

OPERATIONAL AUDIT

CLEVELAND COUNTY SHERIFF'S OFFICE

For the period of July 1, 2011 through June 30, 2016



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

**CLEVELAND COUNTY SHERIFF'S OFFICE
OPERATIONAL AUDIT
FOR THE PERIOD OF JULY 1, 2011 THROUGH JUNE 30, 2016**

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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

September 11, 2017

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

Transmitted herewith is the audit report of Cleveland County Sheriff's Office for the period of July 1, 2011 through June 30, 2016.

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

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

Sincerely,

A handwritten signature in blue ink that reads "Gary A. Jones". The signature is fluid and cursive, with a long horizontal stroke at the end.

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

**CLEVELAND COUNTY SHERIFF’S OFFICE
FOR THE PERIOD OF JULY 1, 2011 THROUGH JUNE 30, 2016**

TABLE OF CONTENTS

OPERATIONAL AUDIT REPORT

INTRODUCTORY SECTION (UNAUDITED)

County Officials..... iii
Presentation of Appropriations/Revenues and Expenditures of Sheriff Funds..... iv
Description of Sheriff Funds..... v

TIMELINE OF EVENTS 1

EXECUTIVE SUMMARY OF FINDINGS..... 2

OBJECTIVE AND RESULTS OF OPERATIONAL AUDIT

Purpose, Scope, and Sample Methodology..... 7
Conclusion and Summary of Findings..... 8

ITEMS OF INTEREST

Finding 2 – Noncompliance with State Statute Regarding Towing Contract: The Cleveland County Sheriff’s Office (CCSO) solicited bids for a vendor to provide wrecker services for towing and storage where such services are requested by CCSO. The County first solicited bids in this manner and awarded the contract on March 16, 2009. State statutes and the Corporation Commission strictly regulate the maximum amount that can be charged to any individual for these services. The bid was awarded to the towing service who would give CCSO the largest refund of the fee charged to the individual. Although this contract was approved by the Board of County Commissioners and the District Attorney’s legal counsel, OSAI could not find any statutory authority for the Sheriff’s office to charge the \$20 release fee. (Finding and Recommendation for Correction **Pg. 9**)

Finding 3 – Inadequate Internal Controls Over Revenue Sources of the Sheriff’s Office: The Housing of Prisoners billing for the Department of Correction was not timely billed, from September 2016 through March 2017 which totaled \$243,837. Billings for Department of Corrections Community Sentencing was not timely billed from September 2016 through March 2017, which resulted in a loss of \$4,212. If invoices are not submitted within 10 days after month end, the amount of the invoice is no longer collectible. The City of Norman was not timely billed and during FY 17 the average billing time was 30 days out. DOC was not billed correctly January 1, 2015 through December 31, 2015. In November 2016, a separate invoice was created in the amount of \$32,886 and received and deposited in December 2016. CCSO did not transfer and timely deposit Commissary profits in the amount of \$204,355. (Finding and Recommendation for Correction **Pg. 12**)

Finding 8 – County Policy Not Adhered to Regarding Annual Leave and Compensatory Time: Accrued annual leave and compensatory time were allowed in excess of the County Policy. Scheduling of employees is done in a manner that perpetually results in overtime for all employees and procedures have

**CLEVELAND COUNTY SHERIFF'S OFFICE
FOR THE PERIOD OF JULY 1, 2011 THROUGH JUNE 30, 2016**

not been designed and implemented to follow the current County policy regarding compensatory and annual leave time earned. These conditions have resulted in an increased payroll expense for the Sheriff's office. (Finding and Recommendation for Correction **Pg. 19**)

Finding 10 – Inadequate Internal Controls Over Fixed Assets: Inventory is not maintained in a current manner with the insurance agent resulting in forty-eight (48) fleet vehicles with an original cost of \$993,829 in use without insurance coverage and thirty-seven vehicles that have been disposed of still being listed on the insurance policy. Fourteen (14) vehicles have been identified as surplus and are awaiting to be sold at auction. OSAI confirmed 10 vehicles were assigned to administrative, information technology, facilities maintenance, and other departments that potentially do not meet the IRS guidelines for withholding of taxes for fringe benefits. (Finding and Recommendation for Correction **Pg. 26**)

Finding 12 – Inadequate Internal Controls Over the Inmate Head County Records and Noncompliance with State Statute: The Detention Center was unable to provide all documents for inmate head counts for the audit period, as the system software was not working properly. This resulted in being overcharged for medical services in the amount of \$162,517 and may have resulted in loss of revenue for the housing of prisoners. Further, OSAI noted that all shift change headcount sheets could not be located, documentation of inmate headcounts were not maintained for the audit period, and the Detention Center software was unable to provide an accurate count of inmates or identify the agency for which the inmate was being housed. (Finding and Recommendation for Correction **Pg. 28**)

