



CIMARRON COUNTY

County Audit

For the fiscal year ended June 30, 2018

Cindy Byrd, CPA
State Auditor & Inspector

**CIMARRON COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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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

March 28, 2019

TO THE CITIZENS OF
CIMARRON COUNTY, OKLAHOMA

Transmitted herewith is the audit of Cimarron County, Oklahoma for the fiscal year ended June 30, 2018. The audit was conducted in accordance with 19 O.S. § 171.

A report of this type can be critical in nature. Failure to report commendable features in the accounting and operating procedures of the entity should not be interpreted to mean that they do not exist.

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



**CIMARRON COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Board of County Commissioners

District 1 – Danny Bass
District 2 – Tom Barnes
District 3 – Bron Gardner

County Assessor

Charlene Collins

County Clerk

Gina Richardson

County Sheriff

Leon Apple

County Treasurer

Jenny Richardson

Court Clerk

Debbie Kincannon

District Attorney

Mike Boring

**CIMARRON COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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FINANCIAL SECTION

Independent Auditor's Report

TO THE OFFICERS OF
CIMARRON COUNTY, OKLAHOMA

Report on the Financial Statement

We have audited the combined total—all county funds on the accompanying regulatory basis Statement of Receipts, Disbursements, and Changes in Cash Balances of Cimarron County, Oklahoma, as of and for the year ended June 30, 2018, and the related notes to the financial statement, which collectively comprise the County's basic financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the regulatory basis of accounting described in Note 1, and for determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1, the financial statement is prepared by Cimarron County using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Cimarron County as of June 30, 2018, or changes in financial position for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined total of receipts, disbursements, and changes in cash balances for all county funds of Cimarron County, for the year ended June 30, 2018, in accordance with the basis of accounting described in Note 1.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the combined total of all county funds on the financial statement. The Other Supplementary Information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statement.

The Other Supplementary Information, as listed in the table of contents, is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Other Supplementary Information, as listed in the table of contents, is fairly stated, in all material respects, in relation to the combined total—all county funds.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2019, on our consideration of Cimarron County’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness

of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Cimarron County's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Cindy Byrd". The signature is written in a cursive, flowing style.

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

March 25, 2019

REGULATORY BASIS FINANCIAL STATEMENT

CIMARRON COUNTY, OKLAHOMA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS
(WITH COMBINING INFORMATION)—MAJOR FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Beginning Cash Balances July 1, 2017	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2018
Combining Information:						
Major Funds:						
County General Fund	\$ 444,090	\$ 871,518	\$ -	\$ -	\$ 866,293	\$ 449,315
County Highway Fund	3,951,231	3,135,359	150,000	-	3,463,000	3,773,590
Cimarron County Hospital Sales Tax	-	308,714	-	-	308,714	-
County Bridge and Road Improvement Fund 105	344,371	193,618	-	150,000	3,160	384,829
Free Fair Sales Tax	2,022	10,803	-	-	7,922	4,903
OSU Extension Sales Tax	17,956	10,859	-	-	7,921	20,894
Courthouse Revolving Sales Tax	256,012	149,771	-	-	202,181	203,602
Soutar Memorial Library Sales Tax	3,325	10,803	-	-	11,615	2,513
Sheriff Service Fee	63,560	58,281	-	-	74,589	47,252
E-911	254,626	55,584	-	-	-	310,210
2018 Building Bond	-	1,300,000	-	-	30,303	1,269,697
County Sinking	-	1,559	-	-	-	1,559
Remaining Aggregate Funds	94,218	110,475	173	-	123,858	81,008
Combined Total - All County Funds	\$ 5,431,411	\$ 6,217,344	\$ 150,173	\$ 150,000	\$ 5,099,556	\$ 6,549,372

The notes to the financial statement are an integral part of this statement.

**CIMARRON COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

1. Summary of Significant Accounting Policies

A. Reporting Entity

Cimarron County is a subdivision of the State of Oklahoma created by the Oklahoma Constitution and regulated by Oklahoma Statutes.

The accompanying financial statement presents the receipts, disbursements, and changes in cash balances of the total of all funds under the control of the primary government. The general fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund, where its use is restricted for a specified purpose. Other funds established by statute and under the control of the primary government are also presented.

The County Treasurer collects and remits material amounts of intergovernmental revenues and ad valorem tax revenue for other budgetary entities, including emergency medical districts, school districts, and cities and towns. The cash receipts and disbursements attributable to those other entities do not appear in funds on the County's financial statement; those funds play no part in the County's operations. Any trust or agency funds maintained by the County are not included in this presentation.

B. Fund Accounting

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 included as combining information within the financial statement:

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.

Cimarron County Hospital Sales Tax – accounts for sales tax collected and disbursed for expenses of the hospital.

