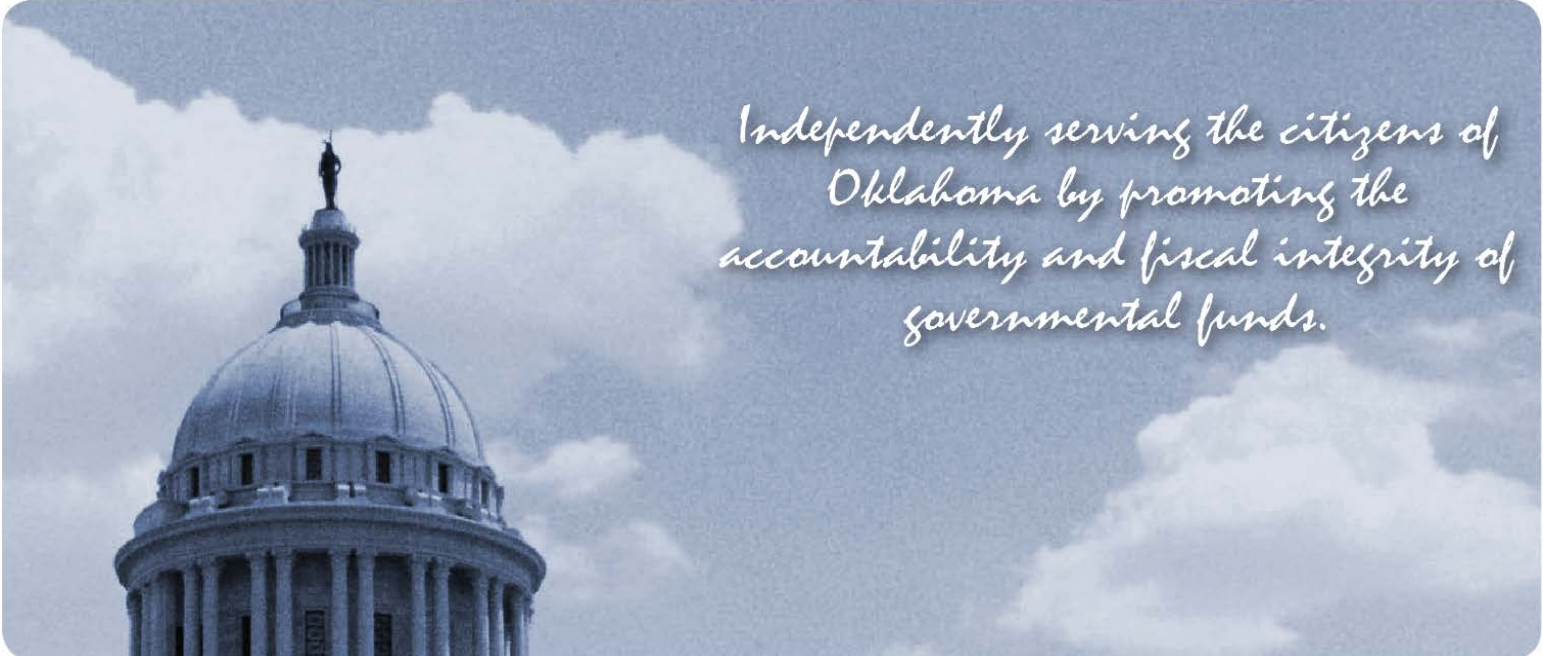


OPERATIONAL AUDIT

BECKHAM 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

**BECKHAM 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 Collection, pursuant to 74 O.S. § 3105.B.



Oklahoma State Auditor & Inspector

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

November 15, 2017

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

Transmitted herewith is the audit report of Beckham 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". The signature is written in a cursive, flowing style.

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

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

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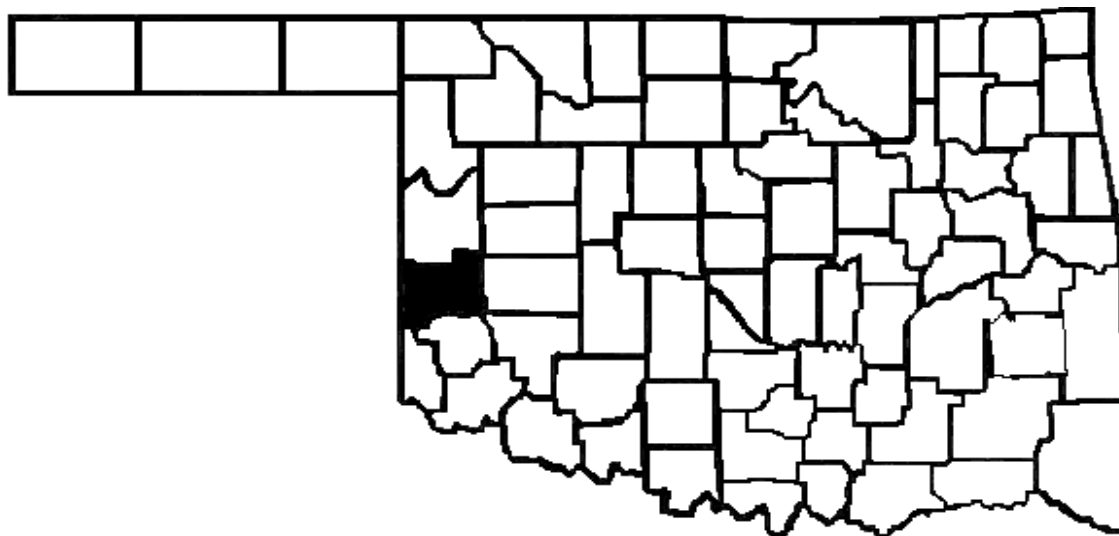
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**BECKHAM COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**



Named for Kentucky Governor John C.W. Beckham at the suggestion of a delegate to the Oklahoma Constitutional Convention, Beckham County was formed at statehood from portions of Greer and Roger Mills counties and is the site of the Oklahoma Traveler Information Center for persons entering Oklahoma on Interstate 40 from Texas.