Finding 13 – Inadequate Internal Controls Over Inmate Incarceration Fees and Collections and Noncompliance with State Statute: The Sheriff's office has not set an inmate incarceration rate for determining the total cost per inmate per day since February 2013. The Sheriff is in noncompliance with state statute and at risk of not charging the correct rate to offset expenditures created by housing inmates at the jail. (Finding and Recommendation for Correction **Pg. 29**)

Finding 18 – Inadequate Internal Controls and Noncompliance Over Inmate Trust Fund Checking Account and Sheriff Commissary Fund (Repeat Finding): OSAI has included reportable findings in each of their audit reports for the Cleveland County Sheriff not reconciling the Inmate Trust Fund Checking Account dating back to 2004. Inmate expenses are not being timely transferred to the Sheriff Commissary to help provide for funding for jail services. Profits in the amount of \$204,355 for the period of January 2017 through June 2017 were held and not transferred until June 2017. Internal controls and a proper segregation of duties have not been implemented and has resulted in bookkeeping errors, improper payments, unknown variances used in reconciling items, and an insufficient bank account balance. (Finding and Recommendation for Correction **Pg. 35**)

Finding 19 – Noncompliance with State Statutes Over Hiring Outside Counsel and Creating Debt Towards the County: The Sheriff's office did not follow the state statute for hiring outside counsel to represent him in a lawsuit filed against the Cleveland County Board of Commissioners on March 23, 2017. (Finding and Recommendation for Correction **Pg. 38**)

INTRODUCTORY SECTION
UNAUDITED INFORMATION ON PAGES iii - v
PRESENTED FOR INFORMATIONAL PURPOSES ONLY

**CLEVELAND COUNTY SHERIFF'S OFFICE
FOR THE PERIOD OF JULY 1, 2011 THROUGH JUNE 30, 2016**

ELECTED OFFICIALS

Board of County Commissioners

District 1 – Rod Cleveland
District 2 – Darry Stacy
District 3 – Harold Haralson

County Sheriff

Joe Lester

County Clerk

Tammy Belinson

County Treasurer

Jim Reynolds

County Assessor

Douglas Warr

Court Clerk

Marilyn Williams

District Attorney

Greg Mashburn

**CLEVELAND COUNTY SHERIFF'S OFFICE
FOR THE PERIOD OF JULY 1, 2011 THROUGH JUNE 30, 2016**

Presentation of Appropriations/Revenues and Expenditures for Sheriff Funds

For the fiscal years noted, the Sheriff had the following funds available for the administration and operation of the Sheriff's Office which includes the Jail:

	<u>FY 12</u>	<u>FY 13</u>	<u>FY 14</u>	<u>FY 15</u>	<u>FY 16</u>	<u>FY 17</u>
Beginning Cash Fund Balances	\$ 1,480,116	\$ 2,526,351	\$ 3,328,537	\$ 2,753,742	\$ 2,191,447	\$ 978,884
Revenues:						
General Fund Appropriations*	\$ 8,676,230	\$ 7,649,715	\$ 7,509,923	\$ 7,687,641	\$ 7,718,070	\$ 7,954,929
County Detention Transition Account	181,800	-	-	-	-	-
Sheriff Cleveland County Justice Center	1,700,000	1,729,421	1,965,260	2,223,488	1,778,495	2,573,117
Sheriff Commissary	62,165	303,211	302,239	281,791	273,269	375,345
Sheriff Courthouse Security Service Fee	47,094	44,613	43,697	43,879	50,276	45,480
Sheriff Jail Fund	94,603	88,944	96,739	90,088	90,388	51,544
Sheriff Revolving	528,607	1,382,209	1,619,279	796,835	617,706	834,408
Sheriff Service Fee	632,888	761,097	844,070	772,443	831,976	619,285
Total Revenues	<u>\$ 11,923,387</u>	<u>\$ 11,959,210</u>	<u>\$ 12,381,207</u>	<u>\$ 11,896,165</u>	<u>\$ 11,360,180</u>	<u>\$ 12,454,108</u>
Expenditures:						
General Fund Expenditures*	\$ 8,676,207	\$ 7,649,543	\$ 7,508,840	\$ 7,687,629	\$ 7,716,887	\$ 7,952,597
Jail Cash Funds	1,158,548	2,515,045	4,345,415	3,457,529	3,262,034	3,927,319
Admin. Operations Cash Funds	1,042,374	992,264	1,100,664	1,313,290	1,592,639	656,955
Total Expenditures	<u>\$ 10,877,129</u>	<u>\$ 11,156,852</u>	<u>\$ 12,954,919</u>	<u>\$ 12,458,448</u>	<u>\$ 12,571,560</u>	<u>\$ 12,536,871</u>
Lapsed General Fund Balance	\$ 23	\$ 172	\$ 1,083	\$ 12	\$ 1,183	\$ 2,332
Ending Cash Fund Balances	<u>\$ 2,526,351</u>	<u>\$ 3,328,537</u>	<u>\$ 2,753,742</u>	<u>\$ 2,191,447</u>	<u>\$ 978,884</u>	<u>\$ 893,789</u>