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

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

CIMARRON COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

Courthouse Revolving Sales Tax – accounts for sales tax revenue, lodging tax, use tax, and reimbursements and the disbursement of funds as restricted by the sales tax resolution.

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

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

E-911 – accounts for the collection of a 5% fee of the tax rate imposed on residents within the boundaries of Cimarron County. No disbursements were made in this fiscal year.

2018 Building Bond – accounts for the general obligation bond proceeds and disbursements for building improvements as set forth by the bond regulations and restrictions.

County Sinking – accounts for revenue received through ad valorem tax collections for repayment of bond proceeds.

C. Basis of Accounting

The financial statement is prepared on a basis of accounting wherein amounts are recognized when received or disbursed. This basis of accounting differs from accounting principles generally accepted in the United States of America, which require revenues to be recognized when they become available and measurable or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred. This regulatory basis financial presentation is not a comprehensive measure of economic condition or changes therein.

Title 19 O.S. § 171 specifies the format and presentation for Oklahoma counties to present their financial statement in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) or on a regulatory basis. The County has elected to present their financial statement on a regulatory basis in conformity with Title 19 O.S. § 171. County governments (primary only) are required to present their financial statements on a fund basis format with, at a minimum, the general fund and all other county funds, which represent ten percent or greater of total county revenue. All other funds included in the audit shall be presented in the aggregate in a combining statement.

D. Budget

Under current Oklahoma Statutes, a general fund and a county health department fund are the only funds required to adopt a formal budget. On or before the first Monday in July of each year, each officer or department head submits an estimate of needs to the governing body. The budget is

**CIMARRON COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

approved for the respective fund by office, or department and object. The County Board of Commissioners may approve changes of appropriations within the fund by office or department and object. To increase or decrease the budget by fund requires approval by the County Excise Board.

E. Cash and Investments

For the purposes of financial reporting, "Ending Cash Balances, June 30" includes cash and cash equivalents and investments as allowed by statutes. The County pools the cash of its various funds in maintaining its bank accounts. However, cash applicable to a particular fund is readily identifiable on the County's books. The balance in the pooled cash accounts is available to meet current operating requirements.

State statutes require financial institutions with which the County maintains funds to deposit collateral securities to secure the County's deposits. The amount of collateral securities to be pledged is established by the County Treasurer; this amount must be at least the amount of the deposit to be secured, less the amount insured (by, for example, the FDIC).

The County Treasurer has been authorized by the County's governing board to make investments. Allowable investments are outlined in statutes 62 O.S. § 348.1 and § 348.3.

All investments must be backed by the full faith and credit of the United States Government, the Oklahoma State Government, fully collateralized, or fully insured. All investments as classified by state statute are nonnegotiable certificates of deposit. Nonnegotiable certificates of deposit are not subject to interest rate risk or credit risk.

2. Ad Valorem Tax

The County's property tax is levied each October 1 on the assessed value listed as of January 1 of the same year for all real and personal property located in the County, except certain exempt property. Assessed values are established by the County Assessor within the prescribed guidelines established by the Oklahoma Tax Commission and the State Equalization Board. Title 68 O.S. § 2820.A. states, ". . . Each assessor shall thereafter maintain an active and systematic program of visual inspection on a continuous basis and shall establish an inspection schedule which will result in the individual visual inspection of all taxable property within the county at least once each four (4) years."

Taxes are due on November 1 following the levy date, although they may be paid in two equal installments. If the first half is paid prior to January 1, the second half is not delinquent until April 1. The County Treasurer, according to the law, shall give notice of delinquent taxes and special assessments by publication once a week for two consecutive weeks at any time after April 1, but prior to the end of September following the year the taxes were first due and payable. Unpaid real

**CIMARRON COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

property taxes become a lien upon said property after the treasurer has perfected the lien by public notice.

Unpaid delinquent personal property taxes are usually published in May. If the taxes are not paid within 30 days from publication, they shall be placed on the personal tax lien docket.

3. Other Information

A. Pension Plan

Plan Description. The County contributes to the Oklahoma Public Employees Retirement Plan (the Plan), a cost-sharing, multiple-employer defined benefit pension plan administered by the Oklahoma Public Employees Retirement System (OPERS). Benefit provisions are established and amended by the Oklahoma Legislature. The Plan provides retirement, disability, and death benefits to Plan members and beneficiaries. Title 74, Sections 901 through 943, as amended, establishes the provisions of the Plan. OPERS issues a publicly available financial report that includes financial statements and supplementary information. That report may be obtained by writing OPERS, P.O. Box 53007, Oklahoma City, Oklahoma 73105 or by calling 1-800-733-9008.

Funding Policy. The contribution rates for each member category are established by the Oklahoma Legislature and are based on an actuarial calculation which is performed to determine the adequacy of contribution rates.