Sayre, the county seat, was named for Robert H. Sayre, a stockholder in the railroad constructed through Sayre at the time of its founding. The city is the home of Southwester Oklahoma State University, Sayre campus.

Agriculture, oil, and gas are the major industries of the county. Merrick 14 Ranch, located east of Sayre, has produced world champion quarter horses and Elk City is the host of the Rodeo of Champions held each September.

Construction on the Beckham County Courthouse began in 1907 and was completed in 1911. Originally, four clocks were to be installed in the courthouse dome. Yet, due to a lack of funding the clocks were never installed. However, Beckham County residents raised the necessary funds, and the clocks were installed in the dome in time for the state's centennial celebration. For more information, call the county clerk's office at 580-928-3383.

County Seat – Sayre

Area – 904.14 Square Miles

County Population – 23,691
(2014 est.)

Farms – 1,016

Land in Farms – 567,886 Acres

Primary Source: Oklahoma Almanac 2015-2016

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

Board of County Commissioners

District 1 – Carl Don Campbell
District 2 – Buddy Carnes
District 3 – Johnny Davis

County Assessor

Gayla Gillie

County Clerk

Leasa Hartman

County Sheriff

Scott Jay

County Treasurer

Janette Cornelius

Court Clerk

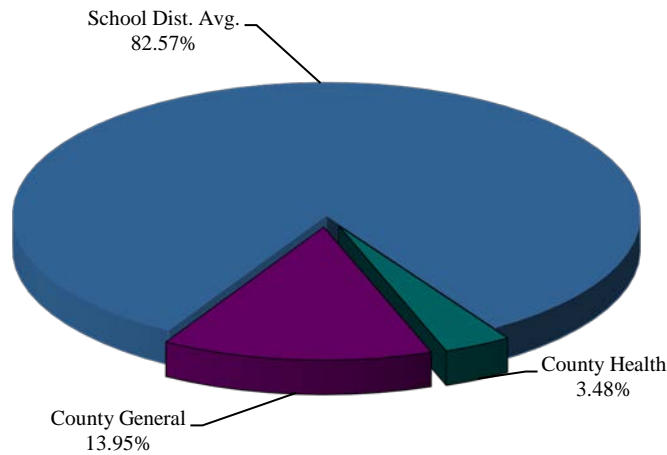
Donna Howell

District Attorney

Angela Marsee

**BECKHAM 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.	Career Tech.	Common	Total
County General	10.38								
County Health	2.59	Merritt	I-2	36.11	5.16	8.88	12.36	4.15	66.66
		Elk City	I-06	36.04	5.15	0.00	12.36	4.15	57.70
		Sayre	I-31	36.42	5.20	6.43	12.36	4.15	64.56
		Erick	I-51	36.90	5.27	7.00	0.00	4.15	53.32
		Sentinel	I-1	38.63	5.16	0.00	12.36	4.15	60.30
		Canute	I-11	36.07	5.15	11.80	12.36	4.15	69.53
		Sweetwater	I-15	35.99	5.14	0.00	12.36	4.15	57.64
		Mangum	I-01	35.29	5.04	10.48	0.00	4.15	54.96
		Hammon	I-66	37.50	5.36	9.00	12.36	4.15	68.37

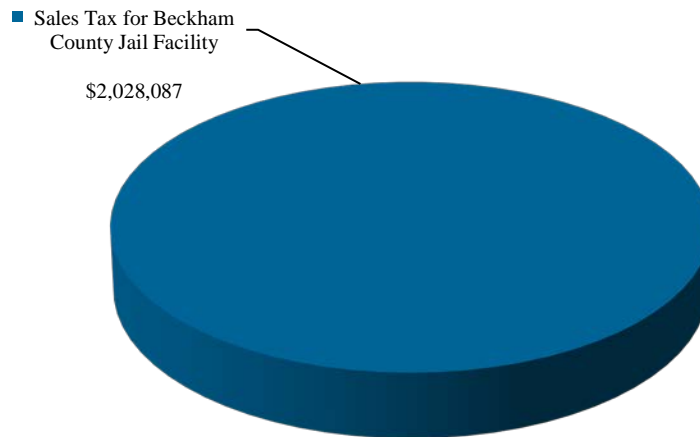
**BECKHAM COUNTY, OKLAHOMA
SALES TAX DISTRIBUTION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Sales Tax

