payroll Clerk enrolls new employees, inputs payroll information into the system, maintains personnel files, and prepares

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the OPERS reports and state and federal tax reports. In addition, the Payroll Clerk processes payroll claims, prints and reviews payroll verification reports for errors, prints payroll warrants, takes the warrants to with the Treasurer to be registered, distributes payroll warrants, initiates direct deposits, and maintains ledgers.

Additionally, the Payroll Clerk utilizes the County Clerk's signature stamp to sign all payroll warrants.

**Cause of Condition:** Policies and procedures have not been designed and implemented with regards to segregation of duties and/or compensating controls of the payroll process and the usage of the County Clerk's signature stamp.

**Effect of Condition:** This condition could result in unrecorded transactions, misstated financial reports, undetected errors, and misappropriation of funds. Additionally, this condition increases the concentration of duties regarding the payroll process due to the Payroll Deputy utilizing the County Clerk's signature stamp to stamp all warrants. Consequently, this could result in unauthorized transactions, misappropriation of funds, or clerical errors that are not detected in a timely manner.

**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.

Further, OSAI recommends that signature stamps be used only by the official to whom it belongs. Officials who utilize signature stamps should ensure their signature stamps are adequately safeguarded from unauthorized use.

**Management Response:**

**County Clerk:** Due to limited staff, segregation of duties has always been a difficult process within the Clerk's office. I have slowly tried to implement procedures on the division of duties of the issues mentioned. I will continue to focus on ways to improve internal controls. The County Clerk's signature stamp from this point forward will only be utilized by the County Clerk. The signature stamp is secured in the County Clerk's office in a locked drawer that can only be accessed by the County Clerk.

**Criteria:** The GAO Standards – Principle 10 – Design Control Activities – 10.03 states in part:

*Segregation of Duties*

Management divides or segregates key duties and responsibilities among different people to reduce the risk of error, misuse, or fraud. This includes separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets so that no one individual controls all key aspects of a transaction or event.

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Additionally, Principle 10 - Segregation of Duties states:

10.12 Management considers segregation of duties in designing control activity responsibilities so that incompatible duties are segregated and, where such segregation is not practical, designs alternative control activities to address the risk.

10.13 Segregation of duties helps prevent fraud, waste, and abuse in the internal control system. Management considers the need to separate control activities related to authority, custody, and accounting of operations to achieve adequate segregation of duties. In particular, segregation of duties can address the risk of management override. Management override circumvents existing control activities and increases fraud risk. Management addresses this risk through segregation of duties, but cannot absolutely prevent it because of the risk of collusion, where two or more employees act together to commit fraud.

10.14 If segregation of duties is not practical within an operational process because of limited personnel or other factors, management designs alternative control activities to address the risk of fraud, waste, or abuse in the operational process.

**SECTION 2—This section contains certain matters not required to be reported in accordance with *Government Auditing Standards*. However, we believe these matters are significant enough to bring to management’s attention. We recommend that management consider these matters and take appropriate corrective action.**

**Finding 2020-006 - Segregation of Duties Over the Court Fund (Repeat Finding)**

**Condition:** Upon inquiry and observation of the Court Clerk’s office, we noted a lack of segregation of duties related to Court Fund expenditures. One employee prepares claims, approves/signs claims, prints vouchers, signs vouchers, takes vouchers to be registered with the Treasurer, and disburses vouchers to vendors.

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

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

**Recommendation:** OSAI recommends that management be aware of this condition 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 compensation procedures to mitigate the risks involved with a concentration of duties. Compensating procedures would include separating key processes

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and/or critical functions of the office and having management review and approve the accounting functions. Key process for the expenditures of the Court Fund should be adequately segregated including preparing claims, preparing vouchers, and distributing vouchers.

**Management Response:**

**Court Clerk:** Due to limited staff it is often difficult to segregate duties. I will continue to strive to work on a plan to implement internal controls.

**Criteria:** The GAO Standards – Principle 10 – Design Control Activities – 10.03 states in part:

*Segregation of duties*

Management divides or segregates key duties and responsibilities among different people to reduce the risk of error, misuse, or fraud. This includes separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets so that no one individual controls all key aspects of a transaction or event.

Additionally, Principle 10 - Segregation of Duties states:

10.12 – Management considers segregation of duties in designing control activity responsibilities so that incompatible duties are segregated and, where such segregation is not practical, designs alternative control activities to address the risk.

