



# BECKHAM COUNTY

## Operational Audit

For the fiscal year ended June 30, 2016

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

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

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May 16, 2019

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

Transmitted herewith is the audit report of Beckham 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,



CINDY BYRD, CPA,  
OKLAHOMA STATE AUDITOR & INSPECTOR



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

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**INTRODUCTORY SECTION**  
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**PRESENTED FOR INFORMATIONAL PURPOSES ONLY**

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

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**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

## **Sales Tax**

### **Sales Tax of February 12, 2002**

On February 12, 2002, the voters of Beckham County approved a three-tenths of one percent ( $\frac{3}{10}$  of 1%) county sales tax through March 31, 2017, after which time said tax shall be reduced to one-fourth of one percent ( $\frac{1}{4}$  of 1%) with said one-fourth of one percent ( $\frac{1}{4}$  of 1%) being unlimited in duration. The purpose of the three-tenths of one percent ( $\frac{3}{10}$  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 ( $\frac{1}{4}$  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 \$1,205,402 in total sales tax, which is accounted for in the County Sales Tax fund.

**BECKHAM 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<br>Cash Balances<br>July 1, 2015 | Receipts<br>Apportioned | Transfers<br>In   | Transfers<br>Out  | Disbursements        | Ending<br>Cash Balances<br>June 30, 2016 |
|---|--|-------------------------|-------------------|-------------------|----------------------|--|
| Combining Information:                                |  |                         |                   |                   |                      |  |
| County Funds:   |  |                         |                   |                   |                      |  |
| County General Fund                                   | \$ 5,741,206                               | \$ 3,602,792            | \$ 11,593         | \$ 12,450         | \$ 3,945,964         | \$ 5,397,177                             |
| County Highway Fund                                   | 4,975,233                                  | 3,937,268               | 91,227            | -                 | 4,175,858            | 4,827,870                                |
| County Bridge and Road Improvement Fund 103           | 139,737                                    | 71                      | -                 | -                 | -                    | 139,808                                  |
| County Bridge and Road Improvement Fund 105           | 744,837                                    | 171,302                 | -                 | 91,227            | -                    | 824,912                                  |
| County Health Department                              | 761,899                                    | 815,974                 | -                 | -                 | 940,039              | 637,834                                  |
| Resale Property                                       | 343,422                                    | 103,594                 | -                 | -                 | 34,488               | 412,528                                  |
| Treasurer Mortgage Tax Certification Fee              | 22,465                                     | 3,950                   | -                 | -                 | 8,400                | 18,015                                   |
| County Clerk Lien Fee                                 | 228,410                                    | 19,606                  | -                 | -                 | 1,295                | 246,721                                  |
| County Clerk Records Preservation Fee                 | 118,532                                    | 29,928                  | -                 | -                 | 26,361               | 122,099                                  |
| Assessor Revolving                                    | 17,902                                     | 6,323                   | -                 | -                 | -                    | 24,225                                   |
| Assessor Visual Inspection                            | 642  | -                       | -                 | -                 | -                    | 642                                      |
| Sheriff Service Fee                                   | 57,860                                     | 152,309                 | -                 | -                 | 153,217              | 56,952                                   |
| Sheriff Department of Corrections                     | 29,624                                     | 163,154                 | -                 | -                 | 166,475              | 26,303                                   |
| Sheriff Commissary                                    | 11,391                                     | 14,151                  | -                 | -                 | 16,220               | 9,322                                    |
| Sheriff Jail Funds                                    | 144,248                                    | 1,128,048               | -                 | -                 | 1,153,132            | 119,164                                  |
| Courthouse Security                                   | 31,569                                     | 19,350                  | 12,450            | 1,580             | 51,039               | 10,750                                   |
| Sheriff Unclaimed Abandoned Property                  | 9  | -                       | -                 | -                 | -                    | 9  |
| Emergency Management                                  | 26,093                                     | 20,000                  | -                 | -                 | 14,103               | 31,990                                   |
| County Sales Tax                                      | -  | 1,220,402               | -                 | -                 | 1,220,402            | -  |
| Hazard Mitigation                                     | 10,013                                     | -                       | -                 | 10,013            | -                    | -  |
| Rural Water District #1                               | -  | 15,488                  | -                 | -                 | 14,668               | 820                                      |
| Sheriff Forfeited Assets                              | -  | 5,058                   | -                 | -                 | -                    | 5,058                                    |
| Drug Court Fund                                       | 24,428                                     | 65,041                  | -                 | -                 | 71,618               | 17,851                                   |
| <b>Combined Total - All County Funds, as Restated</b> | <b>\$ 13,429,520</b>                       | <b>\$ 11,493,809</b>    | <b>\$ 115,270</b> | <b>\$ 115,270</b> | <b>\$ 11,993,279</b> | <b>\$ 12,930,050</b>                     |

