

OPERATIONAL AUDIT

BEAVER COUNTY

For the fiscal year ended June 30, 2015



*Independently serving the citizens of
Oklahoma by promoting the
accountability and fiscal integrity of
governmental funds.*



Oklahoma State
Auditor & Inspector
Gary A. Jones, CPA, CFE

**BEAVER COUNTY OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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



Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

April 9, 2018

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

Transmitted herewith is the audit report of Beaver County for the fiscal year ended June 30, 2015.

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

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

Sincerely,

A handwritten signature in blue ink that reads "Gary A. Jones".

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

**BEAVER COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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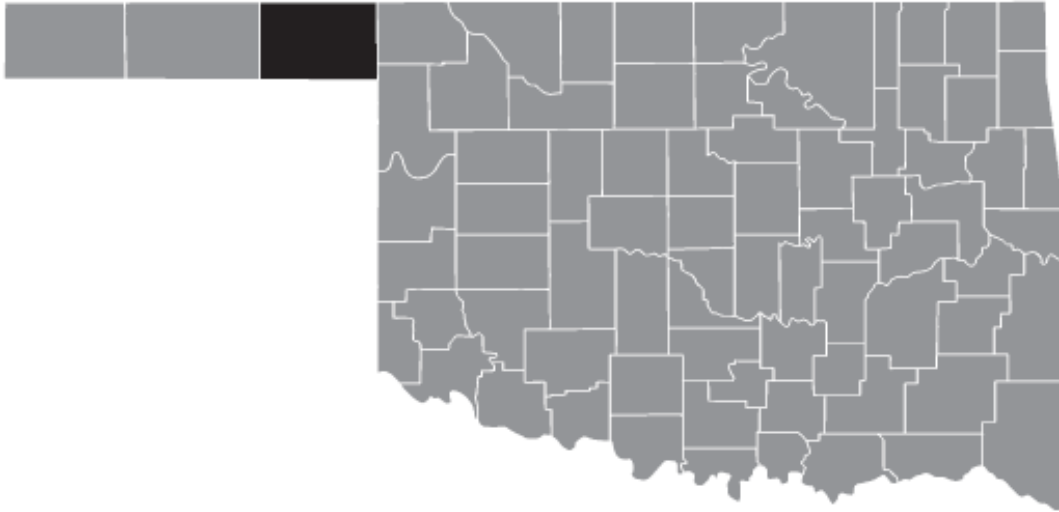
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**BEAVER COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**



Located in the Oklahoma Panhandle, present-day Beaver County was created from the eastern one-third of that area. Named for the Beaver River, this county comprised the entire panhandle prior to statehood. Its county seat, Beaver, was at one time the capital of Cimarron Territory.

Bordered on the north by Kansas and the south by Texas, Beaver County was crossed by the Jones and Plummer Trail. Established around 1874, this trail served first as a supply route and then a cattle trail between Texas and Kansas.

While the local economy is based on agriculture and cattle, it is also supplemented by the oil and gas industry. For more information, call the county clerk's office at 580/625-3141.

County Seat – Beaver

Area – 1,817.58 Square Miles

County Population – 5,486
(2014 est.)

Farms – 965

Land in Farms – 1,115,852 Acres

Primary Source: Oklahoma Almanac 2015-2016

**BEAVER COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Board of County Commissioners

District 1 – Brad Raven
District 2 – C.J Rose
District 3 – Frank King

County Assessor

Darlene Lansden

County Clerk

Tammy Millikan

County Sheriff

Reuben Parker, Jr.

County Treasurer

Mechille Calhoun

Court Clerk

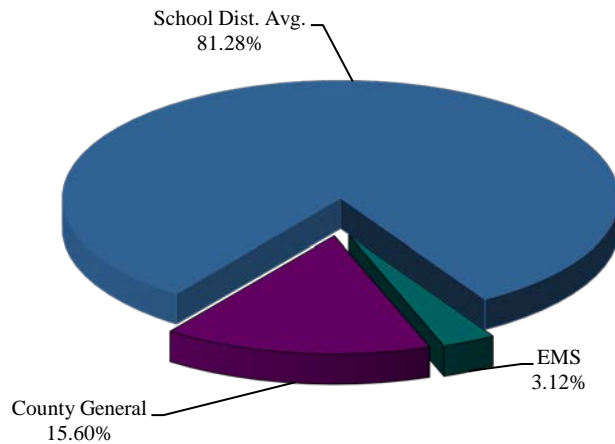
Tammie Patzkowsky

District Attorney

Mike Boring

**BEAVER COUNTY, OKLAHOMA
AD VALOREM TAX DISTRIBUTION
SHARE OF THE AVERAGE MILLAGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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