10.13 – Segregation of duties helps prevent fraud, waste, and abuse in the internal control system. Management considers the need to separate control activities related to authority, custody, and accounting of operations to achieve adequate segregation of duties. In particular, segregation of duties can address the risk of management override. Management override circumvents existing control activities and increases fraud risk. Management addresses this risk through segregation of duties, but cannot absolutely prevent it because of the risk of collusion, where two or more employees act together to commit fraud.

10.14 – If segregation of duties is not practical within an operational process because of limited personnel or other factors, management designs alternative control activities to address the risk of fraud, waste, or abuse in the operational process.

**Finding 2020-007—Lack of Internal Controls and Noncompliance Over Inmate Trust Fund Checking Account and Sheriff Commissary Fund (Repeat Finding)**

**Condition:** An audit of the Inmate Trust Fund Checking Account and Sheriff Commissary Fund reflected the following:

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- Duties are not adequately segregated: One person retrieves funds, balances funds to the commissary system, prepares deposits, takes deposits to the bank, posts deposits to the commissary system, and issues inmate trust fund checks.
- Inmate ledger balances are not reconciled to the bank statements.
- Debit cards are not reconciled to individual inmate accounts.
- 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.

**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. 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 the following:

- The Sheriff establish procedures to separate the key functions of the receipting and expenditure process over the Inmate Trust Fund Checking Account.
- Bank reconciliations should be accurately performed on a monthly basis. Additionally, Inmate Trust Fund Checking Account 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 and proper supporting documentation should be maintained for all reconciling items.
- Debit cards listed on the monthly statements received from the debit card company should be reconciled to individual inmate accounts.
- The County Sheriff should file a report of the Commissary with the Board of County Commissioners by January 15<sup>th</sup> of each year in accordance with 19 O.S. § 180.43 D. Amounts noted on the report should agree/reconcile to the County Treasurer's records.

**Management Response:**

**County Sheriff:** The Sheriff's Office will work to establish procedures to separate the key functions of the receipting and expenditure process over the Inmate Trust Fund Checking Account. The Sheriff's Office will try to reconcile the Inmate Trust Fund Checking Account on a monthly basis. The debit cards listed on the monthly statement received from the company should and will be reconciled to individual inmate accounts. The Sheriff's Office will file a report of the Commissary with the Board of County Commissioners by January 15<sup>th</sup> of each year in accordance with state law. The amounts noted on the report should and will reconcile to the County Treasurer's records.

**Criteria:** The GAO Standards – Principle 10 – Design Control Activities – 10.03 states in part:

*Establishment of review of performance measurers and indicators*

Management establishes physical control to secure and safeguard vulnerable assets. Examples include security for and limited access to assets such as cash, securities,

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inventories, and equipment that might be vulnerable to risk of loss or unauthorized use. Management periodically counts and compares such assets to control records.

*Segregation of duties*

Management divides or segregates key duties and responsibilities among different people to reduce the risk of error, misuse, or fraud. This includes separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets so that no one individual controls all key aspects of a transaction or event.

Additionally, Principle 10 - Segregation of Duties states:

10.12 – Management considers segregation of duties in designing control activity responsibilities so that incompatible duties are segregated and, where such segregation is not practical, designs alternative control activities to address the risk.

10.13 – Segregation of duties helps prevent fraud, waste, and abuse in the internal control system. Management considers the need to separate control activities related to authority, custody, and accounting of operations to achieve adequate segregation of duties. In particular, segregation of duties can address the risk of management override. Management override circumvents existing control activities and increases fraud risk. Management addresses this risk through segregation of duties, but cannot absolutely prevent it because of the risk of collusion, where two or more employees act together to commit fraud.

10.14 – If segregation of duties is not practical within an operational process because of limited personnel or other factors, management designs alternative control activities to address the risk of fraud, waste, or abuse in the operational process.

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'," and, "The county sheriff shall deposit all monies collected from inmates incarcerated in the county jail into this checking account and may write checks to the Sheriff's Commissary Account for purchases made by the inmate during his or her incarceration and to the inmate from unencumbered balances due the inmate upon his or her discharge."

Title 19 O.S. § 180.43 D. states in part, "The sheriff shall file an annual report on any said commissary under his or her operation no later than January 15 of each year."

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



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