



BLAINE COUNTY

Operational Audit

For the fiscal year ended June 30, 2017

Cindy Byrd, CPA
State Auditor & Inspector

**BLAINE COUNTY OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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Cindy Byrd, CPA | State Auditor & Inspector

2300 N. Lincoln Blvd., Room 123, Oklahoma City, OK 73105 | 405.521.3495 | www.sai.ok.gov

June 6, 2019

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

Transmitted herewith is the audit report of Blaine County for the fiscal year ended June 30, 2017.

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

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

Sincerely,

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

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR



**BLAINE COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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INTRODUCTORY SECTION
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Board of County Commissioners

District 1 – Mike Allen
District 2 – Jonathon Cross
District 3 – Raymond Scheffler

County Assessor

Rian Parker

County Clerk

Jennifer Haigler

County Sheriff

Tony Almaguer

County Treasurer

Donna Hoskins

Court Clerk

Christy Matli

District Attorney

Michael Fields

**BLAINE COUNTY, OKLAHOMA
COUNTY GENERAL FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Sales Tax

Sales Tax of November 2, 2004

On November 2, 2004, the voters of Blaine County approved a county sales tax of one-half of one percent (1/2 of 1%) for an indefinite period of time for the purpose of maintaining and operating the Blaine County Courthouse and Jail. These funds are accounted for in the County General Fund.

Sales Tax of November 6, 2012

On November 6, 2012, the voters of Blaine County approved an additional county sales tax of one-quarter of one percent (1/4 of 1%) to become effective on January 1, 2013 for a period of ten (10) years and terminating on December 31, 2023. This sales tax was established for the purpose of contracting with the following communities; Canton, Eagle City, Geary, Greenfield, Hitchcock, Hydro, Longdale, Okeene, and Watonga, for such rural fire protection as may be deemed necessary by the Board of County Commissioners. These funds are accounted for in the Blaine County Fire Department Fund.

During the fiscal year, the County collected \$4,241,936.81 in total sales tax.

**BLAINE COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Presentation of Apportionments, Disbursements, and Cash Balances of County Funds for the Fiscal Year Ended June 30, 2017

	Beginning Cash Balances July 1, 2016	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2017
Combining Information:						
County Funds:						
County General Fund	\$ 3,134,023	\$ 5,338,837	\$ 1,229	\$ -	\$ 2,996,725	\$ 5,477,364
County Highway Cash	1,481,770	4,242,401		-	3,514,518	2,209,653
County Bridge and Road Improvement Fund 105	708,751	169,856	-	-	80,323	798,284
County Building Fund	62,859	302,822	-	-	7,790	357,891
Emergency Management	77,685	49,550	-	-	30,412	96,823
County Clerk Records Preservation Fee	60,645	68,355	-	-	23,363	105,637
County Clerk Lien Fee	180,548	148,595	-	-	92,431	236,712
Treasurer Mortgage Tax Certification Fee	13,924	1,325	-	-	-	15,249
Sheriff Service Fee	185,367	205,803	-	-	217,101	174,069
Sheriff Prisoner Revolving (D.O.C. Fund)	57,172	80,400	-	-	69,387	68,185
County Health Department	198,755	275,346	-	-	147,790	326,311
Resale Property	151,640	58,601	-	-	37,563	172,678
Assessor Revolving	22,527	20,131	-	-	13,065	29,593
Canton Lake Patrol	8,893	18,188	-	-	12,527	14,554
Lodging Tax	175,466	89,817	-	-	109,394	155,889
Sheriff Seizure (Drug Seizure)	169	9,091	-	-	3,586	5,674
General Obligation Bond Sinking	1,229	191	-	1,229	-	191
Enhanced 911	859,705	116,281	-	-	328,233	647,753
Commissary	9,136	4,943	-	-	6,877	7,202
Blaine County Fire Department	1,158,498	1,412,565	-	-	728,272	1,842,791
Court Clerk Payroll	10,300	46,104	-	-	46,465	9,939
Combined Total - All County Funds	\$ 8,559,062	\$ 12,659,202	\$ 1,229	\$ 1,229	\$ 8,465,822	\$ 12,752,442

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

BLAINE COUNTY
DESCRIPTION OF COUNTY FUNDS AND TRANSFERS
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Description of County Funds and Transfers

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 are for the purpose of constructing and maintaining county roads and bridges.