County-Wide Millages		School District Millages						
				Gen.	Bldg.	Skg.	Common	Total
County General	10.00							
EMS	2.00	Beaver	I-22	35.00	5.00	5.72	4.00	49.72
		Balko	I-75	35.00	5.00	5.16	4.00	49.16
		Forgan/Knowles	I-123	35.00	5.00	3.76	4.00	47.76
		Turpin	I-128	35.00	5.00	2.74	4.00	46.74
		Laverne	JT-1	35.00	5.00	-	4.00	44.00
		Shattuck	JT-42	35.00	5.00	31.16	4.00	75.16

**BEAVER COUNTY, OKLAHOMA
SALES TAX DISTRIBUTION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Sales Tax

Sales Tax of November 4, 2008

The voters of Beaver County approved a one-cent sales tax to begin April 1, 2009. This sales tax will expire April 1, 2015. The sales tax is distributed among the following entities: OSU Extension Office (11%), Free Fair (15%), Health Department (15%), County Library (10%), City Transit Bus (1.3%), Rural Fire (10.4%), General Use (19.3%), Rural Economic Development (1%), Jones and Plummer Trail Museum (1%), Courthouse Maintenance and Operation (10%), and Senior Citizens (6%).

On November 4, 2014, the voters of Beaver County voted to extend this sales tax until April 1, 2021.

This sales tax is accounted for in the following funds: County General Fund and Sales Tax Revolving Fund.

Sales Tax of December 14, 2010

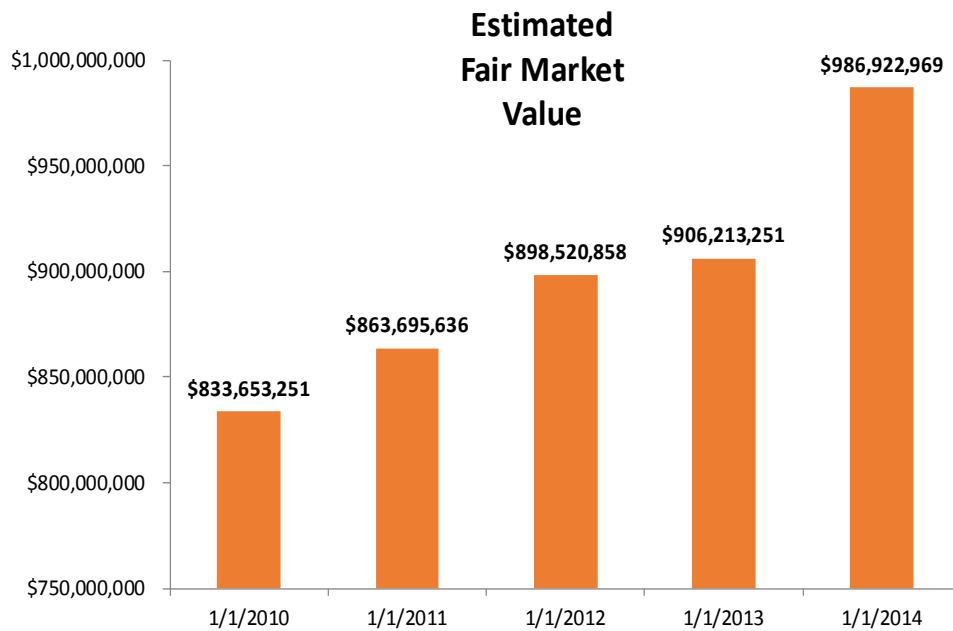
The voters of Beaver County approved a continuation of a 1% sales tax for the general support of Beaver County Memorial Hospital Authority to begin February 1, 2011. This sales tax will expire after 74 months.

This sales tax is accounted for in the County Hospital Sales Tax fund.

During the fiscal year, the County collected \$1,953,247 in total sales tax.