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

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

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**Description of County Funds**

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

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

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

County Highway Fund – 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 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 ad valorem tax collections. Disbursements are to offset the expense of collecting delinquent ad valorem taxes.

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 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 as restricted by state 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 state statute.

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

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Sheriff Department of Corrections – accounts for the collection of revenues for the housing of Department of Corrections' inmates and disbursements as restricted by state statute.

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 the disbursement of the funds as restricted by state statute.

Emergency Management – accounts for Emergency Management Performance Grants received from the U.S. Department of Homeland Security and disbursed as restricted by the grant agreement.

County Sales Tax – accounts for the collections of sales tax revenue disbursed to the Beckham County Facilities Authority for the payment of revenue bonds issued for the construction of the County jail.

Hazard Mitigation – accounts for grant funds received from the Federal Emergency Management Agency and disbursed in accordance with grant agreements.

Rural Water District #1 – accounts for Rural Economic Action Plan grant funds from Southwestern Oklahoma Development Authority and disbursed for water system improvements.

Sheriff Forfeited Assets – accounts for the collection of monies of the Sheriff's percentage of drug forfeitures and disbursements are used for drug prevention, education, and awareness.

Drug Court Fund – accounts for monies collected from the Oklahoma Department of Mental Health and Substance Abuse Services and is disbursed for salaries of the drug court administration.

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

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**Restatement of Prior Year Cash Balance**

During the fiscal year, the County had a reclassification of funds. Drug Court Fund was reclassified as a county fund and Beckham County Educational Facilities Authority was reclassified as a trust and agency fund.

|   |                     |
|---|---------------------|
| Prior Year Ending Balance as Reported   | \$13,409,430        |
| Add: Drug Court Fund reclassified as County Funds   | 24,428              |
| Less: Beckham County Educational Facilities Authority<br>re-classified as a Trust and Agency Fund | <u>4,338</u>        |
| Prior Year Balance as Restated  | <u>\$13,429,520</u> |

**Interfund Transfers**

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

- \$10,013 was transferred from the Hazard Mitigation fund to the County General Fund for repayment of a transfer made in the prior year that was not repaid by the end of the fiscal year.
- \$91,227 was transferred from the County Bridge and Road Improvement Fund 105 to the County Highway Fund for bridge and road improvements.
- \$12,450 was transferred from the County General Fund to Courthouse Security to cover salaries for the remainder of fiscal year.
- \$1,580 was transferred from Courthouse Security to the County General Fund to reimburse for funds transferred to cover salaries for fiscal year 2016, leaving a balance due of \$9,290 to the County General Fund at June 30, 2016.

**BECKHAM COUNTY, OKLAHOMA**  
**COMBINING STATEMENT OF RECEIPTS, EXPENDITURES, 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   | \$ 5,741,207         | \$ 5,741,206         | \$ (1)                  |
| Less: Prior Year Outstanding Warrants   | (65,103)             | (65,103)             | -                       |
| Less: Prior Year Encumbrances   | (57,880)             | (47,923)             | 9,957                   |
| Beginning Cash Balances, Budgetary Basis  | <u>5,618,224</u>     | <u>5,628,180</u>     | <u>9,956</u>            |
| <br>Total Receipts, Budgetary Basis   | <br><u>3,074,974</u> | <br><u>3,602,792</u> | <br><u>527,818</u>      |
| Total Expenditures, Budgetary Basis   | <u>8,693,198</u>     | <u>3,939,623</u>     | <u>4,753,575</u>        |
| <br>Excess of Receipts and Beginning Cash<br>Balances Over Expenditures, Budgetary Basis    | <br><u>\$ -</u>      | <br>5,291,349        | <br><u>\$ 5,291,349</u> |
| <br>Operating Transfers:  |                      |                      |                         |
| Transfer In   |                      | 11,593               |                         |
| Transfer Out  |                      | (12,450)             |                         |
| Net Transfers   |                      | <u>(857)</u>         |                         |
| <br>Reconciliation to Statement of Receipts,<br>Disbursements, and Changes in Cash Balances |                      |                      |                         |
| Add: Cancelled Warrants   |                      | 223                  |                         |
| Add: Current Year Outstanding Warrants  |                      | 56,583               |                         |
| Add: Current Year Encumbrances  |                      | 49,879               |                         |
| Ending Cash Balance   |                      | <u>\$ 5,397,177</u>  |                         |