County Bridge and Road Improvement Fund 105 – accounts for state receipts and disbursements are for the purpose of constructing and maintaining county roads and bridges.

County Building Fund – accounts for collections of rent on county owned buildings and disbursements are for building maintenance.

Emergency Management – accounts for the receipt and disbursement of funds from state and local governments for civil defense purposes.

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.

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

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

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

Sheriff Prisoner Revolving (D.O.C. Fund) – accounts for the collection of monies from the Oklahoma Department of Corrections and disbursement are for the purpose of maintaining the jail.

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

**BLAINE COUNTY
DESCRIPTION OF COUNTY FUNDS AND TRANSFERS
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

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

Canton Lake Patrol – accounts for state funds used for the patrol of the Canton Lake area.

Lodging Tax – accounts for 5% hotel/motel tax used only for maintenance of the fairgrounds.

Sheriff Seizure (Drug Seizure) – accounts for property forfeited to the Sheriff from the arrest involving illegal use of drugs and disbursements are to be used for intervention and prevention of narcotics use.

General Obligation Bond Sinking – accounts for the special ad valorem tax levy and interest earned on investments of cash not immediately required for debt service. The proceeds are used for the payment of interest and principal in the matured portion of long-term bonded debt.

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

Commissary – accounts for the collections of the sale of items to inmates and disbursements to purchase commissary goods from the vendor and can be used for the maintenance and operation of the County jail.

Blaine County Fire Department – accounts for the County sales tax proceeds to be used for contract payments to rural fire departments.

Court Clerk Payroll – accounts for funds deposited by the Court Clerk and disbursed for payroll for the Court Clerk's office.

Interfund Transfers

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

- \$1,229 was transferred from the General Obligation Bond Sinking fund to the County General Fund. Title 62 O.S. § 445 allows for amounts collected in excess of bonds to be transferred and used for County General Fund purposes.

BLAINE 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, 2017

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 3,134,023	\$ 3,134,023	\$ -
Less: Prior Year Outstanding Warrants	(64,272)	(64,272)	-
Less: Prior Year Encumbrances	(31,227)	(27,348)	3,879
Beginning Cash Balances, Budgetary Basis	<u>3,038,524</u>	<u>3,042,403</u>	<u>3,879</u>
Receipts:			
Ad Valorem Taxes	1,288,551	1,371,920	83,369
Charges for Services	451,158	472,534	21,376
Sales Tax	2,974,612	2,829,372	(145,240)
Intergovernmental Revenues	427,153	553,091	125,938
Miscellaneous Revenues	-	111,920	111,920
Total Receipts, Budgetary Basis	<u>5,141,474</u>	<u>5,338,837</u>	<u>197,363</u>
Expenditures:			
District Attorney - State	22,202	9,253	12,949
District Attorney - County	1,688	-	1,688
County Sheriff	732,386	701,276	31,110
County Treasurer	128,618	122,117	6,501
County Commissioners	27,100	21,504	5,596
County Clerk	175,456	164,743	10,713
Court Clerk	182,294	180,486	1,808
County Assessor	185,646	168,750	16,896
Revaluation of Real Property	184,089	145,136	38,953
Juvenile Shelter Bureau	23,800	6,831	16,969
General Government	469,959	306,831	163,128
Excise - Equalization Board	5,850	3,165	2,685
County Election Expense	85,412	84,270	1,142
Insurance - Benefits	936,000	897,955	38,045
Charity	1	-	1
Civil Defense	46,001	45,470	531
Sales Tax	4,960,149	122,508	4,837,641
County Audit Budget Account	13,347	-	13,347
	<u>8,179,998</u>	<u>2,980,295</u>	<u>5,199,703</u>