Sales Tax of February 12, 2002

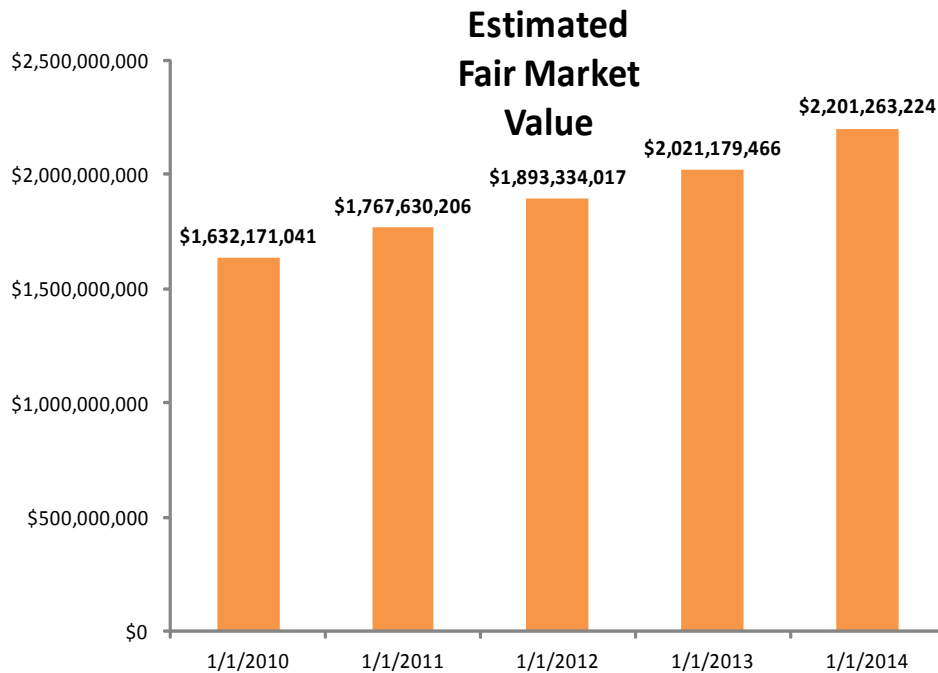
On February 12, 2002, the voters of Beckham County approved a three-tenths of one percent (3/10 of 1%) county sales tax through March 31, 2017, after which time said tax shall be reduced to one-fourth of one percent (1/4 of 1%) with said one-fourth of one percent (1/4 of 1%) being unlimited in duration. The purpose of the three-tenths of one percent (3/10 of 1%) sales tax shall be to fund the acquisition, construction, equipping, furnishing, general operations and maintenance of a jail facility in Beckham County, Oklahoma, including payment of debt service on obligations issued to finance said jail facility. The one-fourth of one percent (1/4 of 1%) sales tax shall be to pay for general operations and capital improvements benefiting Beckham County, Oklahoma.

During the fiscal year the County collected \$2,028,087 in current sales tax and that is accounted for in the County Sales Tax fund.



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

Valuation Date	Personal	Public Service	Real Estate	Total Exemptions	Net Value	Estimated Fair Market Value
1/1/2014	\$115,530,928	\$37,100,922	\$129,136,586	\$4,294,999	\$277,473,437	\$2,201,263,224
1/1/2013	\$100,119,700	\$39,444,980	\$121,706,748	\$4,259,527	\$257,011,901	\$2,021,179,466
1/1/2012	\$93,388,077	\$40,437,211	\$112,575,833	\$4,221,528	\$242,179,593	\$1,893,334,017
1/1/2011	\$85,255,021	\$40,838,660	\$105,413,605	\$4,304,504	\$227,202,782	\$1,767,630,206
1/1/2010	\$75,328,393	\$38,269,138	\$100,434,554	\$4,338,786	\$209,693,299	\$1,632,171,041

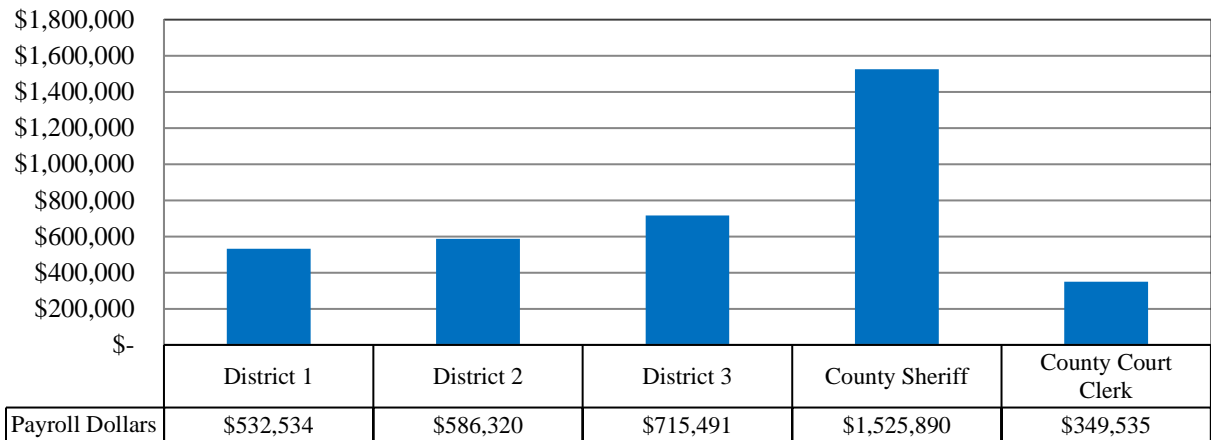


*The numbers on this report have been corrected from Prior Fiscal Year 2013

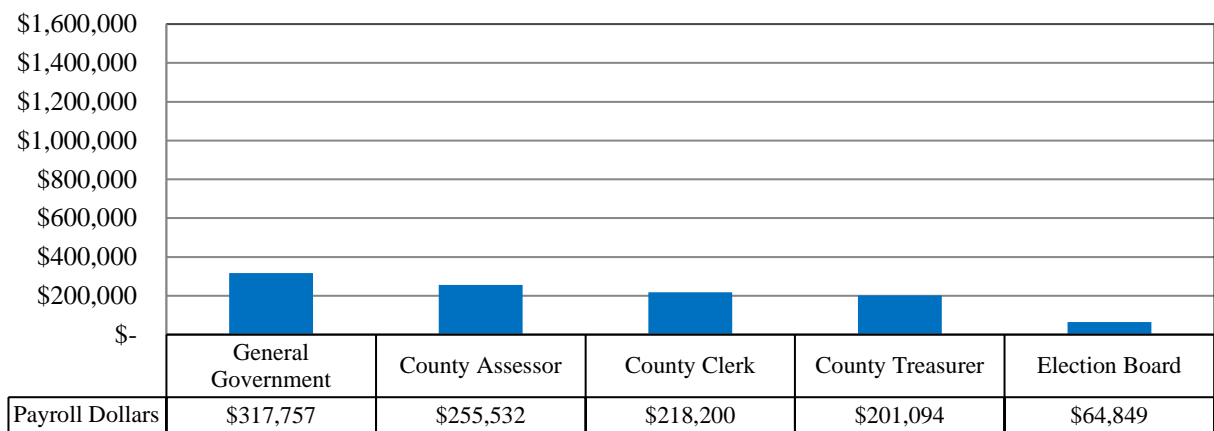
**BECKHAM COUNTY, OKLAHOMA
COUNTY PAYROLL EXPENDITURES ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