B. Other Post Employment Benefits (OPEB)

In addition to the pension benefits described in the Pension Plan note, OPERS provides post-retirement health care benefits of up to \$105 each for retirees who are members of an eligible group plan. These benefits are funded on a pay-as-you-go basis as part of the overall retirement benefit. OPEB expenditure and participant information is available for the state as a whole; however, information specific to the County is not available nor can it be reasonably estimated.

C. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, primarily the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time; although, the County expects such amounts, if any, to be immaterial.

As of the end of the fiscal year, there were no claims or judgments that would have a material adverse effect on the financial condition of the County; however, the outcome of any lawsuit would not be determinable.

CIMARRON COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

D. Long Term Obligations

1. General Obligation Bonds

The government issued general obligation bonds to provide funds for the purpose of constructing, equipping, repairing and remodeling the County Courthouse and Jail. Debt service on the bonds will be paid from ad valorem taxes levied and assessed on behalf of the issuer and deposited to the Sinking Fund.

Cimarron County, Oklahoma-County Courthouse and Jail Bond of 2018 – Bonds in the amount of \$1,300,000 were issued April 19, 2018, for the purpose of constructing, equipping, repairing and remodeling the County Courthouse and Jail, acquiring County Courthouse and Jail furniture, fixtures and equipment, and improving County Courthouse and Jail.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds are required to be fully paid within 4 years from the date of issue. General obligation bonds currently outstanding are as follows:

Purpose	Interest Rate	Original Amount
Cimarron County, Oklahoma County Courthouse and Jail Bond of 2018	2.5%	\$1,300,000

Beginning Balance	Additions	Reductions	Ending Balance	Amount due within one year
\$0	\$ 1,300,000	\$ -0-	\$1,300,000	\$ -0-

During fiscal year 2018, no payments were made.

Annual debt service requirements to maturity for general obligation bonds, including interest of \$106,438, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2019	\$ -	\$ 31,180	\$ 31,180
2020	430,000	31,180	461,180
2021	430,000	20,430	450,430
2022	440,000	9,680	449,680
Total	<u>\$1,300,000</u>	<u>\$ 92,470</u>	<u>\$1,392,470</u>

**CIMARRON COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

E. Sales Tax

On November 4, 2014, the general election was held, and the voters approved the continuing levying of the 2% sales tax for the period July 1, 2015 through June 30, 2020. Said sales tax is to be allocated by the County Commissioners of Cimarron County, 1.5% for the support of the Cimarron Memorial Hospital and Rural Health Clinic and 0.5% to be apportioned for the support of general operation and capital improvements for the Cimarron County Free Fair Sales Tax, Soutar Memorial Library Sales Tax, Cimarron County OSU Extension Sales Tax, and the Cimarron County Courthouse Revolving Sales Tax Fund; defining terms, prescribing procedures, remedies, liens and fixing an effective date to expire after sixty (60) months.

F. Interfund Transfers

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

- \$150,000 was transferred from the County Bridge and Road Improvement Fund 105 to County Highway Fund for bridge and road projects.
- \$173 was transferred from the Excess Resale fund, a trust and agency fund, to the Resale Property fund for 2017 Excess Resale funds not claimed.

OTHER SUPPLEMENTARY INFORMATION

CIMARRON COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 444,090	\$ 444,090	\$ -
Less: Prior Year Outstanding Warrants	(68,841)	(68,841)	-
Less: Prior Year Encumbrances	(2,500)	(1,410)	1,090
Beginning Cash Balances, Budgetary Basis	372,749	373,839	1,090
Receipts:			
Ad Valorem Taxes	609,065	651,616	42,551
Charges for Services	23,345	29,755	6,410
Intergovernmental Revenues	91,658	116,251	24,593
Miscellaneous Revenues	9,934	73,896	63,962
Total Receipts, Budgetary Basis	734,002	871,518	137,516
Expenditures:			
District Attorney - State	1,737	1,737	-
District Attorney - County	2,086	2,086	-
County Sheriff	218,437	218,437	-
County Treasurer	52,076	52,076	-
OSU Extension	866	866	-
County Clerk	72,766	72,766	-
Court Clerk	65,051	65,051	-
County Assessor	68,979	68,979	-
Revaluation of Real Property	30,298	30,298	-
Juvenile Shelter Bureau	1,394	1,394	-
General Government	7,859	7,859	-
Excise-Equalization Board	2,302	2,302	-
County Election Board	45,127	45,127	-
Insurance - Benefits	263,125	263,125	-
Charity	16,105	16,105	-
County Audit Budget Account	2,297	2,297	-
Library Budget Account	16,119	16,119	-
Total Expenditures, Budgetary Basis	866,624	866,624	-