Continued on next page

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

BLAINE COUNTY, OKLAHOMA
COMBINING STATEMENT OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
COUNTY GENERAL FUND - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	General Fund		
	Budget	Actual	Variance
Continued from previous page			
Balances Over Expenditures, Budgetary Basis	\$ -	5,400,945	\$ 5,400,945
Interfund Transfers:			
Interfund Transfer Out		1,229	
Net Interfund Transfers		1,229	
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Cancelled Warrants		361	
Add: Current Year Outstanding Warrants		66,504	
Add: Current Year Encumbrances		8,325	
Ending Cash Balance		\$ 5,477,364	

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

BLAINE 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, 2017

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 198,755	\$ 198,755	\$ -
Less: Prior Year Outstanding Warrants	(742)	(742)	-
Less: Prior Year Encumbrances	(5,220)	(2,384)	2,836
Beginning Cash Balances, Budgetary Basis	192,793	195,629	2,836
Receipts:			
Ad Valorem Taxes	257,225	273,867	16,642
Charges for Services	-	1,382	1,382
Intergovernmental Revenues	-	97	97
Miscellaneous Revenues	-	-	-
Total Receipts, Budgetary Basis	257,225	275,346	18,121
Expenditures:			
County Health Budget Account	450,018	174,984	275,034
Total Expenditures, Budgetary Basis	450,018	174,984	275,034
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	295,991	\$ 295,991
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		29,478	
Add: Current Year Outstanding Warrants		842	
Ending Cash Balance		\$ 326,311	

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

**BLAINE COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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, 2017. Our audit procedures included:

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

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

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

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

**BLAINE COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Objective 1: To determine the receipts apportioned, disbursements, and cash balances are accurately presented on the County Treasurer's monthly reports for FY 2017.

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 do 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 expenditures be properly encumbered, supported, and charged to the appropriate fund and account.

FINDINGS AND RECOMMENDATIONS

Finding 2017-003 – Inadequate Internal Controls and Noncompliance Over the Disbursement Process (Repeat Finding)

Condition: Upon inquiry, observations, and test work of disbursements in the County Clerk’s office, the following was noted:

- The purchase order number is manually assigned prior to the encumbrance of the funds.
- The funds are encumbered the day after the purchase order is prepared; thus, items may be purchased prior to the encumbrance of funds.
- One employee is responsible for balancing payroll claims to reports, and signing off on all payroll, deduction, and verification reports. Additionally, this employee also can enroll new hires into the system and change deductions of the existing employees.

Additionally, the following weaknesses were noted in the designation of receiving officers:

- The Court Clerk has designated more than two employees to act as receiving officers in their office.
- The County Sheriff has designated more than two employees to act as receiving officers in their office

A test of forty (40) purchase order revealed that two (2) were not encumbered before the goods/services were received.

Cause of Condition: Policies and procedures have not been designed and implemented with regard to the disbursement process to strengthen internal controls and ensure compliance with state statutes.

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

Recommendation: OSAI recommends the County design and implement internal controls to ensure compliance with state statutes. All purchases should be properly requisitioned, and be encumbered prior to ordering goods or services in accordance with 19 O.S. § 1505(C) and 1505(C)(2).

Further, OSAI recommends that payroll duties be segregated. One individual should not be responsible for processing payroll claims while still having the ability to enroll new hires into the system and change withholding amounts.

OSAI further recommends each office designate no more than two employees to act as receiving officer for their departments in accordance with 19 O.S. § 1503.

**BLAINE COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Management Response:

County Clerk: We tried to encumber the funds as soon as a purchase order was requested. Because of the way the system is programmed it resulted in the deduction of some purchases orders being deducted twice.

Additionally, when payroll is being generated the purchase order system is not available. We will have someone other than the payroll clerk enter new employees into the system. I will also talk the software provider about programming controls into the software. We will continue to monitor purchase orders and encourage offices to encumber before ordering.