County officers' salaries are based upon the assessed valuation and population of the counties. State statutes provide guidelines for establishing elected officers' salaries. The Board of County Commissioners sets the salaries for all elected county officials within the limits set by the statutes. The designated deputy or assistant's salary cannot exceed the principal officer's salary. Salaries for other deputies or assistants cannot exceed the principal officer's salary. The information presented below is for the fiscal year ended June 30, 2015.

Payroll Expenditures by Department



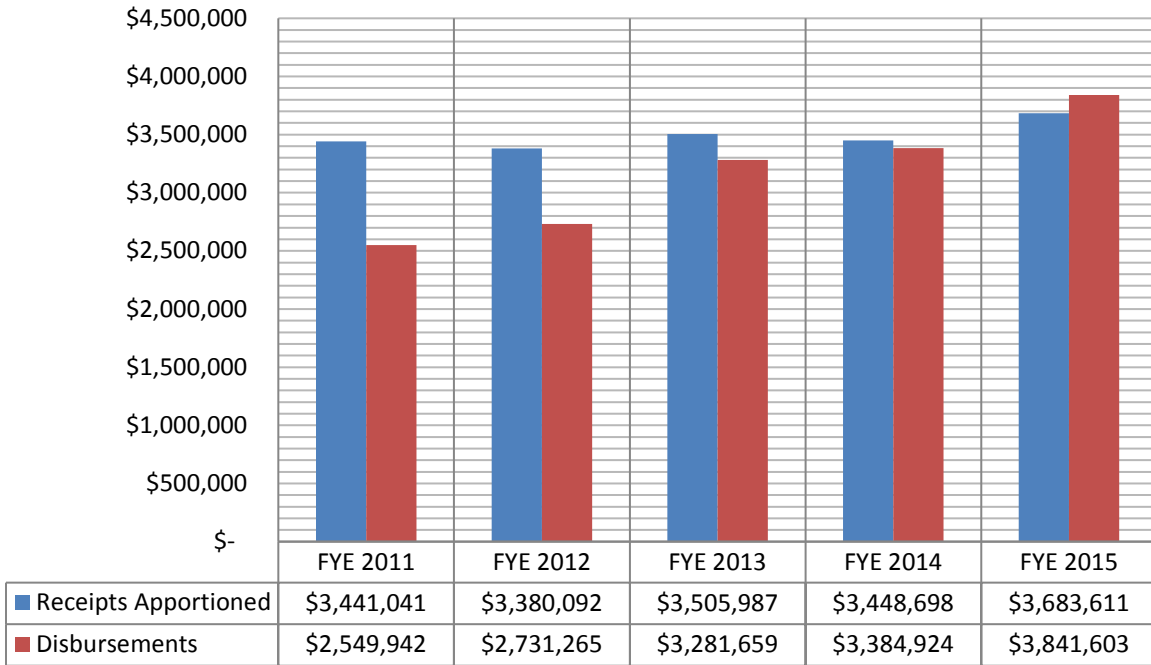
Payroll Expenditures by Department



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

County General Fund

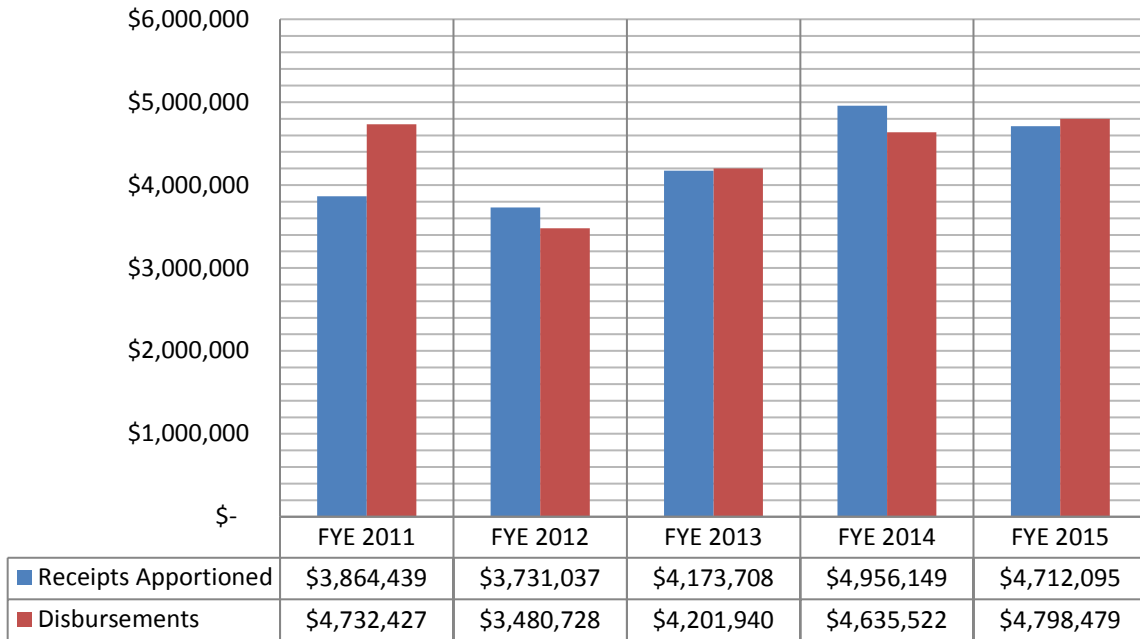
The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the county's primary source of operating revenue. The County General Fund is typically used for county employees' salaries plus many expenses for county maintenance and operation. It also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



