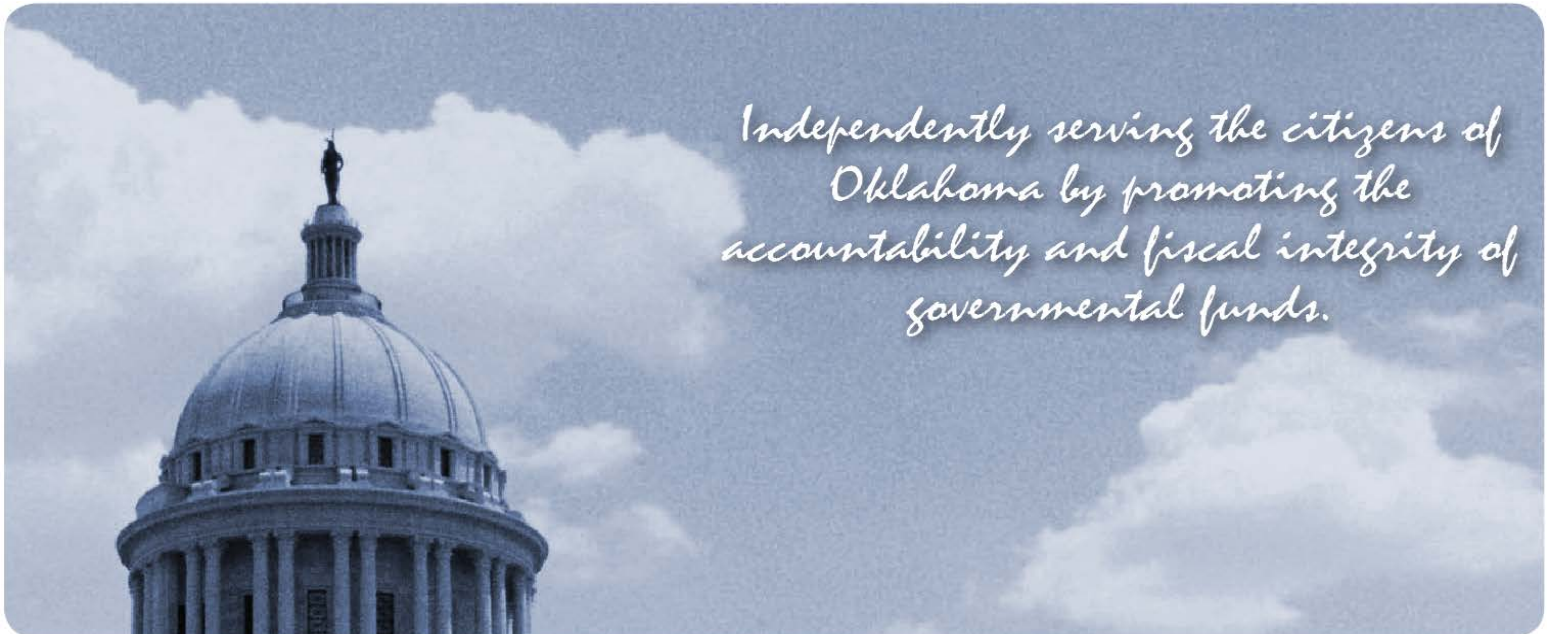


OPERATIONAL AUDIT

BEAVER COUNTY

For the fiscal year ended June 30, 2016



*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, 2016**

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, 2016.