Continued on next page

CIMARRON COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
GENERAL FUND - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	General Fund		
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Continued from previous page			
Excess of Receipts and Beginning Cash			
Balances Over Expenditures, Budgetary Basis	<u>\$ 240,127</u>	378,733	<u>\$ 138,606</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Outstanding Warrants		65,814	
Add: Current Year Encumbrances		<u>4,768</u>	
Ending Cash Balance		<u>\$ 449,315</u>	

CIMARRON COUNTY, OKLAHOMA
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS—
REMAINING AGGREGATE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Beginning Cash Balances July 1, 2017	Receipts Apportioned	Transfers In	Disbursements	Ending Cash Balances June 30, 2018
Remaining Aggregate Funds:					
Grant	\$ -	\$ 64,380	\$ -	\$ 64,380	\$ -
Resale Property	28,812	19,185	173	16,402	31,768
Treasurer Mortgage Tax Certification Fee	3,141	500	-	664	2,977
County Clerk Lien Fee	7,050	2,874	-	4,069	5,855
County Clerk Preservation	12,308	5,265	-	9,470	8,103
Assessor Revolving Fee	5,086	4,630	-	3,464	6,252
Local Emergency Planning Commission	4,485	6,104	-	4,762	5,827
Sheriff Commissary	2,016	311	-	1,118	1,209
Sheriff Seizure	31,320	7,226	-	19,529	19,017
Combined Total - Remaining Aggregate Funds	<u>\$ 94,218</u>	<u>\$ 110,475</u>	<u>\$ 173</u>	<u>\$ 123,858</u>	<u>\$ 81,008</u>

CIMARRON COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

1. Budgetary Schedules

The Comparative Schedules of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis for the General Fund present comparisons of the legally adopted budget with actual data. The "actual" data, as presented in the comparison of budget and actual, will differ from the data as presented in the Combined Statement of Receipts, Disbursements, and Changes in Cash Balances with Combining Information because of adopting certain aspects of the budgetary basis of accounting and the adjusting of encumbrances and outstanding warrants to their related budget year.

2. Remaining County Funds

Remaining aggregate funds as presented on the financial statement are as follows:

Grant – accounts for cash fund established for the purpose of maintaining collections and disbursements of grant awards.

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

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

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

County Clerk Preservation – accounts for fees collected for instruments filed in the County Clerk's office as restricted by state statute for preservation of records.

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

Local Emergency Planning Commission – accounts for fees collected and disbursed for local emergency planning.

Sheriff Commissary – accounts for the profit from 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 as allowed by state statute.

Sheriff Seizure – accounts for money received from confiscated property and drug related arrests and disbursements are for equipment, materials, or supplies that may be used in crime prevention, education, training or programming.

INTERNAL CONTROL AND COMPLIANCE SECTION

**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed in Accordance With
*Government Auditing Standards***

TO THE OFFICERS OF
CIMARRON COUNTY, OKLAHOMA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined total—all funds of the accompanying Statement of Receipts, Disbursements, and Changes in Cash Balances (with Combining Information) of Cimarron County, Oklahoma, as of and for the year ended June 30, 2018, and the related notes to the financial statement, which collectively comprises Cimarron County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated March 25, 2019.

Our report included an adverse opinion on the financial statement because the statement is prepared using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. However, our report also included our opinion that the financial statement does present fairly, in all material respects, the receipts, disbursements, and changes in cash balances – regulatory basis of the County for the year ended June 30, 2018, on the basis of accounting prescribed by Oklahoma state law, described in Note 1.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered Cimarron County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of Cimarron County's internal control. Accordingly, we do not express an opinion on the effectiveness of Cimarron County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the



deficiencies described in the accompanying schedule of findings and responses to be material weaknesses: 2018-001.

A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses to be a significant deficiency: 2018-004.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cimarron County's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2018-004.

We noted certain matters regarding statutory compliance that we reported to the management of Cimarron County, which are included in Section 2 of the schedule of findings and responses contained in this report.

Cimarron County's Response to Findings

Cimarron County's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. Cimarron County's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is also 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.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

March 25, 2019

**CIMARRON COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

SECTION 1—Findings related to the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Finding 2018-001 – Inadequate County Wide Controls (Repeat Finding - 2012-001, 2013-001, 2017-001)

Condition: The County has not addressed or documented all of the components of an internal control framework which are the Control Environment, Risk Assessment, Information and Communication, and Monitoring.

Additionally, a test of ten (10) employees noted that two (2) employees did not have signed acknowledgement for the 2017 version of the County Handbook.

Cause of Condition: Policies and procedures have not been designed and implemented to address control environment, risk assessment, information and communication, and monitoring in the County.