County Sheriff: As of today, we will have only two receiving officers in accordance with state statutes.

Court Clerk: I have changed the number of receiving officers in my office to two.

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.

Title 19 O.S. § 1505(C) states in part “....The county purchasing agent shall prepare a purchase order in quadruplicate and submit it with a copy of the requisition to the county clerk; The county clerk shall then encumber the amount stated on the purchase order and assign a sequential number to the purchase order...”

Title 19 O.S. § 1505(C)(2) requires that funds be encumbered prior to the ordering of goods or services.

Title 19 O.S. § 1503 states in part “...Each county officer shall designate two (2) employees to act as receiving officers for their departments....”

All Objectives:

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

Finding 2017-009 – Inadequate County-Wide Controls (Repeat Finding)

Condition: County-wide controls regarding Risk Assessment and Monitoring have not been designed.

Further, it was noted policies and procedures regarding the distribution of the “Employee Personnel Policy Handbook” to employees, and the collection of the receipt of handbook acknowledgement, have not been clearly communicated or monitored.

**BLAINE COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Cause of Condition: Policies and procedures have not been designed and implemented to address risks of the County and to ensure communication of policies and procedures to employees.

Effect of Condition: Without an adequate system of county-wide internal controls, and proper communication of these policies, 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 continue to design procedures to document their internal control framework. This documentation should outline the risk that the County has identified, the control activities established to address the risk and the methodology to monitor 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. OSAI further recommends that the County address how to best ensure the proper distribution of the handbook to ensure effective communication of their policies.

Management Response:

District 1 Commissioner: I will meet at least quarterly with other county officials to review checklist for county-wide controls. We will discuss any issues concerning internal controls that any offices may have and we will document the process.

District 2 Commissioner: I will discuss the possibility with the other officers of addressing the documentation of county-wide controls as an agenda item in the BOCC meeting.

District 3 Commissioner: I will discuss the possibility with the other officers of addressing the documentation of county-wide controls as an agenda item in the BOCC meeting.

County Clerk: We will incorporate the documentation of county-wide internal controls into the BOCC meeting. All elected officials will attend meeting and discuss individual components. Documentation will be maintained in the County Clerk's office.

County Treasurer: We will address this in the commissioners' meetings.

County Assessor: I am willing to participate in any discussion regarding county-wide controls.

County Sheriff: I am willing to participate in the discussion of county-wide controls.

Court Clerk: I will participate in County Officer meetings to discuss and document 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 Control

**BLAINE COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Environment, Risk Assessment, Information and Communication, 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.

REPORT ON STATUTORY COMPLIANCE – OTHER MATTERS

Blaine County
Board of County Commissioners
Blaine County Courthouse
Watonga, Oklahoma 73772

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, 2017:

- 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 Blaine 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

June 3, 2019



**BLAINE COUNTY, OKLAHOMA
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

SCHEDULE OF FINDINGS AND RESPONSES

Finding 2017-005 – Inadequate Internal Controls and Noncompliance Over Inmate Trust Fund Account and Sheriff Commissary Fund (Repeat Finding)

Condition: Upon inquiry of County officials and employees, and observation of records in regard to the Inmate Trust Fund Checking Account and the Sheriff Commissary Fund the following weaknesses were noted:

- Twelve (12) checks totaling to \$14,101.77 were issued from the Inmate Trust Fund Checking Account to the software vendor.
- Funds were not deposited daily.
- The receipting process is not adequately segregated.
- Voided receipts are not approved by a second employee.
- There are no procedures in place regarding unclaimed funds/outstanding checks.
- An Annual Commissary Report was not filed with the BOCC by January 15th.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure that controls are in place with regard to Inmate Trust Fund Checking Account and Sheriff Commissary fund financial operations. The County Sheriff issued checks from the Inmate Trust Fund Checking Account rather than transferring the proceeds from the inmate sales to the Sheriff Commissary fund for disbursement or issuing checks directly to the inmates.