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

**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, 2016**

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|   | County Health Department Fund |               |                |
|---|-------------------------------|---------------|----------------|
|   | Budget                        | Actual        | Variance       |
| Beginning Cash Balances   | \$ 761,897                    | \$ 761,899    | \$ 2           |
| Less: Prior Year Outstanding Warrants   | (58,306)                      | (58,306)      | -              |
| Less: Prior Year Encumbrances   | (2,644)                       | (2,008)       | 636            |
| Beginning Cash Balances, Budgetary Basis  | 700,947                       | 701,585       | 638            |
| <br>Total Receipts, Budgetary Basis   | <br>704,825                   | <br>815,974   | <br>111,149    |
| <br>Total Expenditures, Budgetary Basis   | <br>1,405,772                 | <br>1,015,797 | <br>389,975    |
| <br>Excess of Receipts and Beginning Cash<br>Balances Over Expenditures,<br>Budgetary Basis | <br>\$ -                      | <br>501,762   | <br>\$ 501,762 |
| <br>Reconciliation to Statement of Receipts,<br>Disbursements, and Changes in Cash Balances |                               |               |                |
| Add: Current Year Encumbrances  |                               | 131,986       |                |
| Add: Current Year Outstanding Warrants  |                               | 4,086         |                |
| Ending Cash Balance   |                               | \$ 637,834    |                |

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

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**PURPOSE, SCOPE, AND GENERAL 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, and observations of the County's operations. Further details regarding our methodology are included under each objective.

We utilized sampling of transactions to achieve our objectives. To ensure the samples were representative of the population and provided sufficient, appropriate evidence, the random sample methodology and the judgmental sample methodology 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, 2016**

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

**Conclusion:** With respect to the items reconciled and reviewed; the receipts apportioned, disbursements, and cash balances are accurately presented on the County Treasurer's monthly reports.

**Objective 1 Methodology:** To accomplish objective 1, we performed the following:

- Evaluated significant internal controls related to preparing the Treasurer's Monthly Reports, which included:
  - Reviewing 100% of the Treasurer's monthly reports to ensure the monthly reports were signed and approved by someone other than the preparer, reconciled to the general ledger, and reconciled to the bank statement.
  - Reviewing a random sample of 5 bank statements and related bank reconciliations (10.42% of the total bank statements in the population tested) to ensure bank reconciliations were signed and approved by someone other than the preparer and correctly reconciled to the bank statement.
- Reconciled total collections from the monthly reports to the apportionments ledger for each month and to the annual summary of the Treasurer's reports.
- Confirmed \$6,907,538 in cash receipts (60.10% of total cash receipts) received from the Oklahoma Tax Commission, Federal grantor agencies, and the State Treasurer's Office, and determined that these receipts were apportioned to the proper fund in the proper amount.
- Reconciled the general ledger of cash and investments at June 30 to the annual summary of the Treasurer's reports.
- Confirmed all cash and investment balances.
- Re-performed the June 30 bank reconciliation and confirmed reconciling items.
- Reviewed bank balances of all accounts at June 30 on the Treasurer's general ledger to ensure that investments were adequately secured as required by 62 O.S. § 517.4.
- Examined the Treasurer's total cash disbursements and compared it to the County Clerk's total checks and cash vouchers issued to ensure the totals reconciled.

**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.

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**Objective 2 Methodology:** To accomplish objective 2, we performed the following:

- Evaluated significant internal controls related to sales tax, which included:
  - Reviewing sales tax collections to ensure the collection was apportioned and appropriated in accordance with the sales tax ballot and that the apportionment and appropriation were reviewed and approved.
  - Reviewing 100% sales tax disbursements totaling \$1,205,402 to ensure the expenditure was approved and made for the purposes designated in the sales tax ballot.
- Confirmed all sales tax receipts received from the Oklahoma Tax Commission.