**BEAVER COUNTY, OKLAHOMA
 ASSESSED VALUE OF PROPERTY
 TREND ANALYSIS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

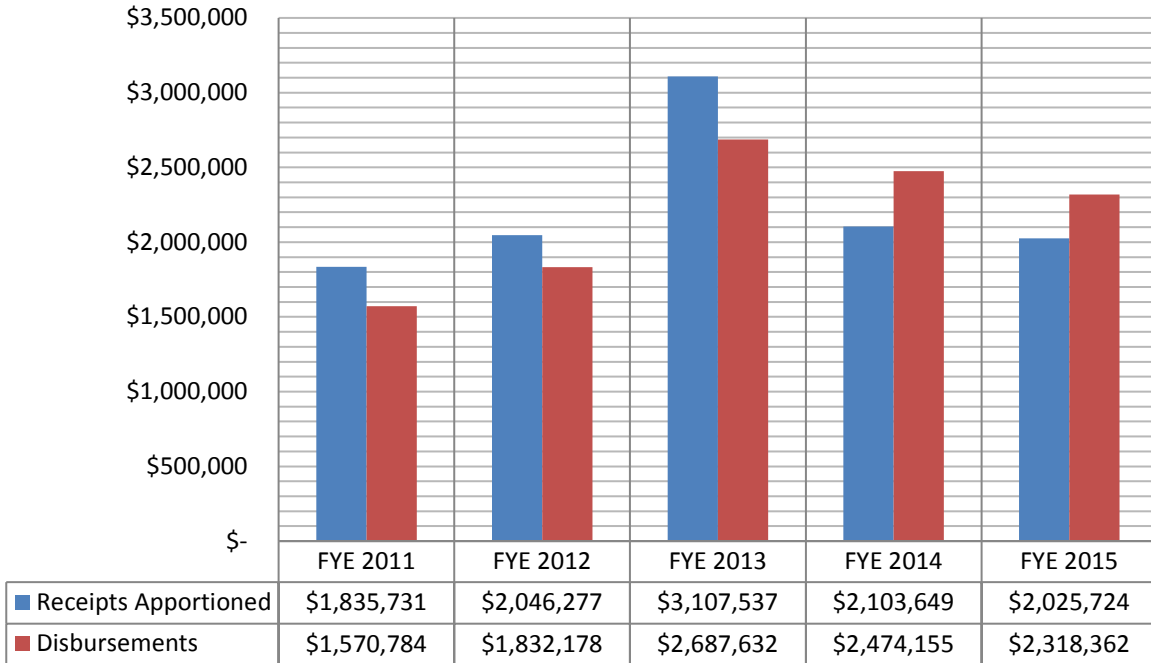
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2014	\$56,075,563	\$44,462,762	\$46,928,322	\$1,413,581	\$146,053,066	\$986,922,969
1/1/2013	\$50,308,204	\$37,705,730	\$46,047,681	\$1,433,977	\$132,627,638	\$906,213,251
1/1/2012	\$51,092,185	\$36,114,730	\$45,168,853	\$1,429,428	\$130,946,340	\$898,520,858
1/1/2011	\$47,959,762	\$35,542,489	\$44,099,561	\$1,434,427	\$126,167,385	\$863,695,636
1/1/2010	\$45,518,404	\$34,258,848	\$43,365,708	\$1,389,219	\$121,753,741	\$833,653,251



