

OPERATIONAL AUDIT

CIMARRON COUNTY

For the fiscal year ended June 30, 2015



*Independently serving the citizens of
Oklahoma by promoting the
accountability and fiscal integrity of
governmental funds.*



Oklahoma State
Auditor & Inspector
Gary A. Jones, CPA, CFE

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

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Oklahoma State Auditor & Inspector

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

August 23, 2017

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

Transmitted herewith is the audit report of Cimarron County for the fiscal year ended June 30, 2015.

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

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

Sincerely,

A handwritten signature in blue ink that reads "Gary A. Jones".

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

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

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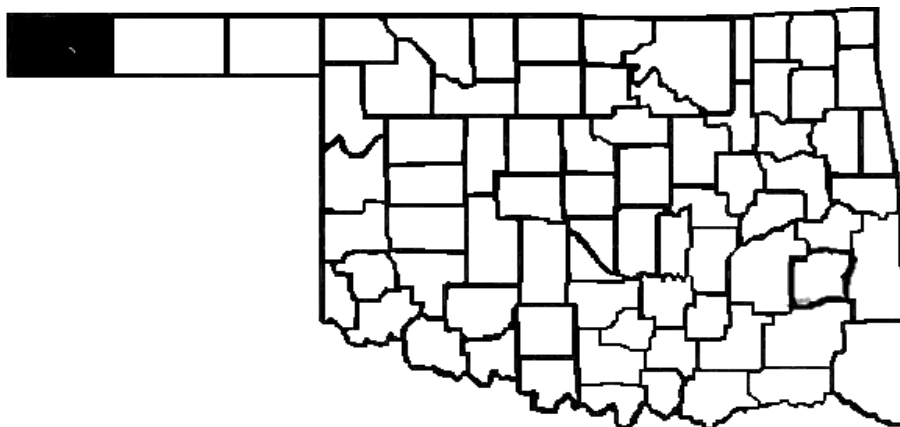
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PRESENTED FOR INFORMATIONAL PURPOSES ONLY

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



Cimarron County was formed at statehood and named for the Cimarron River. The name Cimarron is a Mexican-Apache word meaning “wanderer.”

For many years, present-day Cimarron County was a part of “No Man’s Land,” an area populated with few settlers and regulated by virtually no law. Sheep and cattle ranchers entered this area long before it was opened to homesteaders, and today, farming and ranching constitute the economic base of the county.

In 1943, Boise City, the county seat, was accidentally bombed by United States servicemen from Dalhart Army Base. Cimarron County is also the site of Black Mesa, the highest point in Oklahoma. The county also holds the distinction of being the only one in the U.S. to be bordered by four other states – Colorado, Kansas, New Mexico, and Texas.

The Santa Fe Trail is a tourist attraction and the Santa Fe Trail Daze is a four-day festival held during the first weekend of June. The Cimarron Heritage Center Museum sponsors a tour of the Santa Fe Trail on the first Saturday in October annually. Cimarron County was once home to Hollywood stars Vera Miles and Jack Hoxie (featured in the museum). Several books have been published about Cimarron County. Contact the Cimarron Heritage Center Museum at 580/544-3479.

County Seat – Boise City

Area – 1,841.17 Square Miles

County Population – 2,294
(2014 est.)