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

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

Sincerely,

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

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

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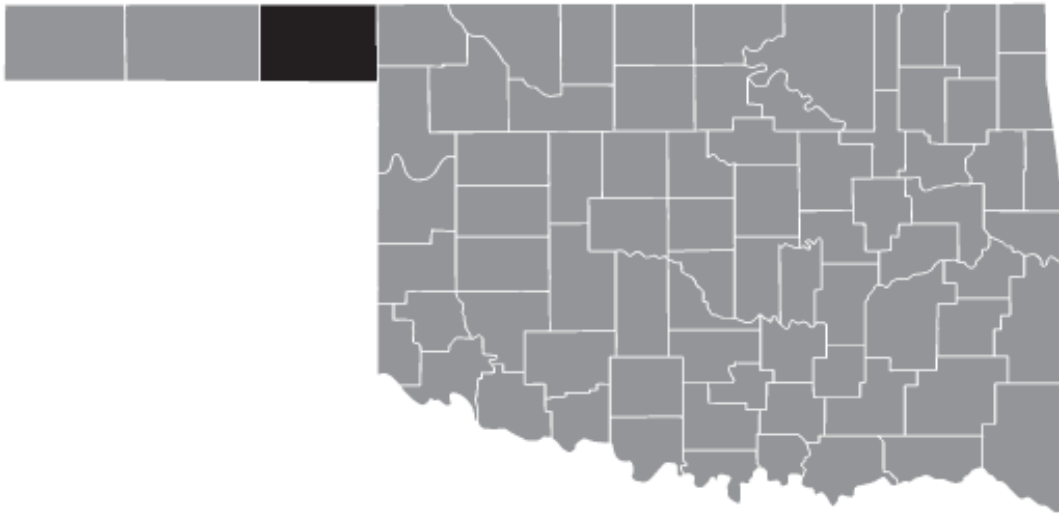
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**BEAVER COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**



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

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

Albert Rodriguez

Court Clerk

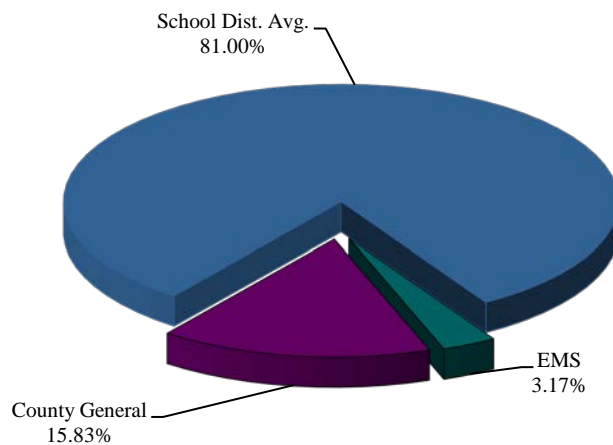
Tammie Patzkowsky

District Attorney

Mike Boring

**BEAVER COUNTY, OKLAHOMA
AD VALOREM TAX DISTRIBUTION
SHARE OF THE AVERAGE MILLAGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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	5.34	4.00	49.34
		Balko	I-75	35.00	5.00	4.44	4.00	48.44
		Forgan/Knowles	I-123	35.00	5.00	3.39	4.00	47.39
		Turpin	I-128	35.00	5.00	3.14	4.00	47.14
		Laverne (Harper)	JT-1	35.00	5.00	-	4.00	44.00
		Shattuck (Ellis)	JT-42	35.00	5.00	26.61	4.00	70.61

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

Sales Tax

Sales Tax of November 4, 2014

The voters of Beaver County approved a one-cent sales tax to begin April 1, 2015. This sales tax will expire April 1, 2021. 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%).

This sales tax is a continuation of the sales tax of November 4, 2008.