*These amounts are presented in total per the budget year.

**CLEVELAND COUNTY SHERIFF'S OFFICE
DESCRIPTION OF SHERIFF FUNDS
FOR THE PERIOD OF JULY 1, 2011 THROUGH JUNE 30, 2016**

Description of Sheriff Funds

General Fund Appropriations – accounts for the general fund appropriations for the Sheriff's office including the jail.

County Detention Transition Account – accounts for the funds received from the Cleveland County Justice Authority for the transition team to assist with the opening the Cleveland County Detention Center.

Sheriff Cleveland County Justice Center – accounts for the sales tax funds received per resolution between the Cleveland County Justice Authority and the Board of County Commissioners to be disbursed for detention (jail) officers' salaries.

Sheriff Commissary – accounts for the collection of the sale of items to inmates and disbursements to purchase commissary goods from the vendor. Remaining funds are to be used to improve or provide jail services.

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

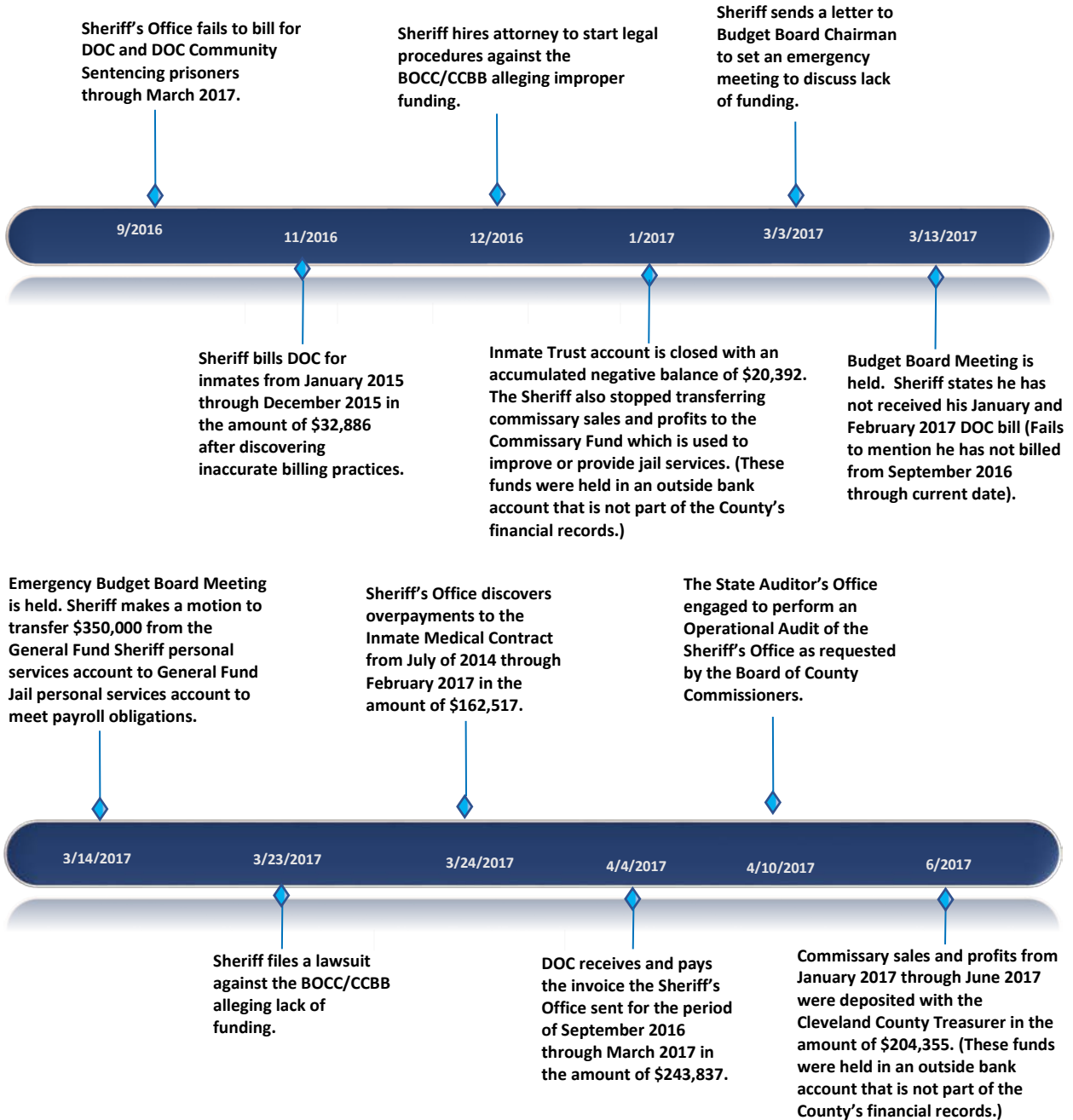
Sheriff Jail Fund – accounts for the receipt of jail bond fees received from the Court Clerk and disbursements are used for the operation of the jail.