Farms – 554

Land in Farms – 1,157,186 Acres

Primary Source: Oklahoma Almanac 2015-2016

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

Board of County Commissioners

District 1 – Danny Bass
District 2 – John Freeman
District 3 – Mitchell Harriman

County Assessor

Charlene Collins

County Clerk

Coleen Allen

County Sheriff

Leon Apple

County Treasurer

Jenny Richardson

Court Clerk

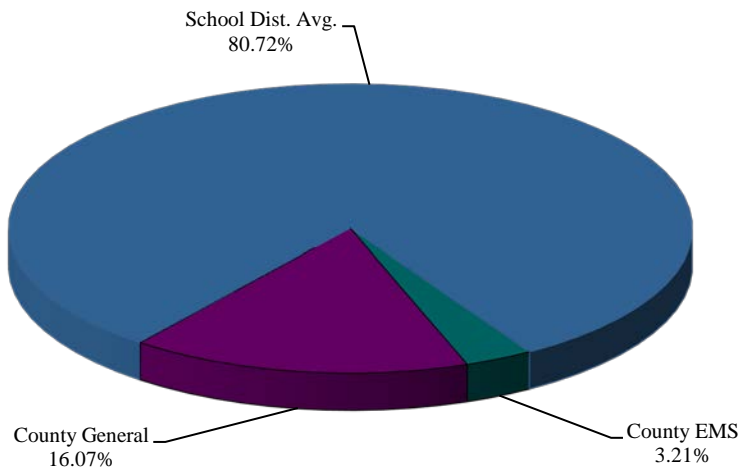
Debbie Kincannon

District Attorney

Mike Boring

**CIMARRON COUNTY, OKLAHOMA
AD VALOREM TAX DISTRIBUTION
SHARE OF THE AVERAGE MILLAGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of a property is \$1,000.00 and the millage rate is 1.00, then the tax on that property is \$1.00. This chart shows the different entities of the County and their share of the various millages as authorized by the Constitution.



County-Wide Millages		School District Millages						
				Gen.	Bldg.	Skg.	Common	Total
County General	10.40							
County EMS	2.08	Boise City	I-2	37.28	5.33	2.07	4.16	48.84
		Keyes	I-11	37.48	5.35	16.39	4.16	63.38
		Felt	I-10	35.53	5.08	-	4.16	44.77
		Yarborough	Jt-1	35.42	5.06	7.27	4.16	51.91