**BEAVER COUNTY, OKLAHOMA
COUNTY GENERAL FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

County General Fund

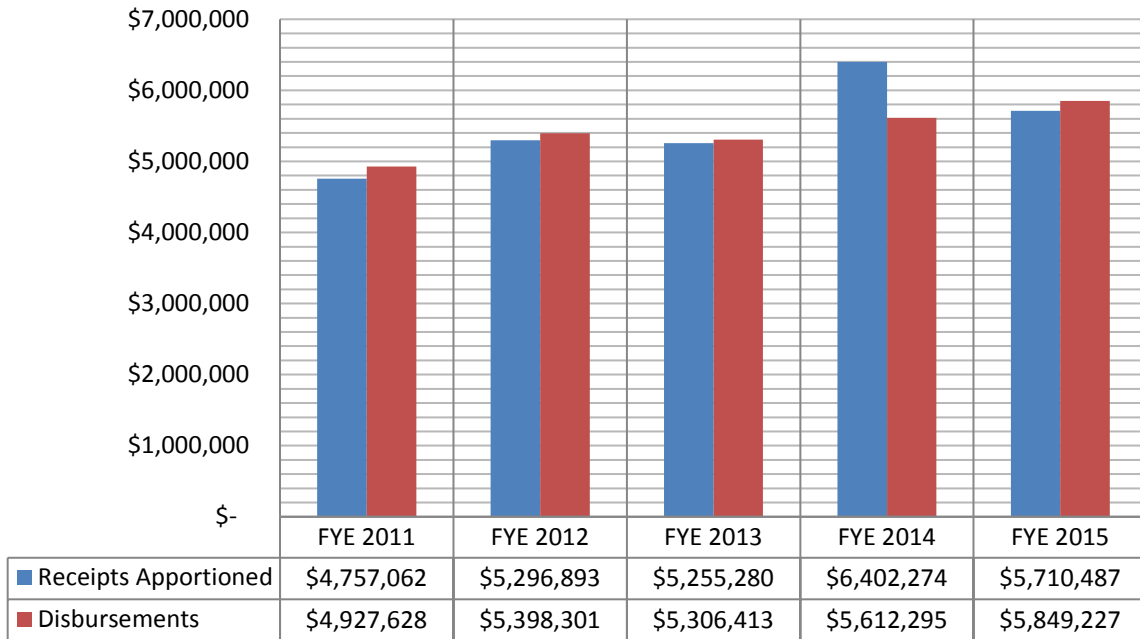
The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the county’s primary source of operating revenue. The County General Fund is typically used for county employees’ salaries plus many expenses for county maintenance and operation. It also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



**BEAVER COUNTY, OKLAHOMA
COUNTY HIGHWAY FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

County Highway Fund

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



**BEAVER COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Presentation of Apportionments, Disbursements, and Cash Balances of County Funds for the Fiscal Year Ended June 30, 2015

	Beginning Cash Balances July 1, 2014	Receipts Apportioned	Transfer In	Disbursements	Ending Cash Balances June 30, 2015
Combining Information:					
County Funds:					
County General Fund	\$ 1,480,309	\$ 2,025,724	\$ -	\$ 2,318,362	\$ 1,187,671
County Highway Cash	3,120,313	5,710,487	-	5,849,227	2,981,573
Resale Property	25,230	14,863	22,994	14,661	48,426
Treasurer Mortgage Tax Certification Fee	4,473	1,120	-	373	5,220
County Clerk Lien Fee	53,529	26,415	-	26,301	53,643
County Clerk Records Preservation Fee	24,908	15,500	-	28,111	12,297
Assessor Revolving Fee	10,932	2,372	-	5,985	7,319
Sheriff Service Fee	125,340	135,223	-	133,283	127,280
Emergency Management	23,738	4,180	-	4,078	23,840
County Hospital Sales Tax	117,824	976,767	-	1,040,644	53,947
County Health Sales Tax	57,629	2,267	-	-	59,896
Local Emergency Planning Committee Grant	1,493	-	-	992	501
Library State Aid Grant	3,053	14,271	-	13,326	3,998
County Bridge and Road Improvement Fund	1,346,825	387,621	-	1,087,878	646,568
Littering Reward Cash Fund	300	-	-	-	300
Sheriff Commissary	13,384	17,975	-	17,771	13,588
Enhanced 911	235,335	80,156	-	1,083	314,408
General Use Sales Tax	621,800	482,501	-	108,463	995,838
Sales Tax Revolving Fund	2,291,734	695,065	-	795,657	2,191,142
REAP-EFD-14-3 Elmwood Fire	-	49,000	-	49,000	-
REAP-SFD-15-1 Slapout Fire	-	11,999	-	11,999	-
CASH-32STEM	-	8,384	-	357	8,027
Combined Total - All County Funds	\$ 9,558,149	\$ 10,661,890	\$ 22,994	\$ 11,507,551	\$ 8,735,482

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

**BEAVER COUNTY
DESCRIPTION OF COUNTY FUNDS AND TRANSFER
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Description of County Funds

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

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

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

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

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

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

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

County Clerk Records Preservation Fee – accounts for fees collected for instruments filed with the County Clerk's office as restricted by state statute.