Effect of Condition: This condition does not allow the County to function in the most effective manner possible. Additionally, without written documentation of the county-wide controls it is more difficult to retain organizational knowledge, communicate that knowledge to personnel, indicate what internal controls are present and monitor those controls.

Recommendation: The Oklahoma State Auditor & Inspector's Office (OSAI) recommends that the County design and implement policies and procedures to 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 taken to properly communicate pertinent information in a timely manner and the methodology to monitor the quality of performance over time.

Management Response:

Chairman of the Board of County Commissioners: Quarterly, the officers will sit down and discuss identifying risks, addressing risks, and monitoring activity. We will keep minutes of these meetings.

County Clerk: We will meet as County Officers, go over examples of Internal Control Guides, and implement that into our internal control structure.

County Treasurer: The officers are going to meet quarterly to discuss and document our 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

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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.

The control environment is the foundation for all other components of internal control. When management believes that internal controls are important to meeting its goals and objectives and communicates this belief to its employees at all levels, internal controls are more likely to be functioning well. However, if management views internal controls as unrelated to achieving its goals and objectives, or even as an obstacle, it is almost a certainty that this attitude will be held by all employees, despite official statements or policies to the contrary. This understanding by management of the importance of internal controls and the communication of this importance to its employees are key elements of the control environment.

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 of efficient and effective operations, reliable financial reporting, and compliance with laws and regulations.

Information and communication is a component of internal control which should provide for a county to run and control its operations. A county must have relevant, reliable information, both financial and nonfinancial. The information should be recorded and communicated to management and others within the county who need it and in a form and within a time frame that enables them to carry out their internal control and operational responsibilities. In addition, the county needs to make sure that the forms of communication are broad-based and that information technology management assures useful, reliable, and continuous communications.

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.

Finding 2018-004 – Inadequate Internal Controls and Noncompliance Over the Disbursement Process

Condition: Upon inquiry, observation, review of Board of County Commissioners (BOCC) minutes, and testwork of thirty-one (31) disbursements, the following weaknesses were noted:

- Bidding procedures for a purchase exceeding \$15,000 were waived and declared an emergency by the BOCC. However, the purchase was not made in a timely manner.

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- Minutes show on March 3, 2017, a discussion was documented between the BOCC and the County Sheriff regarding the purchase of a Communication Console for the County Sheriff's office. The minutes record the County Sheriff saying he will report back the following week with an estimate.
- On March 20, 2017, the minutes say the County Sheriff reported that one vendor would get back to him later in the week with an estimate on a new console.
- One July 17, 2017, the City Council members and the City Manager met with the BOCC regarding the need for an updated Communication Console. At this time, the BOCC declared the purchase of a Recorder and Communication Console as an emergency purchase and to waive the bidding process. The County Sheriff was to contact vendors to get quotes.
- Only July 24, 2017, the minutes reflect that the County Sheriff was going to be contacting vendors that week to get quotes for the communication console.
- One quote was received from one vendor on July 26, 2017 in the amount of \$28,675.50 (\$21,755.50 for a radio and \$6,920 for a recorder).
- A purchase order for \$35,000 (\$25,000 for a radio and \$10,000 for a recorder) was encumbered on July 26, 2017.
- On July 31, 2017, the minutes reflect that the County Sheriff had ordered the Communications Console from the one vendor he requested an estimate from the week of March 20, 2017 and received an estimate from on July 26, 2017.
- A receiving report for the communication console is dated September 11, 2017.
- The invoice from the vendor is dated September 14, 2017.
- In the minutes recorded for the meeting on October 30, 2017, the Undersheriff reported that the recorder is now recording and that they were able to retrieve information that is recorded.
- One (1) purchase order reflected expenses incurred which exceeded the approved blanket purchase order.
- Two (2) purchase orders had receiving reports attached that were not signed.
- Two (2) purchase orders reflected expenses incurred prior to encumbrance.

Upon inquiry, observation, and testwork of thirty (30) payroll claims, the following weakness was noted:

- One (1) employee's timesheet was not verified signed by a supervisor.

It was also noted that District 1, 2 and 3 did not provide signed requisition documents prior to encumbrance of funds.

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

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

**CIMARRON COUNTY, OKLAHOMA
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Recommendation: OSAI recommends the County practice proper purchasing procedures and to ensure compliance with state statutes. All requisitions should be initiated and completed by a requisitioning officer and submit signed requisitions to the purchasing agent prior to encumbrance. All purchases should have a signed receiving report and all purchases should be encumbered prior to receiving services. Blanket purchase orders should be monitored to avoid excess purchasing, and any instance of overage should have a detailed written explanation. Timesheets should all be approved by a supervisor, and monthly timesheet reports should all be approved by a majority of the BOCC and maintained.

Management Response:

District 1: We will work to improve the declarations of emergencies within the County in accordance with state statutes. We will use the approved requisitioning officers to begin the purchasing process.