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

Sales Tax

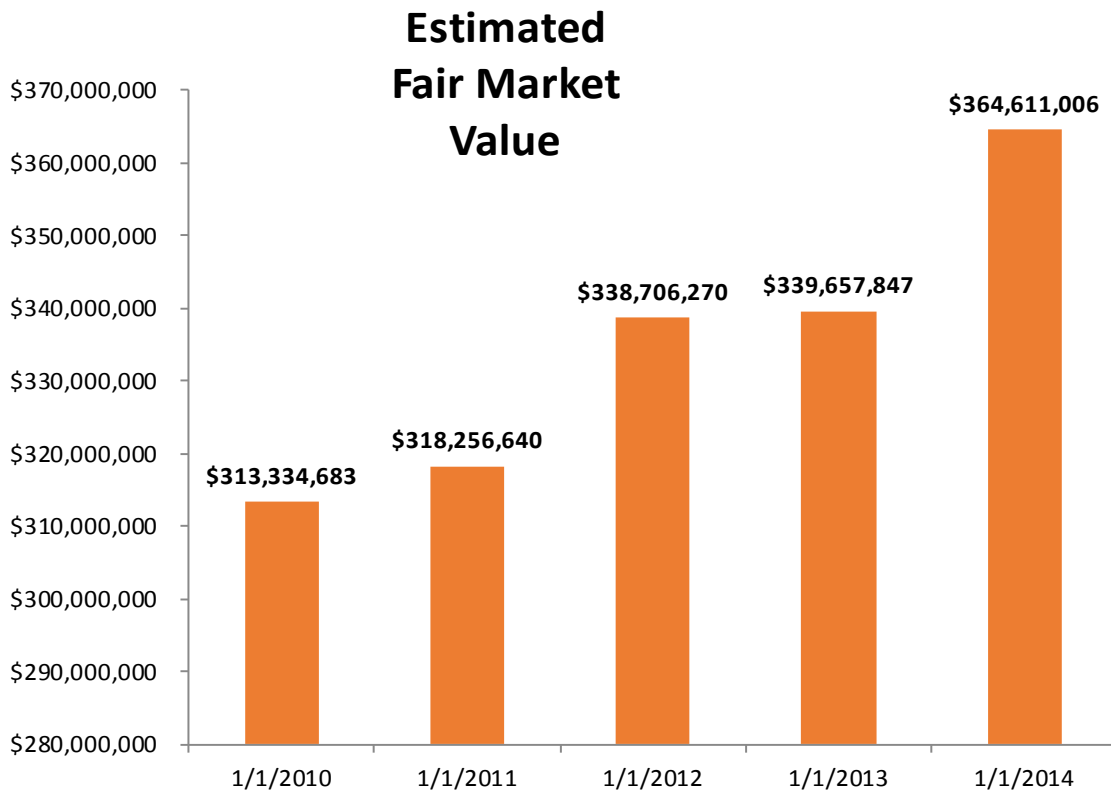
Sales Tax of April 6, 2010

The voters of Cimarron County approved a continuation of a two percent (2%) sales tax on April 10, 2010. This sales tax is to be allocated 1.5% for the support of Cimarron Memorial Hospital and Medical Facilities and 0.5% to be apportioned for the support of general operation and capital improvements for the Cimarron County Free Fair, Soutar Memorial Library, Cimarron County OSU Extension and Cimarron County Courthouse Revolving Fund. With an effective date to expire after forty-eight (48) months (time period from July 1, 2011 through June 30, 2015). These funds are accounted for in the following funds: Cimarron County Hospital Sales Tax, Free Fair Sales Tax, OSU Extension Sales Tax, Courthouse Revolving Sales Tax, and Soutar Memorial Library Sales Tax.

During the fiscal year, the County collected \$446,961 in total sales tax.

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

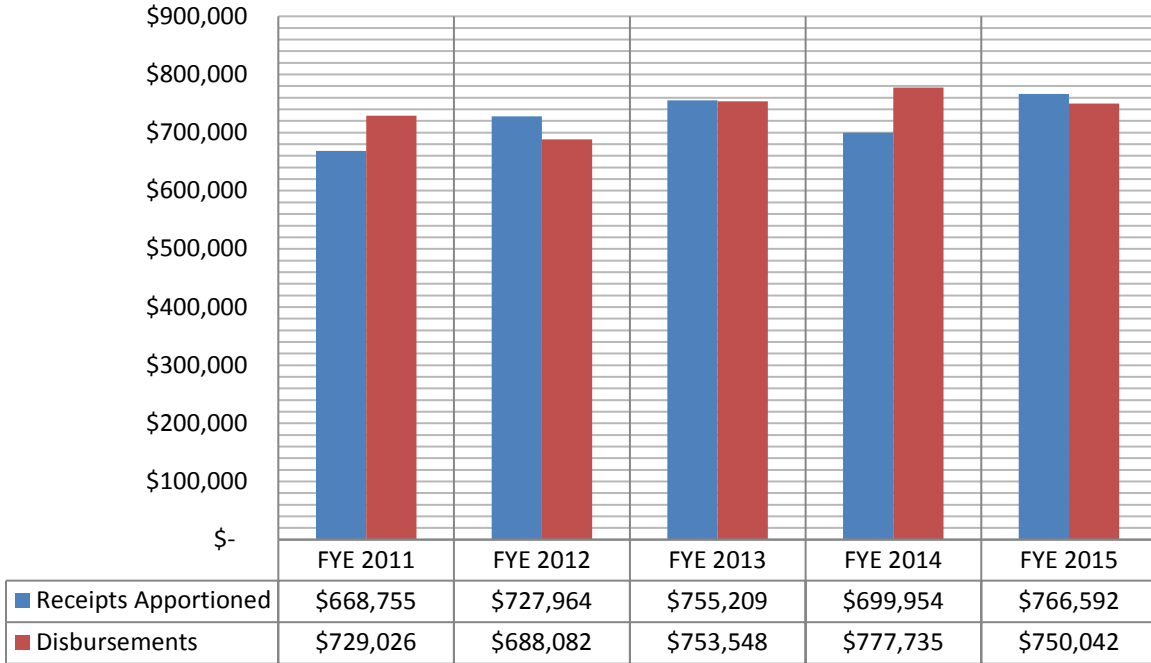
Valuation Date	Personal	Public Service	Real Estate	Total Exemptions	Net Value	Estimated Fair Market Value
1/1/2014	\$17,720,225	\$16,379,523	\$20,360,440	\$663,176	\$53,797,012	\$364,611,006
1/1/2013	\$17,183,189	\$11,823,731	\$20,245,482	\$687,199	\$48,565,203	\$339,657,847
1/1/2012	\$17,200,854	\$11,823,731	\$20,104,112	\$697,496	\$48,431,201	\$338,706,270
1/1/2011	\$15,079,345	\$11,410,378	\$19,802,337	\$696,326	\$45,595,734	\$318,256,640
1/1/2010	\$14,922,735	\$11,082,661	\$19,505,540	\$691,370	\$44,819,566	\$313,334,683