**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 3 Methodology:** To accomplish objective 3, we performed the following:

- Evaluated significant internal controls related to ad valorem tax collections, which included comparing the certified levies to the approved levies entered into the computer system to ensure levies were entered correctly.
- Recalculated the apportionment of ad valorem tax collections to determine collections were accurately apportioned to the taxing entities.

**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. § 1505, which requires that disbursements be properly encumbered.

**Objective 4 Methodology:** To accomplish objective 4, we performed the following:

- Evaluated significant internal controls related to the expending of County funds through purchase orders, which included reviewing a random sample of purchase orders totaling \$151,775 (3.20% of purchase orders in the population tested) to ensure:

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

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- The purchase order was requisitioned and signed by an approved Requisition County Official,
  - The encumbrance was made, or funds were available prior to ordering goods or services and the encumbrance was approved by the County Clerk/Deputy,
  - The disbursement was reviewed and authorized and supported by adequate documentation, and
  - The BOCC reviewed and approved the disbursement and the disbursement was made for the appropriate amount.
- Evaluated significant internal controls related to payroll expenditures, which included reviewing a judgmental sample of 5 payroll claims (5.21% of payroll claims in the population tested) to ensure:
  - Timesheets are accurate and are signed by the employee and supervisor,
  - The payroll claim was reviewed and approved, and
  - The payroll claim was supported by adequate documentation.

|                                     |
|-------------------------------------|
| <b>FINDINGS AND RECOMMENDATIONS</b> |
|-------------------------------------|

**Finding 2016-005 – Inadequate Internal Controls and Noncompliance Over the Disbursement and Payroll Processes (Repeat Finding)**

**Condition:** Upon inquiry and observation of the disbursement and payroll processes, we noted that 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 of the office.

It was also noted that the duties of processing payroll are not adequately segregated. The Payroll Clerk enrolls new hires, makes payroll changes, maintains personnel files, and prepares end of month payroll reports.

Further, the inquiry and audit of forty (40) disbursements reflected the following:

- The office of the County Sheriff has a line of credit with one vendor without statutory authority to do so. One (1) instance was noted where there was an overage fee charged.
- Four (4) instances were noted in which the disbursement was not properly encumbered.

**Cause of Condition:** Policies and procedures have not been designed over the disbursement process to strengthen internal controls and ensure compliance with state statutes. This includes the incurrence of debt through credit cards, which is not permitted per state statute.

**Effect of Condition:** These conditions resulted in noncompliance with state statutes and could result in unrecorded transactions, misstated financial reports, undetected errors, or misappropriation of funds.

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**Recommendation:** The Oklahoma State Auditor & Inspector's Office (OSAI) recommends management be aware of these conditions and determine if accounting functions over disbursements can be adequately segregated. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risks involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office, and having management review and approval of accounting functions.

Further, OSAI recommends signature stamps be adequately safeguarded and use of the stamp be restricted to the owner only. OSAI recommends management suspend the use of all credit lines used for the office.

In addition, OSAI recommends all disbursements must be encumbered prior to receiving goods in accordance with 19 O.S. § 1505.

OSAI also recommends the following key account functions of the payroll process be adequately segregated:

- Posting new hires and/or making payroll changes to the payroll system,
- Maintaining personnel files, and
- Preparing end of month payroll reports.

**Management Response:**

**County Clerk and Chairman, Board of County Commissioners:** The Board of County Commissioners will express to fellow County officials the importance of County funds being encumbered prior to the receipt of goods and/or services in accordance with Oklahoma Statutes. In addition, we will work to improve segregation of duties in regards to payroll. We will also contact the vendor to discontinue the line of credit. Further, the use of a stamp in the office of the County Clerk was discontinued before FY 17.

**County Sheriff:** The line of credit has been discontinued.

**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 disbursement calculations and/or transactions. To help ensure a proper accounting of funds, the duties of processing, authorizing, and distribution should be segregated.

Further, Title 19 O.S. § 1505 prescribes the procedures for the requisition, purchase, and receipt of goods and services.

**All Objectives:**

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

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OPERATIONAL AUDIT  
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**Finding 2016-001 – Inadequate County-Wide Controls (Repeat Finding)**

**Condition:** Through the process of gaining an understanding of the County's internal control structure, it was noted that county-wide controls regarding Risk Assessment and Monitoring have not been designed.