**BECKHAM 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.



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

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

	Beginning				Ending	
	Cash Balances	Receipts	Transfers	Transfers	Disbursements	Cash Balances
	July 1, 2014	Apportioned	In	Out		June 30, 2015
Combining Information:						
County Funds:						
County General Fund	\$ 5,899,198	\$ 3,683,611	\$ -	\$ -	\$ 3,841,603	\$ 5,741,206
County Highway Cash	4,573,679	4,712,095	487,938	-	4,798,479	4,975,233
County Bridge and Road Improvement Fund 103	139,666	71	-	-	-	139,737
County Road and Bridge Improvement Fund 105	1,009,103	223,672	-	487,938	-	744,837
County Health Department	722,267	847,664	-	-	808,032	761,899
Resale Property	297,211	93,954	-	-	47,743	343,422
Treasurer Mortgage Tax Certification Fee	26,429	4,225	-	-	8,189	22,465
County Clerk Lien Fee	205,923	32,391	-	-	9,904	228,410
County Clerk Records Preservation Fee	119,285	33,495	-	-	34,248	118,532
Assessor Revolving	15,476	4,591	-	-	2,165	17,902
Assessor Visual Inspection	642	-	-	-	-	642
Sheriff Service Fee	59,083	182,257	-	-	183,480	57,860
Sheriff Department of Corrections	50,819	159,234	-	-	180,429	29,624
Sheriff Commissary	3,461	13,752	-	-	5,822	11,391
Sheriff Jail Funds	240,881	1,068,000	-	-	1,164,633	144,248
Courthouse Security	67,095	19,027	-	-	54,553	31,569
Sheriff Unclaimed Abandoned Property	-	12,574	-	-	12,565	9
Emergency Management	25,939	20,000	-	-	19,846	26,093
County Sales Tax	-	2,052,661	-	-	2,052,661	-
Hazard Mitigation	23,363	-	-	-	13,350	10,013
Beckham County Educational Facilities Authority	7,308	1,980	-	-	4,950	4,338
OBA Donations	-	13,000	-	-	13,000	-
Combined Total - All County Funds	\$ 13,486,828	\$ 13,178,254	\$ 487,938	\$ 487,938	\$ 13,255,652	\$ 13,409,430

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

**BECKHAM COUNTY
DESCRIPTION OF COUNTY FUNDS
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.

County Bridge and Road Improvement Fund 103 – accounts for state receipts and disbursed are for the purpose of constructing and maintaining county roads and bridges.

County Bridge and Road Improvement Fund 105 – accounts for state receipts and disbursed for the purpose of maintaining bridges and roads.

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

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

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

County Clerk Records Preservation Fee – accounts for fees collected for instruments filed with the County Clerk as restricted by statute to be used for preservation of records.

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

Assessor Visual Inspection – accounts for the receipt and disbursement of funds by the Assessor as restricted by state statute for the visual inspection program.

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

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

Sheriff Department of Corrections – accounts for the state receipts and disbursed for the purpose of maintaining Department of Corrections’ inmates.

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.

Sheriff Jail Funds – accounts for the collection of reserve sales tax monies received from the Facilities Authority in excess of bond issue payments. Disbursements are for the general operations of the jail.

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

Sheriff Unclaimed Abandoned Property – accounts for unclaimed money or property in the possession of the sheriff and disbursed for equipment, materials or supplies used in crime prevention, education and training per O.S. Title 22 § 1325.

Emergency Management – accounts for grant money disbursed to support the emergency management program.

County Sales Tax – accounts for the collections of sales tax revenue and the disbursement of funds as restricted by the sales tax resolution.

Hazard Mitigation – accounts for federal funds for the purpose of hazard mitigation.

Beckham County Educational Facilities Authority – accounts for money held for the Authority to be disbursed for Board operations of which the County Commissioners serve as the governing Board of the Authority.

OBA Donations – accounts for donations from the Oklahoma Bar Association to be used for courtroom improvements.

BECKHAM 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	\$ 5,899,198	\$ 5,899,198	\$ -
Less: Prior Year Outstanding Warrants	(28,502)	(28,502)	-
Less: Prior Year Encumbrances	(45,067)	(36,995)	8,072
Beginning Cash Balances, Budgetary Basis	<u>5,825,629</u>	<u>5,833,701</u>	<u>8,072</u>
Receipts:			
Ad Valorem Taxes	2,559,344	2,774,061	214,717
Charges for Services	25,000	144,369	119,369
Intergovernmental Revenues	105,000	464,552	359,552
Miscellaneous Revenues	146,016	300,629	154,613
Total Receipts, Budgetary Basis	<u>2,835,360</u>	<u>3,683,611</u>	<u>848,251</u>
Expenditures:			
District Attorney	6,000	6,000	-
County Sheriff	828,702	828,289	413
County Treasurer	225,594	220,095	5,499
County Commissioners	10,900	7,096	3,804
County Commissioners OSU Extension	31,228	29,143	2,085
County Clerk	221,522	207,830	13,692
Court Clerk	253,225	241,565	11,660
County Assessor	278,691	247,102	31,589
Revaluation	240,130	233,517	6,613
Juvenile Detention	40,316	36,404	3,912
General Government	5,307,657	755,536	4,552,121
Excise Equalization Board	3,800	2,628	1,172
County Election Expense	81,602	76,950	4,652
Insurance - Benefits	844,175	803,116	41,059
County Purchasing Agent	40,827	40,827	-
Emergency Management	21,500	2,961	18,539
Court Clerk Deputies	150,040	147,781	2,259
County Audit Budget Account	59,080	964	58,116
Free Fair Budget Account	16,000	11,285	4,715
Total Expenditures, Budgetary Basis	<u>8,660,989</u>	<u>3,899,089</u>	<u>4,761,900</u>