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

County General Fund

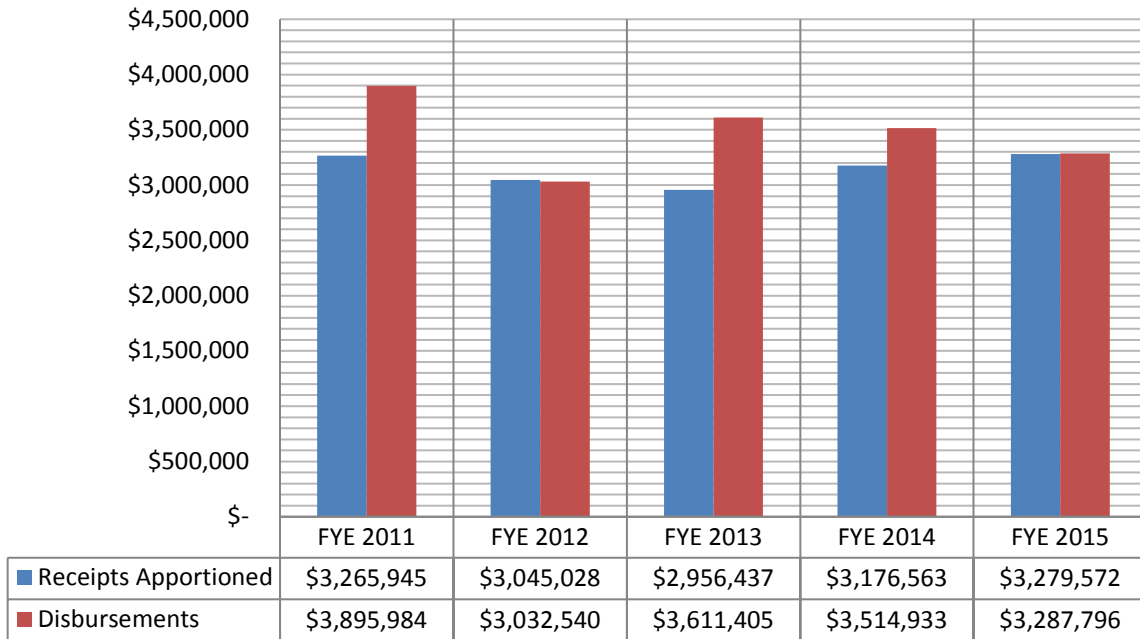
The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the county’s primary source of operating revenue. The County General Fund is typically used for county employees’ salaries plus many expenses for county maintenance and operation. It also provides revenue for various budget accounts and accounts that support special services and programs. The Board of County Commissioners must review and approve all expenditures made from the County General Fund. The primary revenue source for the County General Fund is usually the county’s ad valorem tax collected on real, personal (if applicable), and public service property. Smaller amounts of revenue can come from other sources such as fees, sales tax, use tax, state transfer payments, in-lieu taxes, and reimbursements. The chart below summarizes receipts and disbursements of the County’s General Fund for the last five fiscal years.



**CIMARRON COUNTY, OKLAHOMA
COUNTY HIGHWAY FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

County Highway Fund

The County receives major funding for roads and highways from a state imposed fuel tax. Taxes are collected by the Oklahoma Tax Commission. Taxes are imposed on all gasoline, diesel, and special fuel sales statewide. The County's share is determined on formulas based on the County population, road miles, and land area and is remitted to the County monthly. These funds are earmarked for roads and highways only and are accounted for in the County Highway Fund. The chart below summarizes receipts and disbursements of the County's Highway Fund for the last five fiscal years.