**Cause of Condition:** Policies and procedures have not been designed and implemented to address risks of the County.

**Effect of Condition:** Without an adequate system of county-wide controls, there is risk of a breakdown in control activities which could result in unrecorded transactions, undetected errors, or misappropriation of funds.

**Recommendation:** OSAI recommends that the County design and implement procedures to identify and address risks. OSAI also recommends that the County design monitoring procedures to assess the quality of performance over time. These procedures should be written policies and procedures and could be included in the County's policies and procedures handbook.

**Management Response:**

**Chairman, Board of County Commissioners:** The Board of County Commissioners will work towards assessing and identifying risks to design written county-wide controls and procedures regarding county-wide controls.

**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 Risk Assessment and Monitoring for the achievement of these goals.

Risk Assessment is a component of internal control which should provide for an assessment of the risks the County faces from both internal and external sources. Once risks have been identified, they should be analyzed for their possible effect. Management then has to formulate an approach for risk management and decide upon the internal control activities required to mitigate those risks and achieve the internal control objectives.

Monitoring is a component of internal control which should assess the quality of performance over time and ensure that the findings of audits and other reviews are promptly resolved. Ongoing monitoring occurs during normal operations and includes regular management and supervisory activities, comparisons, reconciliations, and other actions people take in performing their duties. It includes ensuring that management know their responsibilities for internal control and the need to make control monitoring part of their regular operating process.

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

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**Other Item(s) Noted:**

**Finding 2016-009 – Inadequate Internal Controls and Noncompliance Over Transfer of Funds (Repeat Finding)**

**Condition:** The following items were noted in the review of the transfer of funds:

- The County transferred funds in the amount of \$10,013 from the Hazard Mitigation fund to the County General Fund to repay a loan that occurred in fiscal year 2014.
- The County transferred funds in the amount of \$12,450 from the County General Fund to the Courthouse Security fund to assist with salaries; however, only \$1,580 was repaid within the fiscal year leaving a balance due of \$10,870 at June 30, 2016.

**Cause of Condition:** Policies and procedures have not been designed to ensure the repayment of transfers.

**Effect of Condition:** This condition resulted in noncompliance with state statute.

**Recommendation:** OSAI recommends the County implement policies and procedures to ensure that operational transfers are paid back by the end of the fiscal year in which the funds were transferred.

**Management Response:**

**County Clerk, County Treasurer, and Chairman, Board of County Commissioners:** We will put more check points in place to catch these types of oversight and make sure that temporary transfers are paid back before the end of the fiscal year.

**Criteria:** 68 O.S. § 3021 states in part, "...if at any time during the budget year it appears to the county Treasurer that there is temporarily insufficient money in a particular fund to meet the requirements of appropriation in the fund, the excise board may temporarily transfer from one fund to any other fund with the permission of the county officer in charge of the fund that the money will be temporarily transferred from... Any funds temporarily transferred shall be repaid to the original fund from which they were transferred within the fiscal year that the funds were transferred.

**REPORT ON STATUTORY COMPLIANCE – OTHER MATTERS**

Beckham County  
Board of County Commissioners  
Beckham County Courthouse  
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, 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 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.



CINDY BYRD, CPA  
OKLAHOMA STATE AUDITOR & INSPECTOR

May 15, 2019



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

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**SCHEDULE OF FINDINGS AND RESPONSES**

**Finding 2016-006 – Inadequate Internal Controls and Noncompliance Over Inmate Trust Fund Checking Account and Sheriff Commissary Fund (Repeat Finding)**

**Condition:** Upon inquiry and observation of the Inmate Trust Fund Checking Account and Sheriff Commissary Fund the following exceptions were noted:

- The Office Administrator is primarily responsible for reconciling cash to receipts; however, there is no review over this process. The original receipts issued are not being maintained. Additionally, receipts can be voided by the Office Administrator with no oversight.
- Ledgers containing the balance of each inmate's funds are not reconciled to the bank accounts monthly.
- Monthly bank statement reconciliations are not reviewed for accuracy.
- The commissary computer system used within the County Sheriff's office does not appear to have adequate controls in place to safeguard data from unauthorized modification, loss or disclosure. The specifics of the condition have been sanitized to protect the County pursuant to the provision of 51 O.S. § 24A.28.
- In a test of 100% of Inmate Trust Fund Checking Account disbursements, it was noted forty-four (44) checks, totaling the amount of \$79,102.39, were not issued in compliance with state statute.
- The County Sheriff does not file an Annual Report of the Sheriff Commissary Fund with the Board of County Commissioners by January 15<sup>th</sup> of each year.