Continued on next page

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

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

	General Fund		
	Budget	Actual	Variance
Continued from previous page			
Excess of Receipts and Beginning Cash			
Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	5,618,223	<u>\$ 5,618,223</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Outstanding Warrants		65,103	
Add: Current Year Encumbrances		<u>57,880</u>	
Ending Cash Balance		<u>\$ 5,741,206</u>	

BECKHAM COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
COUNTY HEALTH DEPARTMENT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 722,267	\$ 722,267	\$ -
Less: Prior Year Outstanding Warrants	(90,847)	(90,847)	-
Less: Prior Year Encumbrances	(1,216)	(696)	520
Beginning Cash Balances, Budgetary Basis	630,204	630,724	520
Receipts:			
Ad Valorem Taxes	638,603	685,255	46,652
Charges for Services	-	4,499	4,499
Intergovernmental Revenues	-	150,662	150,662
Miscellaneous Revenues	-	7,248	7,248
Total Receipts, Budgetary Basis	638,603	847,664	209,061
Expenditures:			
County Health Budget Account	1,268,807	777,525	491,282
Total Expenditures, Budgetary Basis	1,268,807	777,525	491,282
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	700,863	\$ 700,863
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		2,644	
Add: Current Year Outstanding Warrants		58,306	
Add: Cancelled Warrantss		86	
Ending Cash Balance		\$ 761,899	

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

**BECKHAM 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, and
- Selecting representative samples to determine disbursements were made in accordance with state statutes, approved ballots, and county purchasing procedures.
- 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.

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

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.

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.

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 did not provide reasonable assurance that expenditures, (including payroll) were accurately reported in the accounting records.

The County's financial operations did not comply with 19 O.S. § 1505A and 1505C, which requires the designated requisitioning officer to requisition purchase orders and funds be encumbered prior to goods and/or services are received.

FINDINGS AND RECOMMENDATIONS

Finding 2015-2 – Inadequate Internal Controls Over County Clerk’s Signature Stamps (Repeat Finding)

Condition: Upon inquiry, observation, and review of documents, we noted the following internal control weakness with regard to disbursement procedures:

□□□□ The County Clerk’s deputy has physical control of the County Clerk’s signature stamp. The stamp is retained in the deputy’s desk. The desk is not locked during the business hours of the office. The desk is accessible by all employees in the office.

Cause of Condition: Policies and procedures have not been designed and implemented to safeguard the County from unauthorized use of the stamp.

Effect of Condition: This condition could result in an unauthorized transactions and misappropriation of funds.

Recommendation: OSAI recommends signature stamps be adequately safeguarded and use of the stamp be restricted to the owner only.

Management Response:

County Clerk: I will take custody of my signature stamp and keep it locked in my desk.

Criteria: An important aspect of internal control is the safeguarding of assets. Internal controls over safeguarding of assets constitute a process, affected by the entity’s governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or untimely detection of unauthorized acquisition, use, or disposition of the entity’s assets from loss, damage, or misappropriation.

Finding 2015-3 – Inadequate Internal Controls Over Time Records (Repeat Finding)

While reviewing payroll time records, we noted the following:

- Of the twenty-five (25) payroll claims tested, five (5) instances were noted in which the timesheet was not signed by the employee or approved by the designated officer of the Sheriff’s office.

Cause of Condition: Policies and procedures have not been designed and implemented with regard to the review of timesheets to ensure both the employee and official or department head have signed timesheets.

Effect of Condition: This condition could result in inaccurate records or incomplete information of employees’ time resulting in a potential loss of county funds.

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Recommendation: OSAI recommends all County officials have properly signed and approved time records to support monthly payroll claims on file with the County Clerk. Each employee's time record should reflect the hours worked for each day; the compensatory time earned, taken or paid, sick leave earned, taken or paid, and vacation leave earned, taken or paid; and be approved by the County officer or department head.

Management Response:

County Sheriff: We will ensure that the employee and either the Undersheriff or the Sheriff signs off on every time sheet.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, time records should be used to document hours worked and leave used each day. Time records signed by both the employee and the Supervisor/County Official, shall certify the validity of the hours worked and/or leave used.

Finding 2015-4 - Inadequate Internal Controls Over the Disbursement Process with Regard to Requisitioning and Receiving Processes (Repeat Finding)

Condition: Based on inquiry of County officials and staff, regarding the requisitioning process and review of the approved requisitioning and receiving officers documented in the BOCC meetings, the following was noted:

- The approved receiving officer in District 2 Commissioner, initiates the requisition by phone, and completes the receiving report for the item(s) upon delivery.
- The approved receiving officer in District 3 Commissioner initiates the requisition of an item by asking the secretary to order items and completes the receiving report for the item(s) when they are delivered.