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

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

	Beginning Cash Balances July 1, 2014	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2015
Combining Information:						
County Funds:						
County General Fund	\$ 322,998	\$ 766,592	\$ -	\$ -	\$ 750,042	\$ 339,548
County Highway Fund	3,476,487	3,279,572	229,236	79,236	3,287,796	3,618,263
Cimarron County Hospital Sales Tax	-	335,275	-	-	335,275	-
County Bridge and Road Improvement Fund 105	530,936	236,710	79,236	229,236	150,324	467,322
Free Fair Sales Tax	3,052	11,782	-	-	11,768	3,066
OSU Extension Sales Tax	14,399	11,733	-	-	9,311	16,821
Courthouse Revolving Sales Tax	130,356	178,855	-	-	89,300	219,911
Soutar Memorial Library Sales Tax	4,004	11,767	-	-	10,652	5,119
Grant	-	9,025	-	-	9,025	-
Resale Property	21,070	10,163	1,578	-	5,786	27,025
Treasurer Mortgage Tax Certification Fee	2,195	480	-	-	52	2,623
County Clerk Lien Fee	10,240	6,646	-	-	8,628	8,258
County Clerk Preservation	6,345	8,100	-	-	1,639	12,806
Assessor Revolving Fee	905	3,288	-	-	1,462	2,731
Sheriff Service Fee	64,765	53,590	-	-	43,422	74,933
E-911	86,532	38,465	-	-	-	124,997
Local Emergency Planning Commission	1,250	1,000	-	-	1,033	1,217
Sheriff Commissary	230	3,294	-	-	559	2,965
Total All County Funds	\$4,675,764	\$ 4,966,337	\$ 310,050	\$ 308,472	\$ 4,716,074	\$ 4,927,605

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

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

Description of County Funds

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

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

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

County Highway Fund – accounts for state, local, and miscellaneous receipts and disbursements are for the purpose of constructing and maintaining county roads and bridges.

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

County Bridge and Road Improvement Fund 105 – accounts for state receipts and the disbursements are 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.

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 the collections of 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.

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 disbursements are 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 funds as restricted by state statute.

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

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

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 and disbursements as restricted by state statute.

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

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

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.

Transfers

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

- \$229,236 from County Bridge and Road Improvement Fund 105 to County Highway Fund to reimburse for expenditures on bridge and road projects in the County.
- \$79,236 from County Highway fund to County Bridge and Road Improvement Fund 105 to pay back a previous transfer within the fiscal year.
- \$1,578 from Excess Resale, a Trust and Agency fund, to Resale Property according to Title 68 O.S. § 3131(C).

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

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 322,998	\$ 322,998	\$ -
Less: Prior Year Outstanding Warrants	(18,565)	(18,565)	-
Less: Prior Year Encumbrances	(4,500)	(2,714)	1,786
Beginning Cash Balances, Budgetary Basis	<u>299,933</u>	<u>301,719</u>	<u>1,786</u>
Receipts:			
Ad Valorem Taxes	508,626	560,054	51,428
Charges for Services	38,072	36,938	(1,134)
Intergovernmental Revenues	73,523	111,766	38,243
Miscellaneous Revenues	48,781	57,834	9,053
Total Receipts, Budgetary Basis	<u>669,002</u>	<u>766,592</u>	<u>97,590</u>
Expenditures:			
District Attorney	3,500	3,490	10
County Sheriff	195,616	194,857	759
County Treasurer	58,326	58,326	-
County Clerk	62,688	63,889	(1,201)
Court Clerk	58,326	58,326	-
County Assessor	68,312	67,660	652
Revaluation of Real Property	35,120	29,944	5,176
Juvenile Shelter Bureau	10,000	7,193	2,807
General Government	121,524	9,408	112,116
Excise-Equalization Board	4,800	2,019	2,781
County Election Board	39,308	39,246	62
Insurance Benefits	289,000	201,495	87,505
County Supt. Of Health	200	200	-
Charity	1,200	13,449	(12,249)
Public Defender	200	-	200
Civil Defense	2	-	2
County Audit Budget Account	5,380	-	5,380
Library Budget Account	1,984	1,984	-
County Hospital Budget Account	13,449	-	13,449
Total Expenditures, Budgetary Basis	<u>968,935</u>	<u>751,486</u>	<u>217,449</u>
Excess of Receipts and Beginning Cash			
Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	316,825	<u>\$ 316,825</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Outstanding Warrants		18,447	
Add: Current Year Encumbrances		4,276	
Ending Cash Balance		<u>\$ 339,548</u>	

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

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

PURPOSE, SCOPE, AND SAMPLE METHODOLOGY

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

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

In planning and conducting our audit, we focused on the major financial related areas of operations based on assessment of materiality and risk for the fiscal year ended June 30, 2015. Our audit procedures included:

- Inquiries of appropriate personnel,
- Inspections of documents and records,
- Observations of the County's operations,
- Reconciling total apportionments, disbursements, and balances presented on the County's Presentation of Apportionments, Disbursements, and Cash Balances of County Funds for the fiscal year to the County Treasurer's and County Clerk's financial ledgers,
- Confirming third party confirmations to the financial ledgers,
- 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.