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

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

Emergency Management – accounts for the collection of grant funds to be disbursed for the purpose of Homeland Security by Beaver County.

County Hospital Sales Tax – accounts for the collection of sales tax and disbursement of funds used for general operations of the county hospital.

County Health Sales Tax – accounts for sales tax monies collected on behalf of the county health facility to be used to fund the operations of the county health facility.

**BEAVER COUNTY
DESCRIPTION OF COUNTY FUNDS AND TRANSFER
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Local Emergency Planning Committee Grant – accounts for the collection of grant funds to be disbursed for the use of Emergency Management.

Library State Aid Grant – accounts for grant monies to be used to improve library service.

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

Littering Reward Cash Fund – accounts for a percentage of fines imposed for littering in accordance with Title 21 O.S. § 1753.3 and § 1761.1 of the Oklahoma Statutes. The money is used to pay rewards for the arrest and conviction or for evidence leading to the arrest and conviction of any person who violates the provisions of the afore mentioned sections and to offset the cost of any special enforcement programs originated by any law enforcement agency responsible for the arrest or prosecution of any person.

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

Enhanced 911 – accounts for the collection of state grant funds used to establish a 911 system.

General Use Sales Tax – accounts for taxes collected and to be disbursed for future capital improvements.

Sales Tax Revolving Fund – accounts for sales tax monies collected on behalf of the County and disbursements are for designated purposes. This fund was established in this fiscal year to replace the County Sales Tax fund that was used as part of the budgeted County General Fund.

REAP-EFD-14-3 Elmwood Fire – accounts for a Oklahoma Economic Development Authority grant and disbursed for the construction of a building for Elmwood Fire Department

REAP-SFD-15-1 Slapout Fire – accounts for a Oklahoma Economic Development Authority grant and disbursed for the construction of a building for the Slapout Fire Department.

CASH-32STEM – accounts for a Oklahoma Department of Libraries grant to be disbursed for the purchase of materials and aid in summer reading programs.

Interfund Transfer

During the fiscal year, the County made an interfund transfer of \$22,994 from the Excess Resale Property Fund (a trust and agency fund) to the Resale Property fund as mandated by 68 O.S. § 3131C.

BEAVER COUNTY, OKLAHOMA
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
COUNTY GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 1,480,309	\$ 1,480,309	\$ -
Less: Prior Year Outstanding Warrants	(154,919)	(154,919)	-
Less: Prior Year Encumbrances	(54,131)	(38,146)	15,985
Beginning Cash Balances, Budgetary Basis	<u>1,271,259</u>	<u>1,287,244</u>	<u>15,985</u>
Receipts:			
Ad Valorem Taxes	1,327,755	1,419,971	92,216
Charges for Services	93,539	130,036	36,497
Intergovernmental Revenues	136,996	119,729	(17,267)
Sales Tax	41,209	286,151	244,942
Miscellaneous Revenues	37,198	69,837	32,639
Total Receipts, Budgetary Basis	<u>1,636,697</u>	<u>2,025,724</u>	<u>389,027</u>
Expenditures:			
District Attorney	3,510	2,610	900
County Sheriff	542,028	528,625	13,403
County Treasurer	156,293	156,267	26
County Commissioners	29,656	26,309	3,347
County Clerk	207,347	176,945	30,402
Court Clerk	156,353	154,853	1,500
County Assessor	130,548	108,134	22,414
Revaluation of Real Property	107,794	91,923	15,871
General Government	927,837	707,130	220,707
Excise-Equalization Board	4,900	3,727	1,173
County Election Expense	65,572	56,812	8,760
Charity	5,000	3,780	1,220
Library - General Government	3	-	3
Emergency Management	51,931	48,555	3,376
General Government Sales Tax	454,803	196,792	258,011
County Audit Budget Account	27,868	-	27,868
County Hospital Budget Account	36,513	36,513	-
Total Expenditures, Budgetary Basis	<u>2,907,956</u>	<u>2,298,975</u>	<u>608,981</u>
Excess of Receipts and Beginning Cash			
Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	1,013,993	<u>\$ 1,013,993</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Cancelled Warrants		470	
Add: Current Year Outstanding Warrants		152,927	
Add: Current Year Encumbrances		<u>20,281</u>	
Ending Cash Balance		<u>\$ 1,187,671</u>	

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

**BEAVER COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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, 2015. Our audit procedures included:

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

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

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

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

Objective 1: To determine the receipts apportioned, disbursements, and cash balances are accurately presented on the County Treasurer's monthly reports for FY 2015.