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

Sales Tax of December 14, 2010

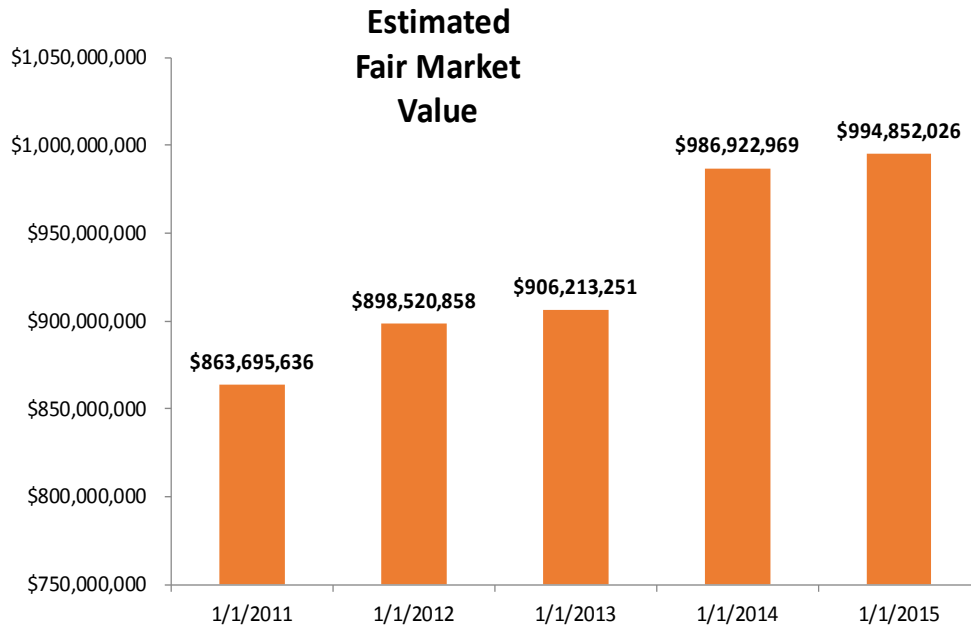
The voters of Beaver County approved a continuation of a 1% sales tax for the general support of Beaver County Memorial Hospital Authority to begin February 1, 2011. This sales tax will expire after 74 months.

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

During the fiscal year, the County collected \$1,107,832 in total sales tax.

**BEAVER COUNTY, OKLAHOMA
 ASSESSED VALUE OF PROPERTY
 TREND ANALYSIS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

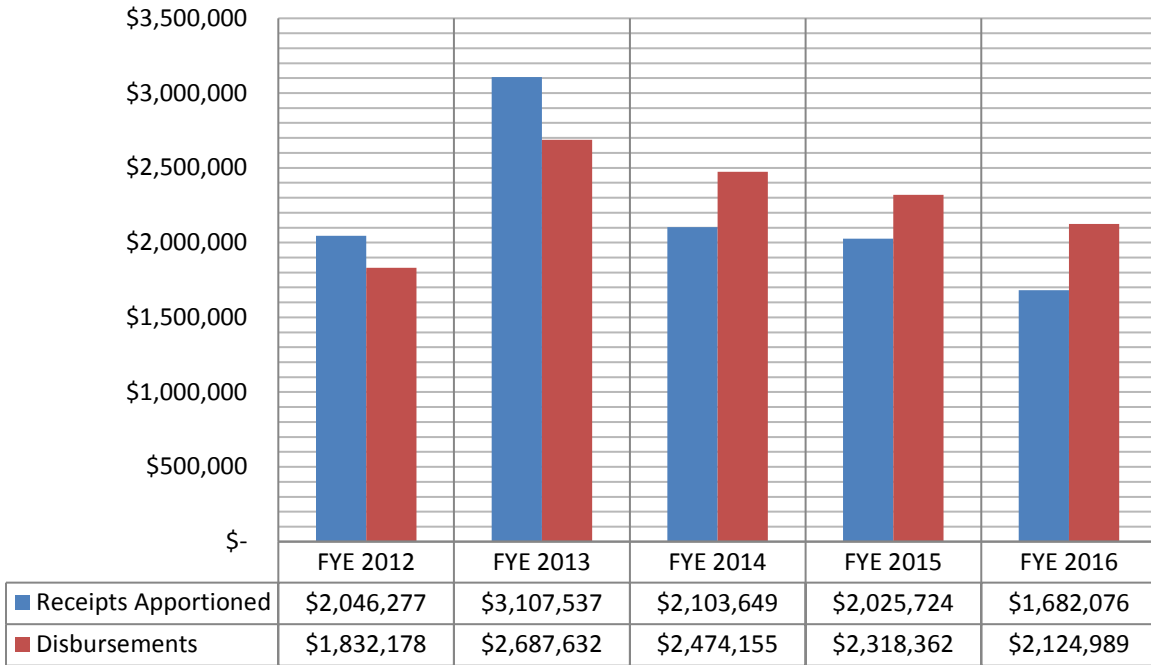
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2015	\$54,717,032	\$47,218,580	\$47,749,769	\$1,394,738	\$148,290,643	\$994,852,026
1/1/2014	\$56,075,563	\$44,462,762	\$46,928,322	\$1,413,581	\$146,053,066	\$986,922,969
1/1/2013	\$50,308,204	\$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