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

Objective 1: To determine the receipts apportioned, disbursements, and cash balances are accurately presented on the County Treasurer's monthly reports for FY 2015.

Conclusion: With respect to the items reconciled and reviewed; the receipts apportioned, disbursements, and cash balances are accurately presented on the County Treasurer's monthly reports for FY 2015.

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: With respect to the items tested, the County's internal controls do provide reasonable assurance that expenditures were accurately reported in the accounting records and financial operations did comply with significant laws and regulations.

All Objectives:

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

Finding 2015-1 - Inadequate County-Wide Controls and Lack of Documentation of County-Wide Controls (Repeat Finding)

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.

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

Effect of Condition: This condition does not allow the County to function in the most effective manner possible. 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: OSAI recommends that the County design and implement procedures to address the risks to the County through regular meetings. We recommend the County review the Green Book and to document the county-wide controls in a written format that addresses the 17 principles that cover Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring.

Management Response:

District 1 Commissioner: I think we need to review the Green Book and determine what we need to do. We will work to establish an Internal Control Manual.

District 2 Commissioner: We will review the example provided, and start implementing the procedures we need to do.

District 3 Commissioner: We will work on implementing control activities and monitor those controls.

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

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

County Treasurer: We are meeting as officers monthly as part of the Board meeting with minutes being kept by the County Clerk. We will meet as officers and collectively produce an Internal Control Guide for Cimarron County.

County Assessor: I agree with the responses of the County Clerk and County Treasurer.

Court Clerk: I agree with the responses of the County Clerk and County Treasurer.

County Sheriff: I will work with the other elected officials to establish county wide controls and document the county-wide controls in a manual.

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

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.

For a county to run and control its operations, it must have relevant, reliable information, both financial and nonfinancial. That 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 communications 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

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

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



Oklahoma State Auditor & Inspector

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

Cimarron County
Board of County Commissioners
Cimarron County Courthouse
1 Courthouse Square
Boise City, Oklahoma 73933

Dear Chairman:

For the purpose of complying with 19 O.S. § 171 and 20 O.S. § 1312, we have performed statutory procedures regarding the following offices and departments for the fiscal year ended June 30, 2015:

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

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

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

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

A handwritten signature in blue ink that reads "Gary A. Jones".

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

August 14, 2017

**CIMARRON COUNTY, OKLAHOMA
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

SCHEDULE OF FINDINGS AND RESPONSES

Finding 2015-5 - Inadequate Internal Controls Over the Court Clerk Collections, Expenditures, Reconciliations and District Court Case Balances (Repeat Finding)

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 processes over the Court Clerk Revolving Fund and Court Fund claims:

Receipting Process:

- All employees operate from the same cash drawer.
- Voided receipts require only one signature and the Voided Receipt Report is not reviewed and signed.
- The employee preparing the deposit slip does not sign the deposit slip.

Expenditure Process:

- One employee is responsible for:
 - Preparing the Court Clerk Revolving Fund claim.
 - Entering the claim into the Court Clerk software.
 - Verifying goods and services and signing the claim acknowledging receipt of goods/services.
 - Printing and signing the vouchers for payment.
 - Taking vouchers to the County 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.
 - Taking vouchers to the County Treasurer to be registered.
 - Distributing the vouchers to vendors.

Revolving Fund Reconciliation:

- An unexplained variance of \$60.35 was noted when reconciling the Court Clerk's Third Quarter of the Quarterly Reports for the Revolving Fund to the County Treasurer's Official Depository Reports.

Case Balance Reconciliation:

- An overpayment of one case balance in the amount of \$31.00 was noted in October 2013; however, the variance was not reconciled until April 2016.