Conclusion: With respect to the items reconciled and reviewed; the receipts apportioned, disbursements, and cash balances are accurately presented on the County Treasurer's monthly reports. However, we noted some deficiencies in internal controls regarding the financial reporting process.

FINDINGS AND RECOMMENDATIONS

Finding 2015-003 - Inadequate Internal Controls Over County Treasurer's Monthly Reports and Reconciliations (Repeat Finding)

Condition: Upon inquiry of the County Treasurer's staff and observation of records, we determined that there are inadequate internal controls within the office of the County Treasurer as follows:

- There was no documentation of review of bank reconciliations.
- Change fund drawers were not counted or reconciled prior to storing them in the vault at night.

Cause of Condition: Policies and procedures have not been designed and implemented with regard to controls over all aspects of the reviewing and reconciling processes.

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

Recommendation: The Oklahoma State Auditor & Inspector's Office (OSAI) recommends establishing a system of internal controls to adequately protect the collections of the County Treasurer's office, which include but are not limited to the following:

- All bank accounts should be reconciled on a monthly basis. Furthermore, the review and approval of the reconciliation should be documented and retained with evidence with initials and dates.
- All money should be counted prior to being placed in the vault for the night.

Management Response:

County Treasurer: We will have a second review of the bank reconciliations with limited activity. We are currently having a second person review the daily reports. We will implement a daily procedure to reconcile the cash drawers at the end of the day.

Criteria: To help ensure a proper accounting of funds, all reconciliations should be documented and approved by someone other than the preparer and maintained as documentation of the reconciliation. Additionally, effective internal controls require that key functions within a process be timely executed

**BEAVER COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

including counting cash drawers to allow for prevention and detection of errors and possible misappropriation of funds.

Finding 2015-008 - Inadequate Internal Controls Over the Reconciliation of Appropriation Ledger to General Ledger (Repeat Finding)

Condition: The County Clerk does not reconcile the appropriation ledger to the County Treasurer's general ledger.

Cause of Condition: Policies and procedures have not been designed and implemented regarding 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, or misappropriation of funds.

Recommendation: OSAI recommends that the County Clerk's appropriation ledger be reconciled to the County Treasurer's general ledger on a monthly basis. The reconciliation should be reviewed and approved by someone other than the preparer and documentation of the reconciliation should be maintained and evidenced with initials and date.

Management Response:

County Clerk: The reconciliation was not being completed prior to me taking office. We will work with the County Treasurer's office to reconcile the appropriation ledger to the County Treasurer's general ledger.

County Treasurer: Prior to taking office, the reconciliation between the County Clerk and County Treasurer was not performed. I implemented this procedure after the prior audit. We will have someone other than the preparer initial and date the reconciliation of the apportionment ledger to the general ledger.

Criteria: Safeguarding controls are an important aspect of internal control. Safeguarding controls relate to the prevention or timely detection of unauthorized transactions and unauthorized access to assets. Failure to perform task that are part of internal controls, such as reconciliations not prepared or not timely prepared, are deficiencies in internal control. Further, reconciliations should be performed on a monthly basis and document evidence of a review by someone other than the preparer.

**BEAVER COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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.

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

Conclusion: With respect to the items tested, the County complied with 68 O.S. § 2923, which requires the ad valorem tax collections to be apportioned and distributed monthly among the different funds to which they belong. However, we noted some deficiencies in internal controls regarding the financial reporting process.

FINDINGS AND RECOMMENDATIONS

Finding 2015-004 - Inadequate Internal Controls over Ad Valorem Tax Apportionments (Repeat Finding)

Condition: The County did not review the certified levies for schools for accuracy after they were entered into the ad valorem tax system by the County Treasurer.

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

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

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.

**BEAVER COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Management Response:

County Treasurer: We now enter the levies into the system ourselves. We also have a second person check the levies line by line and will maintain evidence by initialing and dating the review.

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.

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 provide reasonable assurance that expenditures, including payroll, were accurately reported in the accounting records.

The County's financial operations complied with 19 O.S. § 1505, which requires that disbursements be properly supported and charged to the appropriate fund and account.