**BEAVER COUNTY, OKLAHOMA
COUNTY GENERAL FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

County General Fund

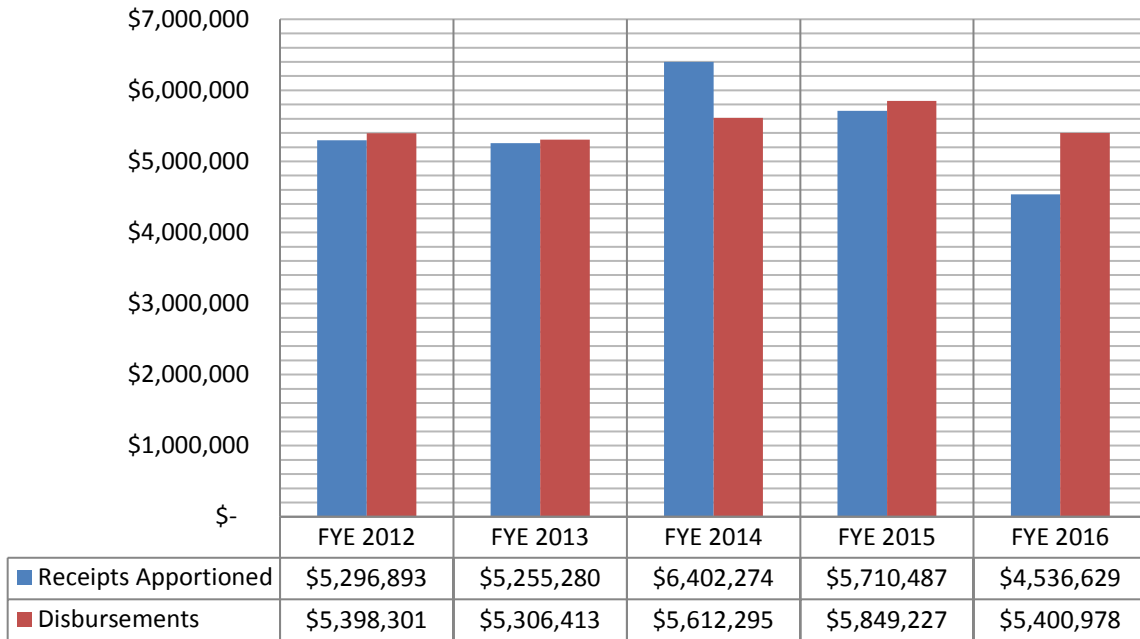
The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the county’s primary source of operating revenue. The County General Fund is typically used for county employees’ salaries plus many expenses for county maintenance and operation. It also 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, 2016**