District 2: We will work to improve the declarations of emergencies within the County in accordance with state statutes and make sure to discuss all emergency purchases with the Assistant District Attorney. We will use the approved requisitioning officers to begin the purchasing process. I will make sure all receiving reports are signed.

District 3: We will work to improve the declarations of emergencies within the County in accordance with state statutes and make sure to discuss all emergency purchases with the Assistant District Attorney. We will use the approved requisitioning officers to begin the purchasing process. I will make sure all receiving reports are signed.

County Clerk: Every purchase order is now reviewed for proper documentation and nothing is approved without review. Anything that does not follow proper procedures is marked and is not paid if not an applicable county expense. Any non-applicable expense is at the responsibility of the employee.

County Sheriff: I am checking on blanket purchase orders to make sure we remain under the amount. I will ensure products are encumbered before purchased. I keep all timesheets in a folder and will make sure every timesheet is signed every month. I will be more diligent and timely in the event of an emergency.

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 disbursements and/or transactions.

Effective internal controls require that management properly implement procedures to ensure that purchases comply with 19 O.S. § 1505.

Title 19 O.S. § 1507 (B) states, “The sheriff of each county shall issue cards when such cards are required for expenditures incurred in connection with travel outside the county and the sheriff shall remain responsible for proper use of all cards issued.”

Title 62 O.S. § 310.8(A)(2) states in part, “...The maximum authorized amount of a blanket purchase order may be increased to cover unforeseen expenses. A written explanation of said increase shall be attached to the blanket purchase order prior to payment.”

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Title 19 O.S. § 1501 (A)(3)(q) states in part, “when the Governor declares an emergency in a county, the district attorney of that county shall have the authority to temporarily waive competitive bidding procedures for purchases that may expedite a response to the emergency situation...”

SECTION 2—This section contains certain matters not required to be reported in accordance with *Government Auditing Standards*. However, we believe these matters are significant enough to bring to management’s attention. We recommend that management consider these matters and take appropriate corrective action.

Finding: 2018-006 – Inadequate Internal Controls Over Court Clerk Receipts and Expenditures Processes (Repeat Finding - 2017-007)

Condition: Upon inquiry of the Court Clerk employees, and observation and test of records, we noted the following weaknesses with regard to internal controls related to the receipting process of the Court Clerk and the expenditure process over the Court Clerk Revolving Fund and Court Fund claims:

Receipting Process:

- All employees operate from the same cash collection drawer.
- There are no controls in place over voided receipts.

Court Clerk Revolving Fund Process:

Although efforts have been made to segregate duties in the expenditure process, there continues to be a lack of segregation of duties:

- One employee is responsible for:
 - Preparing the Court Clerk Revolving Fund claims.
 - Printing and signing the vouchers for payment.
 - Taking vouchers to the Treasurer to be registered.
 - Distributing vouchers to vendors.

Court Fund Claims Process:

- One employee is responsible for:
 - Preparing the Court Fund claims.
 - Printing the Court Fund vouchers.
 - Distributing the vouchers to vendors.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure adequate internal controls over collections and segregation of duties over the Court Fund and Court Clerk Revolving Fund expenditure processes.

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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 each employee have their own cash collection drawer for the purpose of receiving payments. Each cash collection drawer should be kept locked with the key secured by the person to whom the cash drawer is assigned.

OSAI recommends the Court Clerk design and implement policies and procedures to ensure a proper segregation of duties over the expenditure process that includes the following accounting functions:

- Preparation of claims,
- Initiation of payment and printing the voucher,
- Signing of vouchers,
- Taking the voucher to be registered, and
- Distribution of the vouchers

Management Response:

Court Clerk: Two employees are involved with reconciling receipts and preparing the deposit. I am training another deputy to help with the segregation of duties within the Court Clerk Revolving Fund and Court Fund claims process.

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 2018-007 - Inadequate Internal Controls and Noncompliance Over the Inmate Trust Fund Checking Account and Sheriff Commissary Fund (Repeat Finding – 2012-004, 2013-004, 2017-008)

Condition: Upon inquiry, observation and review of documents of the Sheriff's Inmate Trust Fund Checking Account and the Sheriff Commissary Fund, the following weaknesses in internal control and noncompliance were noted:

- Receipts were not written for cash at the time of booking.
 - However, if a receipt was written for a phone card sale to an inmate, the inmate's beginning balance was noted on the receipt identifying the inmate's cash on hand at the time of booking. Of the \$3,581.25 found on those receipts, \$3,041.25 could not be traced to a deposit.
- Written receipts were not maintained for the dates of July 1, 2017 through August 3, 2017 and September 24, 2017 through October 19, 2017, and December 15, 2017 through February 9, 2018.
- From the receipts available, \$2,193, \$780 of those receipts could not be traced to a deposit.
- Inmate Trust Fund Checking Account deposits were not made daily.