Cause of Condition: Policies and procedures designed to strengthen internal controls and ensure compliance with the state statute were not adhered to with regard to the requisitioning of funds.

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

Recommendation: OSAI recommends that only the approved requisitioning officers be allowed to requisition goods and/or services in compliance with the state statute.

Management Response:

District 2 and District 3 Commissioners: We will ensure that the duties of requisitioning and receiving goods/services are separated.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. Internal controls should be designed to analyze and check accuracy, completeness, and authorization of

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disbursements and/or transactions. To help ensure a proper account of funds, the duties of processing, authorizing, and distribution should be segregated.

Title 19 O.S. § 1505 states, “The following procedures shall be used by counties for the requisition, purchase, lease-purchase, rental, and receipt of supplies, materials, and equipment for the maintenance, operation, and capital expenditures of county government unless otherwise provided for by law.

- A. The procedure for requisitioning items for county offices shall be as follows:
1. The requesting department shall prepare a requisition form in triplicate. The requisition shall contain any specifications for an item as deemed necessary by the requesting department. The form shall be prescribed by the State Auditor and Inspector;
 2. The requesting department shall retain a copy of the requisition and forward the original requisition and a copy to the county purchasing agent; and
 3. Upon receipt of the requisition, the county purchasing agent, within two (2) working days, shall begin the bidding and purchasing process as provided for in this section. Nothing in this section shall prohibit the transfer of supplies, materials, or equipment between county departments upon a written agreement between county officers.”

Finding 2015-5 - Inadequate Internal Controls and Noncompliance Over the Disbursement Process

Condition: We noted the following noncompliance in our test of thirty-four (34) purchase orders:

- Seven (7) instances were noted in which goods and/or services were received prior to the encumbrance of funds.

Cause of Condition: Policies and procedures have not been implemented over the disbursements process to strengthen internal controls and ensure compliance with the state statute.

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

Recommendation: OSAI recommends the following internal controls which comply with 19 O.S. § 1505C. Further, county funds should be encumbered prior to the receipt of goods and/or services.

Management Response:

District 1 Commissioner, District 2 Commissioner and District 3 Commissioner: We will ensure that funds are encumbered prior to obtaining goods/services and we will make sure the employees know to make sure the funds are encumbered before purchasing goods/services.

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County Clerk: We will notate the purchase orders are not in compliance with the purchasing statutes and make all officers and employees aware of the law requiring encumbrance of funds prior to ordering and receiving goods/services.

Criteria: Accountability and stewardship are overall goals of management in the account of funds. Internal controls should be designated to analyze and check accuracy, completeness, and authorization of disbursements or transactions. To help ensure a proper accounting of funds, the duties of processing, authorizing, and payroll distribution should be segregated.

An important aspect of internal control is the safeguard of assets. Internal controls over safeguarding of assets constitute a process, affected by the entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or untimely detection of unauthorized acquisition, use, or disposition of the entity's assets and safeguarding assets from loss, damage, or misappropriation.

Title 19 O.S. § 1505C states in part, "After selection of a vendor, the procedure for the purchase, lease-purchase, or rental of supplies, materials, equipment and information technology and telecommunication goods and services used by a county shall be as follows:

1. The county purchasing agent shall prepare a purchase order in quadruplicate and submit it with a copy of the requisition to the county clerk;
2. The county clerk shall then encumber the amount stated on the purchase order and assign a sequential number to the purchase order;
3. If there is an unencumbered balance in the appropriation made for that purpose by the county excise board, the county clerk shall so certify in the appropriate form."

Finding 2015-10 - Inadequate Internal Controls Over the Payroll Process (Repeat Finding)

Condition: Upon inquiry and observation of the County's payroll disbursement process, we noted the duties of processing payroll are not adequately segregated. The Payroll Clerk enrolls new hires, makes payroll changes, maintains personnel files, prepares OPERS reports, and verifies the direct deposit.

Cause of Condition: Policies and procedures have not been designed and implemented with regards to segregation of duties and/or compensating controls over the payroll process.

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

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

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Management Response:

County Clerk: A step has been added to our payroll process. A second person verifies payroll reports, claims, and totals before depositing.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. Internal controls should be designed to analyze and check accuracy, completeness, and authorization of payroll calculations and/or transactions. To help ensure a proper accounting of funds, the duties of processing, authorizing, and payroll distribution should be segregated.

All Objectives:

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

Finding 2015-1 - Inadequate County-Wide Controls (Repeat Finding)

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.

In addition, the County Sheriff, the County Assessor, the County Commissioner District 1, 2, and 3 have not designed or implemented a Disaster Recovery Plan.

Cause of Condition: This condition is a result of the County not being aware of how the process of identifying risk, implementing control activities, communicating pertinent information, and monitoring could positively impact the operations and reporting of the County.

Effect of Condition: This condition does not allow the County to function in the most effective manner possible. The lack of a Disaster Recovery Plan also puts the county at risk for loss of data and other pertinent County information.

Recommendation: OSAI recommends that the County design and implement procedures to address the risks to the County, through regular meetings, and document their Internal Control Framework. This documentation should outline the importance of internal controls, the risk that the County has identified, the control activities established to address the risk, 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:

All Officers: I am willing to meet with all elected officials on a monthly basis to discuss issues within each office and within the county.

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District 1 Commissioner, District 2 Commissioner, District 3 Commissioner, and County Sheriff: We will prepare a Disaster Recovery Plan for our office/district.

County Assessor: I have designed my Disaster Recovery Plan. It has been filed with the Emergency Management Director and I will give the auditors a copy.