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 Clerk Revolving Fund and Court

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Fund expenditures process. Policies and procedures have not been designed and implemented to review and monitor case balances on a periodic basis to determine the propriety of older case balances.

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. These conditions could result in unrecorded transactions, undetected errors, or misappropriation of funds.

Recommendation: OSAI recommends each employee have their own cash drawer for the purpose of receiving payments and issuing change. Each cash drawer should be kept locked with the key secured by the person the cash drawer is assigned.

OSAI recommends that policies and procedures be implemented to have a second review of voided receipts at the time the receipt is voided and to have a second review of the deposit slip for accuracy with the signature of both the preparer and reviewer documented on the deposit slip.

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

- Preparation of claims,
- Entering the claim into the computer system,
- Initiation of payment and printing the voucher,
- Signing of vouchers,
- Taking vouchers to the County Treasurer to be registered, and
- Distribution of the vouchers

Finally, OSAI recommends the Court Clerk's office review case balances monthly to ensure accurate and complete records are maintained.

Management Response:

Court Clerk: We do not have any place for all of us to have cash drawers. I will give it some thought on what we can do with the cash drawer. When I void a receipt, I have someone else sign it. I will make sure that we have two signatures on voided receipts. The deputy prepares the deposit slip and signs it. I recount the deposit and sign the deposit slip. I will have my deputy prepare the Revolving Fund claim. I will review it and enter it into the Court Clerk system to print the vouchers. I will sign the vouchers and have a deputy take them to the County Treasurer to be registered. My designated receiving agent will verify goods and services received and sign the claim. My deputy will prepare the Court Fund claims. I will enter the claim into Court Clerk system, which prompts the printing of the vouchers. I will sign the vouchers and give them to the deputy to sign and take to the County Treasurer to be registered. I will distribute the vouchers to the vendors.

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

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different individuals to reduce the risk of error or fraud. No one individual should have the ability to authorize transactions, have physical custody of assets, and record transactions.

Finding 2015-6 - Inadequate Internal Controls and Noncompliance Over the Inmate Trust Fund Checking Account and Sheriff Commissary Fund (Repeat Finding)

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

- There is a lack of segregation of duties with regard to receipting and depositing Inmate Trust funds and bank deposits are not reviewed by someone other than the preparer.
- Deposits are not made daily.
- No evidence is present as verification of a reconciliation performed between Sheriff's records of inmate account balances and the Inmate Trust Fund Checking Account bank balance.
- There is no policy or procedure regarding unclaimed funds.
- An annual Commissary Report was not prepared and submitted to the Board of County Commissioners.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure that internal controls are established with regards to the Inmate Trust Checking Account fund and Sheriff Commissary Fund.

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

Recommendation: OSAI recommends the Sheriff implement the following internal controls:

- Ensure duties of receiving, receipting, and depositing funds are segregated and design procedures which ensure the deposit is reviewed by someone other than the preparer.
- Design policies and procedures to ensure deposits are deposited daily.
- Ensure monthly bank reconciliations are performed between the system reports and the Inmate Trust Fund Checking Account bank statement.
- Establish unclaimed property procedures for checks that are outstanding more than six (6) months.
- 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.

Management Response:

County Sheriff: I will implement procedures to have someone prepare the deposit and someone else review it for accuracy, deposit daily when funds are received, and perform a monthly reconciliation of my accounting records to the bank statements. I will establish a policy regarding unclaimed funds. I will ensure an annual commissary report is prepared and submitted to the Board of County Commissioners.

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

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. Nothing in this subsection shall circumvent the provisions of Section 73 of Title 7 of the Oklahoma Statutes.”

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.”

Title 22 O.S. § 1325 A. states, “Any sheriff's office or campus police agency as authorized under the Oklahoma Campus Security Act is authorized to dispose of by public sale, destruction, donation, or transfer for use to a governmental subdivision personal property which has come into its possession, or deposit in a special fund, as hereafter provided, all money or legal tender of the United States which has come into its possession, whether the property or money be stolen, embezzled, lost, abandoned or otherwise, the owner of the property or money being unknown or not having claimed the same, and which the sheriff or campus police agency has held for at least six (6) months, and such property or money, or any part thereof, being no longer needed to be held as evidence or otherwise used in connection with any litigation.”



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