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- The months of December, January, February, April, May, and June did not have any deposits made.
- The Inmate Trust Fund Checking Account was not reconciled.
 - When asked for the bank statements for our audit period, the Undersheriff had to retrieve from his desk drawer and then opened the bank statements for April, May and June of 2018 in front of the auditor.
- The County Sheriff had two checkbooks for the Inmate Trust Fund Checking Account that he used interchangeably. One checkbook had carbon copies, but the other did not. There is no record or list of checks written from the latter checkbook.
 - Of the inmate balances noted on the receipts available, \$457.71 had not been refunded to four (4) inmates.
- Money for phone card sales was not moved to County funds in a timely manner.
 - Of the receipts for phone card sales to inmates that were available, a total of \$310 were transferred in August and December for the fiscal year, which is \$3,041 less than the amount transferred in fiscal year 2017. Another \$1,461.50 remained in the Inmate Trust Fund Checking Account for this fiscal year. No other sales were moved during the fiscal year.
- An annual Commissary Report was not prepared and submitted to the Board of County Commissioners by January 15th in accordance with state statute.

Cause of Condition: Policies and procedures have not been designed and implemented over the County Sheriff's Inmate Trust Fund Checking Account and the Sheriff Commissary Fund to ensure collections are safeguarded and expenditures are made in compliance with state statute.

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

Recommendation: OSAI recommends the following:

- Inmate Trust Fund Checking Account monies should be maintained in a manner that reflects each inmate's trust deposits, disbursements, and account balances. The inmates' trust fund balances should be reconciled to the bank statements each month.
- Bank reconciliations be performed on a monthly basis.
- All collections be deposited daily.
- All money should be receipted, and receipts maintained.
- All checks written out of the Inmate Trust Fund Checking Account should be recorded.
- Phone card sales should be deposited into the Sheriff Commissary Fund.
- Prepare an annual commissary report that identifies beginning commissary balance, deposits of commissary profits, expenditures of commissary funds and ending commissary balance and submit the report by January 15th of each year.

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Management Response:

County Sheriff: I am going to keep a book-in sheet to show what money was brought in on inmates. I am changing companies for phone card sales which will eliminate cash in my office and the need for the Inmate Trust Checking Account. I will complete an annual Commissary Report and submit it to the Board for January 15th.

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. Failure to perform tasks that are part of internal controls, such as reconciliations not performed or not timely prepared, are deficiencies in internal control. Further, reconciliations should be performed on a monthly basis.

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, "Each county sheriff may operate, or contract the operation of, 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 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. The State Auditor and Inspector shall conduct an audit of the report in the same manner as other public records of the county.

Title 19 O.S. § 531(A) states, "Notwithstanding any other provisions of law, 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 checking account shall be subject to audit by the State Auditor and Inspector. The county sheriff shall deposit all monies collected from inmates incarcerated in the county jail into this checking account and may write checks to the Sheriff's Commissary Account for purchases made by the inmate during his or her incarceration and to the inmate from unencumbered balances due the inmate upon his or her discharge."

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Finding 2018-008 – Inadequate Internal Controls and Noncompliance Over Fixed Assets Inventory and Dispositions (Repeat Finding - 2017-009)

Condition: Upon inquiry of County officials and employees, and observation of records with regard to the fixed assets inventory process, the following weaknesses were noted:

There is a lack of segregation of duties in the County Assessor and County Sheriff's offices. The following duties are performed by the same employee:

- Signs as a receiving agent when a new item is received.
- Maintaining the inventory records.
- Performing annual inventory.

Documentation of an annual physical inventory was not maintained for the following offices and a test of fixed assets was not performed due to a lack of internal controls:

- Court Clerk
- County Clerk
- District 1 Commissioner
- District 3 Commissioner
- General Government

While physically verifying a sample of items the following weaknesses were noted:

- Out of ten (10) items tested in County Sheriff's office,
 - Three (3) items were not properly marked with an inventory number.
 - One (1) item was not on the inventory list.
 - One (1) item was unable to be located.
 - One (1) item was marked with the wrong inventory number.

Five (5) equipment dispositions tested did not have sufficient documentation:

- Three (3) items had been sold, but did not indicate in the minutes or inventory cards how they were sold or when they were actually sold.
- Two (2) items were junked, but it was not noted when or how they were physically disposed.

Upon review of the Board of County Commissioner minutes, it was noted that equipment was not surplusized and disposed of in the proper order. It was also noted that the date equipment was sold was not recorded.

- Three (3) items were sold, but there was no documentation of how or when they were actually sold.