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, 2016**

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

	Beginning Cash Balances July 1, 2015	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2016
Combining Information:						
County Funds:						
County General Fund	\$ 1,187,671	\$ 1,682,076	\$ 498,075	\$ 498,075	\$ 2,124,989	\$ 744,758
County Highway Cash	2,981,573	4,536,629	-	-	5,400,978	2,117,224
Resale Property	48,426	22,140	-	-	23,972	46,594
Treasurer Mortgage Tax Certification Fee	5,220	935	-	-	142	6,013
County Clerk Lien Fee	53,643	15,994	-	-	18,633	51,004
County Clerk Records Preservation Fee	12,297	12,050	-	-	2,341	22,006
Assessor Revolving Fee	7,319	1,741	-	-	814	8,246
Sheriff Service Fee	127,280	65,801	-	64,499	36,830	91,752
Emergency Management	23,840	4,160	-	-	3,238	24,762
County Hospital Sales Tax	53,947	554,018	-	-	576,704	31,261
County Health Sales Tax	59,896	178	-	-	15,667	44,407
Local Emergency Planning Committee Grant	501	-	-	-	132	369
Library State Aid Grant	3,998	12,002	-	-	11,265	4,735
County Bridge and Road Improvement Fund	646,568	292,658	-	-	-	939,226
Littering Reward Cash Fund	300	-	-	-	-	300
Sheriff Commissary	13,588	20,158	102	-	13,289	20,559
Enhanced 911	314,408	82,148	-	-	34,760	361,796
General Use Sales Tax	995,838	201,322	-	1,008,238	-	188,922
Sales Tax Revolving Fund	2,191,142	475,501	510,163	-	759,844	2,416,962
REAP-SFD-15-1 Slapout Fire	-	38,001	-	-	38,001	-
CASH-32STEM	8,027	-	-	-	8,027	-
General Sales Tax Cash Fund	-	162,297	498,075	-	82,087	578,285
Sheriff Court House Security Cash	-	11,197	30,711	-	1,080	40,828
Sheriff Department of Corrections Cash	-	18,109	32,872	-	14,307	36,674
Sheriff Dive Team Cash	-	225	814	-	-	1,039
CASH-32HLTH	-	4,000	-	-	4,000	-
Turpin Fire FY16 REAP Grant	-	34,400	-	-	17,200	17,200
Library Childrens Reading Grant	-	9,900	-	-	1,624	8,276
Combined Total - All County Funds	\$ 8,735,482	\$ 8,257,640	\$ 1,570,812	\$ 1,570,812	\$ 9,189,924	\$ 7,803,198

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

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

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 of Treasurer 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 disbursements 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 are 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.

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.

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

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-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.

General Sales Tax Cash Fund – accounts for the sales tax collected for General Fund operations of the county and disbursements are purposes designated by the sales tax ballot.

Sheriff Courthouse Security Cash – accounts for monies received through the court system to be disbursed for security improvements and operations for the Beaver County Courthouse.

Sheriff Department of Corrections Cash – accounts for the collection of monies from the Oklahoma Department of Corrections and disbursements are for the purpose of operating and maintaining the jail.

Sheriff Dive Team Cash – accounts for the donations collected and disbursed for the expenses of underwater searches.

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

Cash – 32HLTH – accounts for a Oklahoma Department of Libraries grant to be disbursed for the expense of expanding health literacy services

Turpin Fire FY16 REAP Grant – accounts for a Oklahoma Economic Development Authority Grant to be disbursed for the construction of a building for the Turpin Fire Department

Library Childrens Reading Grant – accounts for a Childrens Reading Charitable Trust grant to be disbursed for programs, materials and books.

Interfund Transfers

During the fiscal year, the County made the following transfers:

- \$1,008,238 was transferred from the General Use Sales Tax fund after the County Commissioners removed the restrictions on how the use tax could be expended. \$498,075 was transferred to the County General Fund and \$510,163 was transferred to the Sales Tax Revolving Fund.
- In order to more effectively account for the revenue and expenditures of the sales tax dedicated to the County General Fund the County decided to transfer \$498,075 from the County General Fund into a new fund, General Sales Tax Cash Fund.
- The County transferred \$64,499 from the Sheriff Service Fee to the following funds:

Sheriff Commissary	\$102
Sheriff Courthouse Security Cash	\$30,711
Sheriff Department of Corrections Cash	\$32,872
Sheriff Dive Team Cash	\$814

These transfers allow for better accounting of the revenue sources within the County Sheriff's office.