Criteria: Internal control is an integral component of an organization's management that provides reasonable assurance that the objectives of effectiveness and efficiency of operations, reliability of financial reporting and compliance with laws and regulations are being met. Internal control comprises the plans, methods, and procedures used to meet missions, goals, and objectives. Internal control also serves as the first line of defense in safeguarding assets and preventing and detecting errors and fraud. County management is responsible for designing a county-wide internal control system comprised of Control Environment, Risk Assessment, Information and Communication, and Monitoring for the achievement of these goals.

REPORT ON STATUTORY COMPLIANCE – OTHER MATTERS



Oklahoma State Auditor & Inspector

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Beckham County
Board of County Commissioners
Beckham County Courthouse
104 S 3rd St.
Sayre, Oklahoma 73662

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 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 Beckham County.

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

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

A handwritten signature in blue ink that reads "Gary A. Jones". The signature is written in a cursive style.

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

September 25, 2017

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SCHEDULE OF FINDINGS AND RESPONSES

Finding 2015-6 – Inadequate Internal Controls and Noncompliance Over Sheriff Commissary Fund (Repeat Finding)

Condition: Upon inquiry and observation of the Sheriff Commissary Fund, it was noted that the employee responsible for reconciling the Commissary Fund was relying on the County Clerk’s Appropriation Ledger to reconcile the account. The Sheriff’s office was unable to produce a ledger report which reflected beginning balance, receipts, disbursements and an ending balance for the Sheriff’s Commissary Fund.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure a ledger is maintained, a monthly reconciliation of the Sheriff Commissary Fund is performed, and the balance of the ledger agrees to the Treasurer’s records.

Effect of Condition: This condition resulted in noncompliance with state statute. Without a proper accounting and reporting of the Sheriff Commissary Fund, there is an increased risk of misappropriation of funds.

Recommendation: OSAI recommends the Sheriff include beginning and ending balances, deposits and disbursements of the Sheriff Commissary Fund in the annual report to the Commissioners that reconciles to the County Treasurer’s general ledger.

Management Response:

County Sheriff: We will prepare an excel spreadsheet as a ledger for the commissary fund and reconcile it to the Treasurer’s records each month.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, complete and accurate records should be maintained to reduce the risk of error or fraud.

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. The State Auditor and Inspector shall conduct an audit of the report in the same manner as other public records of the county.”

Finding 2015-7 – Inadequate Internal Controls Over the Court Fund Expenditure Process (Repeat Finding)

Condition: Upon inquiry of the Court Clerk employees, we noted the following weaknesses with regard to internal controls related to the disbursement process over the Court Fund claims:

One employee is responsible for:

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- Preparing the Court Fund claims,
- Entering the information into the software system to prepare vouchers,
- Printing the Court Fund vouchers,
- Taking vouchers to County Treasurer to be registered, and
- Distributing the vouchers to vendors.
- The receiving agent is not reviewing the goods/services for accuracy and is not signing the Court Fund claims as acknowledgment of goods/services.

Cause of Condition: Adequate internal controls have not been designed and implemented over the Court Fund claim disbursement process.

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, undetected errors, or misappropriation of funds not being detected in a timely manner.

Recommendation: OSAI recommends the Court Clerk design and implement procedures to ensure a proper segregation of duties over the Court Fund claim process, which would include segregating the following:

- Preparation of claims,
- Initiation of payment,
- Printing and signing of vouchers, and
- Monthly reconciliation with the County Treasurer.

Also, the receiving agent should review goods/services for accuracy and sign as acknowledgment of receiving goods/services on Court Fund claims.

Management Response:

Court Clerk: I will do what I can to segregate the duties within the Court Fund expenditure process and acknowledge the receipt of goods and services.

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

Finding 2015-8 – Inadequate Internal Controls and Noncompliance Over Fixed Assets (Repeat Finding)

Condition: Upon inquiry and observation of fixed assets inventory, we noted the following weakness:

- An annual physical fixed assets inventory count is not being performed by the County Sheriff's office.

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Cause of Condition: Policies and procedures have not been designed and implemented to ensure compliance with the state statute regarding maintaining and properly identifying fixed assets.

Effect of Condition: This condition resulted in noncompliance with the state statute. When fixed assets are not monitored, opportunities for misuse or loss of equipment can occur.

Recommendation: OSAI recommends management implement internal controls to ensure compliance with 19 O.S. § 178.1.

Management Response:

County Sheriff: We will try to perform annual inventory verification and keep audit evidence with signature of the individual that performs the inventory verification and the date it was performed.

Criteria: Internal controls over safeguarding of assets constitute a process, affected by an entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from misappropriation.

Title 19 O.S. § 178.1 states, "The board of county commissioners in each county of this state shall take, or cause to be taken, an inventory of all working tools, apparatus, machinery and equipment belonging to the county or leased or otherwise let to it or to any department thereof, other than that which is affixed to and made a part of lands and buildings, the cost of which as to each complete working unit thereof is more than Five Hundred Dollars (\$500.00), and thereafter maintain or cause to be maintained a continuous inventory record thereof and of like tools, apparatus, machinery and equipment purchased, leased or otherwise coming into the custody of the county or of any office, board, department, commission or any or either thereof, and the disposition thereof whether sold, exchanged, leased or let where authorized by statute, junked, strayed or stolen, and annually thereafter, or oftener in event of death, resignation or removal of an elective officer with a term, to verify or cause to be verified by count and report of the same as of the end of a term of office and as part and parcel of the accounting required by law of a retiring or re-elected officer, and, as to appointive heads of departments amenable directly to the board of county commissioners and as to quasi-governmental boards and commissions such as free fair boards, hospital boards and the like, the same shall be as of the last business day immediately preceding the day certain commencing a new term of the board of county commissioners; all in the manner as provided by law."



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