Cause of Condition: Policies and procedures have not been designed and implemented by the County to document annual fixed assets inventory counts, maintain accurate inventory cards in the County Clerk's office, verify all equipment is properly marked and properly document when equipment is disposed.

Effect of Condition: These conditions resulted in noncompliance with state statute. When fixed assets are not monitored and equipment is not properly marked with identification numbers and "Property of Cimarron County," opportunities for misuse or loss of equipment can occur.

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Recommendation: OSAI recommends that management implement internal controls to ensure compliance with 19 O.S. § 178.1, 19 O.S. § 178.2, and that fixed assets are safeguarded against misuse and loss. OSAI additionally recommends that management implement internal controls to ensure compliance with 69 O.S. § 645 to properly mark equipment and 19 O.S. § 421 regarding the disposition of equipment.

Management Response:

District 1: District 1 has performed an annual physical inventory for fiscal year 2019. We will ensure we surplus and dispose of equipment according to state statute.

District 2: We will make sure to better document how the County will surplus, sell, and dispose of County property.

District 3: We will implement a physical inventory by my foreman at least once a year. We will make sure to better document the information on equipment the County sells. We will ensure we surplus and dispose of equipment according to state statute.

County Clerk: I will perform an annual inventory of each asset and retain a working copy of the inventory list.

County Sheriff: I will make sure someone other than the person who maintains the inventory records performs a physical annual review each year and documentation of this is maintained. We will ensure we surplus and dispose of equipment according to state statute. I will make sure the items noted in the finding are corrected.

County Assessor: Two people now perform inventory together and we will start keeping documentation of this review.

Court Clerk: I will make sure documentation of an annual inventory is maintained.

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 requires the county to have a system of identification for the inventory of fixed assets.

Title 19 O.S. § 178.2 states in part, "It shall be the duty and responsibility of each elected county official to create and maintain inventory records of said office. Such inventory shall be filed with the county clerk."

Title 19 O.S. § 421 states, "Each board of county commissioners of the several counties in the state shall within thirty (30) days after the disposition of any tools, apparatus, machinery, and equipment belonging to the county or leased or otherwise let to it or any department thereof, the original cost of which is more than Five Hundred Dollars (\$500.00), whether sold, exchanged, junked, leased or let where authorized by statute, shall enter, or cause to be

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entered, in the minutes of the proceedings of the board the fact of such disposition, including complete description of item, serial number, the date property was acquired, the name and address of the person or firm from whom property was acquired, the cost price at time of acquisition or contract price if acquired under lease-rental agreement, the date of disposition, the name and address of the person or firm to whom property transferred, the price received therefore and the reason for disposition.”

Title 69 O.S. § 645 states in part, “County-owned automobiles, trucks, road machinery and equipment shall be conspicuously and legibly marked PROPERTY OF (name of county) COUNTY, and leased automobiles, trucks, road machinery and equipment shall be conspicuously and legibly marked LEASED BY (name of county) COUNTY, on each side, in upper case letters, on a background of sharply contrasting color.”

Finding 2018-009 – Inadequate Internal Controls and Noncompliance Over Consumable Inventory

Condition: The observation and test of consumable inventories for Districts 1, 2 and 3 indicated the following internal control weaknesses and noncompliance:

District 1 and District 2 Commissioners:

- While fuel usage is tracked daily, diesel and unleaded fuel are not reconciled to amount on hand.

District 3 Commissioner:

- While fuel usage is tracked daily, diesel and unleaded fuel are not reconciled to amount on hand.
- After a test of five (5) consumable items, we noted the following two (2) variances:

Item	Quantity per County	Quantity per OSAI	Variance
10’ Telespar Posts	154	111	(43)
12’ Telespar Posts	29.5	173	143.5

Cause of Condition: Policies and procedures have not been designed and implemented for the accounting for and safeguarding of consumable inventories.

Effect of Condition: This condition resulted in noncompliance with the state statute. When consumable inventory items are not adequately safeguarded and accounted for, there is an opportunity for misappropriation and undetected errors.

Recommendation: OSAI recommends that the County implement policies and procedures to ensure compliance with 19 O.S. § 1504(A), which would provide assurance that the consumable items of the County are protected from loss and misuse.

OSAI also recommends the performing and documenting of a monthly consumable inventory count. Counts should be initialed and dated by the employee performing the physical count and retained to show the design and implementation of internal controls by the County Commissioners.

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Management Response:

District 1: We have already started reconciling fuel on hand.

District 2: We are working on getting a correct conversion chart to start reconciling fuel on hand.

District 3: We have already started reconciling fuel on hand. We will do a better job of tracking how the posts are used.

Criteria: Effective internal controls include designing and implementing procedures to ensure that all supplies, materials, and equipment received, disbursed, stored and consumed by their department comply with 19 O.S. § 1504(A).



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