Effect of Condition: These conditions resulted in noncompliance with state statutes. Without proper accounting and safeguarding of the Inmate Trust Fund Checking Account and Sheriff Commissary Fund, there is an increased risk of misappropriation of funds.

Recommendation: OSAI recommends the following:

- Issue checks in accordance with state statute.
- All funds should be deposited to the Inmate Trust Fund Checking Account daily.
- Key duties and responsibilities of the receipting process should be adequately segregated.
- Voided receipts should be approved by a second employee.
- Establish policies and procedures over the unclaimed funds in accordance with state statutes.
- The County Sheriff should file a report of the Commissary with the Board of County Commissioners by January 15 of each year in accordance with state statutes.

Management Response:

County Sheriff: I was not aware and will work to remedy checks being written to unauthorized payees. I will deposit daily. I will involve a couple of other employees in the receipting process in order to segregate duties. I will assign a second person to approve voided receipts and have them initial and date the receipt. I will look at the statutes and talk to other counties to determine how to best handle unclaimed property. We will begin the practice of filing an Annual Commissary report as required by statute.

**BLAINE COUNTY, OKLAHOMA
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Criteria: Effective accounting procedures and internal controls are necessary to ensure stewardship and accountability of public funds. Safeguarding controls are an important aspect of internal controls. Safeguarding controls relate to the prevention or timely detection of unauthorized transaction and unauthorized access to assets.

Effective internal controls should provide procedures wherein receipts for the monies collected are maintained and available for inspection and deposits are made on a daily basis.

Title 19 O.S. § 180.43(D) states in part, “Any funds received pursuant to said operations shall be the funds of the county where the persons incarcerated and shall be deposited in the Sheriff’s Commissary Account. The sheriff shall be permitted to expend the funds to improve or provide jail services. The sheriff shall be permitted to expend any surplus in the Sheriff’s Commissary Account for administering expenses for training equipment, travel or for capital expenditures. The claims for expenses shall be filed with and allowed by the board of county commissioners in the same manner as other claims. The sheriff shall receive no compensation for 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. § 531(A) states in part, “The county sheriff may establish a checking account, to be designated the “Inmate Trust Fund Checking Account.” 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.”

Further, Title 22 O.S. § 1325(F, H) prescribes the procedures for unclaimed funds.

Finding 2017-006 – Inadequate Internal Controls and Noncompliance Over Fixed Assets (Repeat Finding)

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

District 3 Commissioner:

- A test of twenty (20) items at the District 3 barn indicated two (2) items were not properly marked with “Property of” stickers.

County Clerk:

- One employee is responsible for maintaining the inventory records, assigning and applying inventory numbers and performing the annual physical verification of fixed assets.

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County Assessor:

- One employee is responsible for maintaining the inventory records, assigning and applying inventory numbers and performing the annual physical verification of fixed assets.

County Sheriff:

- A test of twenty (20) items for the County Sheriff's office indicated that one (1) item was not on the inventory listing. This item did have an inventory number affixed, but could not be traced back to the inventory list.

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

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

Recommendation: OSAI recommends management implement internal controls to ensure compliance with 19 O.S. § 178.1, 19 O.S. § 178.2, and 69 O.S. § 645.1 by maintaining inventory records and marking assets with county identification numbers and "Property of." OSAI recommends performing and documenting a periodic inventory of fixed assets and segregating the duties of fixed asset inventory.

Management Response:

District 3 Commissioner: This condition has been corrected.

County Clerk: I will have an employee other than the record keeper perform an annual verification of fixed assets.

County Assessor: I will assign someone other than the record keeper of fixed assets to perform an annual verification of fixed assets.

County Sheriff: An employee is currently updating inventory and inventory records.

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 in part, "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

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otherwise coming into the custody of the county or of any office, board, department, commission...”

Title 19 O.S. § 178.2 requires the elected officials to create and maintain inventory records of their office and to file that with the County Clerk.

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

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



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