REPORT ON STATUTORY COMPLIANCE – OTHER MATTERS



Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

Beaver County
Board of County Commissioners
Beaver, Oklahoma 73932

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, 2015:

- 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 Beaver County.

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

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

A handwritten signature in blue ink that reads "Gary A. Jones".

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

April 3, 2018

**BEAVER COUNTY, OKLAHOMA
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

SCHEDULE OF FINDINGS AND RESPONSES

Finding 2015-006 - Inadequate Internal Control and Noncompliance Over Inmate Trust Fund Checking Account and Sheriff Commissary Fund (Repeat Finding)

Condition: Upon review of the process of the Inmate Trust Fund Checking Account and the Sheriff Commissary Fund, the following exceptions were noted:

- There is no formal approval or oversight of voided receipts.
- The total of the inmate balances does not agree to the bank account or the inmate trust ledger.
- The Sheriff's Commissary Annual Report was not completed and submitted to the Board of County Commissioners by January 15th.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure that internal controls are in place with regard to Inmate Trust Fund Checking Account and Sheriff Commissary Fund financial operations.

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 policies be established to provide internal controls over the Inmate Trust Fund Checking Account. Further, OSAI recommends the total of inmate's trust fund balances be reconciled to the bank statement each month.

Additionally, we recommend an annual Commissary Fund report be submitted to the Board of County Commissioners no later than January 15th of each calendar year.

Management Response:

County Sheriff: We will implement a policy to have another person approve voided receipts. We will contact the software provider to try to resolve the variances between the inmate balances and the amount in the bank. We are currently completing the Sheriff's Commissary Annual report for FY15. The FY16 has been completed.

Criteria: 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."

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

Finding 2015-007 - Inadequate Internal Controls and Noncompliance Over Fixed Assets Inventories (Repeat Finding)

Condition: Upon inquiry and observation of fixed assets records and inventory items, we noted the following exceptions:

District 3 County Commissioner:

- No documentation of inventory verification for fixed assets was maintained.
- One (1) item was not marked on both sides with the appropriate “Property Of” designation sticker.

County Clerk:

- No documentation of inventory verification for fixed assets was maintained.

County Sheriff:

- An employee was not assigned the responsibility of fixed assets inventory.
- A fixed assets verification was not performed.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure compliance with the state statutes regarding the identification of fixed assets, maintaining accurate inventory records and the safeguarding fixed assets.

Effect of Condition: The conditions resulted in noncompliance with state statutes. When fixed assets are not monitored, opportunities for misuse or loss of equipment can occur.

Recommendation: OSAI recommends the County Officers implement internal controls to ensure compliance with 19 O.S. §§ 178.1, 178.2, 1502(A)(1), 1502(B)(1), and 69 O.S. § 645 regarding fixed assets records. These controls would include that all offices:

- Retain documentation to verify the physical inventory counts were performed.
- Inventory counts should be performed by someone other than the inventory officer.
- File inventory records with the County Clerk.

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- Identify equipment as Property of the County.

Management Response:

District 3: We will maintain a file with yearly inventory counts with the initials and date of the employee that conducts the inventory count. We have corrected the “Property of” stickers on all appropriate equipment.

County Clerk: I had documented the most recent inventory performed. We performed the physical verification of the fixed assets for the audit period; however, we were unable to locate the documentation.

County Sheriff: We will establish a policy to check the inventory at least once a year and at that time we will ensure that records are up to date. We will assign responsibility of fixed asset inventory to the evening dispatch.

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.

Title 19 O.S. § 178.1 requires the board of county commissioners in each county of this state to take or cause to be taken, an inventory of all working tools, apparatus, machinery and equipment.

Title 19 O.S. § 178.2 requires each elected county official to create and maintain inventory records of said office. Such inventory shall be filed with the county clerk.

Title 19 O.S. § 1502(A)(1) requires a prescribed uniform identification system for all supplies, materials, and equipment of a county used for maintenance for roads and bridges.

Title 19 O.S. § 1502(B)(1) requires a prescribed uniform identification system for all supplies, materials, and equipment of a county not used in the construction and maintenance for roads and bridges.

Title 69 O.S. § 645 which require all county owned, rented, or leased road machinery or equipment be clearly and visibly marked “Property Of...”



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