**Cause of Condition:** Policies and procedures have not been designed and implemented regarding the Inmate Trust Fund Checking Account and Sheriff Commissary Fund.

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

**Recommendation:** OSAI recommends the following:

- Management be aware of these conditions and realize that a concentration of duties and responsibilities is not desired from a control point of view. Management should provide segregation of duties so that no one employee is able to void receipts with no oversight.
- Maintain all financial receipts.
- Passwords should be changed every 90 days.
- Inmate trust fund monies should be maintained in a manner that reflects each inmate's trust deposits, disbursements, and account balances. The inmate's trust fund balances should be reconciled to the bank statements each month and bank statements should be reviewed for accuracy.
- Disbursements should be made from the Sheriff's Commissary Fund in accordance with 19 O.S. § 180.43D.

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

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- The Sheriff should file a report of the commissary with the County Commissioners by January 15th, of each fiscal year.

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

**Management Response:**

**County Sheriff:** We will work towards putting a policy in place where passwords will be changed more frequently. The County Sheriff will begin preparing an Annual Report for the Sheriff Commissary Fund. Also, the County Sheriff will work towards enhancing internal controls over collections, disbursements, bank reconciliations, and inmate ledgers. We will also work towards retaining all records. Further, checks out of the Inmate Trust Fund Checking Account will only be disbursed to the inmate upon release and to move funds to Sheriff Commissary Fund for inmate purchases and profits.

**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 disbursement calculations and/or transactions. To help ensure a proper accounting of funds, the duties of processing and authorizing should be segregated.

According to the standards of the Information Systems Audit and Control Association (CobiT, Deliver and Support DS5), the need to maintain the integrity of information and protect IT assets requires a security management process. This process includes establishing and maintaining IT security roles and responsibilities, policies, standards, and procedures. Security management also includes performing security monitoring and periodic testing and implementing corrective actions for identified security weaknesses or incidents. Effective security management protects all IT assets to minimize the business impact of security vulnerabilities and incidents.

Title 19 O.S. § 531A states, "...the county sheriff may establish a checking account, to be designated the "Inmate Trust Fund Checking Account", to be managed by the county sheriff and maintained separately from regular county funds...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. § 180.43D states in part, "Each county sheriff may operate...a commissary for the benefit of persons lawfully confined in the county jail under the custody of the county sheriff. 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

**BECKHAM COUNTY, OKLAHOMA  
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Account for administering expenses for training equipment, travel or for capital expenditures. The claims for expenses shall be filed with and allowed by the board of county commissioners in the same manner as other claims. The sheriff shall receive no compensation for the operation of said commissary. The sheriff shall file an annual report on any said commissary under his or her operation no later than January 15 of each year..."

Title 19 O.S. § 155.4.4 states in part, "After the expiration of seven (7) years, provided that the State Auditor and Inspector has completed his audit for such years and has not in his report required the record to be retained for a longer period of time:...miscellaneous income and distribution receipts and records..."

**Finding 2016-007 – Inadequate Internal Controls Over the Court Clerk Disbursement Process (Repeat Finding)**

**Condition:** Upon inquiry and observation of records, with regards to the disbursement process of the Court Fund, we noted the following:

- The Court Clerk performs the duties of requisitioning, preparing vouchers, calculating amounts to other agencies, receiving goods and services, signing vouchers, and mailing or delivering vouchers to vendors.

**Cause of Condition:** Policies and procedures have not been designed and implemented with regard to internal controls over all aspects of the disbursement processes of the Court Fund.

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

**Recommendation:** OSAI recommends that the duties of the disbursement process be adequately segregated regarding requisitioning, receiving goods and services, issuing vouchers, and mailing or delivering vouchers to vendors.

**Management Response:**

**Court Clerk:** We will work to have another employee help in the process of the Court Fund expenditure process.

**Criteria:** Accountability and stewardship are overall goals of management in the accounting of funds. 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.



Cindy Byrd, CPA | State Auditor & Inspector

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