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, 2016

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 1,187,671	\$ 1,187,671	\$ -
Less: Prior Year Outstanding Warrants	(152,927)	(152,927)	-
Less: Prior Year Encumbrances	(20,281)	(9,309)	10,972
Beginning Cash Balances, Budgetary Basis	<u>1,014,463</u>	<u>1,025,435</u>	<u>10,972</u>
Receipts:			
Ad Valorem Taxes	\$ 1,348,097	1,386,485	38,388
Charges for Services	65,900	132,375	66,475
Intergovernmental Revenues	89,500	110,976	21,476
Miscellaneous Revenues	9,252	52,240	42,988
Total Receipts, Budgetary Basis	<u>1,512,749</u>	<u>1,682,076</u>	<u>169,327</u>
Expenditures:			
District Attorney	3,600	3,600	-
County Sheriff	535,752	528,953	6,799
County Treasurer	159,417	152,773	6,644
County Commissioners	82,664	1,809	80,855
County Clerk	196,057	174,140	21,917
Court Clerk	155,465	145,321	10,144
County Assessor	108,915	107,804	1,111
Revaluation of Real Property	97,094	93,219	3,875
General Government	910,041	679,169	230,872
Excise - Equalization Board	3,900	2,331	1,569
County Election Board	63,472	54,317	9,155
Charity	5,000	1,644	3,356
Library - General Government	3	-	3
Emergency Management	49,731	47,089	2,642
General Government Sales Tax	76,331	72,996	3,335
County Audit Budget Account	42,697	28,817	13,880
County Hospital Budget Account	37,073	37,073	-
Total Expenditures, Budgetary Basis	<u>2,527,212</u>	<u>2,131,055</u>	<u>396,157</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	576,456	<u>\$ 576,456</u>
Interfund Transfers:			
Interfund Transfer Out		498,075	
Interfund Transfers Out		(498,075)	
Net Interfund Transfers		<u>-</u>	
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Outstanding Warrants		153,515	
Add: Current Year Encumbrances		14,787	
Ending Cash Balance		<u>\$ 744,758</u>	

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

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

PURPOSE, SCOPE, AND SAMPLE METHODOLOGY

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

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

In planning and conducting our audit, we focused on the major financial related areas of operations based on assessment of materiality and risk for the fiscal year ended June 30, 2016. Our audit procedures included:

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

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

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

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

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

Conclusion: With respect to the items reconciled and reviewed; the receipts apportioned, disbursements, and cash balances are 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 2016-003 - Inadequate Internal Controls Over the 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:

- Three (3) of thirty (30) reconciliations tested, had no evidence of review from someone other than the preparer.
- There was no evidence of review from someone other than the preparer on the bank reconciliations of the smaller bank accounts.
- 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 reconciliation 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:

- Review of the daily report should be documented and evidenced with initials and date.
- All bank accounts should be reconciled on a monthly basis. Furthermore, the review and approval of the reconciliation should be documented and retained.
- 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.

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

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

Finding 2016-008 - 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 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, 2016**

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 2016-004 - 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 resulted in an error that was later corrected. It could result in noncompliance with state statutes, 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, 2016**

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

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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, 2016:

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

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

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

April 3, 2018

**BEAVER COUNTY, OKLAHOMA
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

SCHEDULE OF FINDINGS AND RESPONSES

Finding 2016-006 - 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 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 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. The FY16 report 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."

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

**BEAVER COUNTY, OKLAHOMA
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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 2016-007 - 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:

County Commissioners:

- District 2
 - One (1) item was traded and had not been removed from inventory records.
 - One (1) item was not appropriately marked with the inventory number.
- District 3
 - 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 Assessor:

- Two (2) items' inventory numbers did not agree to the serial numbers associated with them.

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.
- Four (4) items did not have the inventory number affixed to the asset.
- Two (2) items were not located by the auditor or by the County Sheriff's office.

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.

**BEAVER COUNTY, OKLAHOMA
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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.
- Identify equipment as Property of the County.

Management Response:

District 2: A resolution to dispose of the mower was prepared to remove this item from inventory as soon as the new equipment arrived. Cleaner was applied to the aforementioned equipment and the number eroded off.

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 Assessor: After further investigation, we realized that the wrong serial numbers were placed on inventory as mentioned. The copier has many parts that contain serial numbers and we listed the wrong number. We will have the records corrected in the County Clerk’s office.

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 and inventory numbers are properly affixed. 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.

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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 requires all county owned, rented, or leased road machinery or equipment be clearly and visibly marked "Property Of..."



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