Sheriff Revolving – accounts for the receipt of state and local reimbursements for the boarding of prisoners and disbursements are to be used for the operation of the jail.

Sheriff Service Fee – accounts for the collection and disbursement of sheriff process service fees to be used for the lawful operation of the office.

**CLEVELAND COUNTY SHERIFF'S OFFICE
TIMELINE OF EVENTS
FOR THE PERIOD OF JULY 1, 2011 THROUGH JUNE 30, 2016**

**Timeline of Events Regarding
Cash Flow Concerns of the Sheriff's Office**



EXECUTIVE SUMMARY OF FINDINGS

**CLEVELAND COUNTY SHERIFF'S OFFICE
EXECUTIVE SUMMARY OF FINDINGS
FOR THE PERIOD OF JULY 1, 2011 THROUGH JUNE 30, 2016**

EXECUTIVE SUMMARY

Cleveland County has elected by resolution to comply with the County Budget Act. Under the Act, the County Budget Board prepares the budget with input from the eight elected county officials. Essentially, the County Budget Board takes over the role of the Board of County Commissioners in a non-budget board county with respect to developing a budget.

The County Budget Board is required to estimate on the basis of demonstrated need, the expenditures for the budget year after a review of the budget requests and estimates of each office or department. Estimated revenues are to be classified separately by source and appropriation expenditures are to be classified within certain categories established by statute. It should be noted that the Sheriff voted in favor of each fiscal year budget during the audit period with the exception of the budget for fiscal year ending June 30, 2013. The vote for approval of the budget for the fiscal year ending June 30, 2018 was 8-0 with the Sheriff voting in favor of approving the appropriations.

The Cleveland County Board of County Commissioners (BOCC) engaged with the Oklahoma State Auditor & Inspector's Office (OSAI) on April 10, 2017, to conduct an Operational Audit of the Cleveland County Sheriff's Office (CCSO). The audit request contained several objectives including determining the total funding available for operation of CCSO which includes the F. Dewayne Beggs Detention Center (Jail).

From the outset, it should be noted that this report contains sufficient, supportable information as to the competency, or lack thereof, of CCSO management oversight in the expenditure of public funds and operation of the varied aspects, programs, and departments within the CCSO.

During the audit period, the Sheriff's office (including the Jail) has been appropriated the following amounts from the original County's General Fund budget before supplemental appropriations:

General Fund Budget Year	FYE 2012	FYE 2013	FYE 2014	FYE 2015	FYE 2016	FYE 2017
Total Approved by Excise Board	\$32,516,797	\$32,516,797	\$33,537,605	\$36,061,481	\$38,112,414	\$42,107,810
Less Capital Improvement Account**	\$ -	\$ -	\$ 9,901,449	\$10,572,635	\$13,042,126	\$15,760,014
Total to be Budgeted	\$32,516,797	\$32,516,797	\$23,636,156	\$25,488,846	\$25,070,288	\$26,347,797
Sheriff's Budget (Admin/Jail/Courthouse Security)	\$8,600,000	\$7,572,901	\$7,328,002	\$7,628,002	\$7,501,004	\$7,714,727
Sheriff's % of General Fund Budget	26.45%	23.29%	31.00%	29.93%	29.92%	29.28%

** The capital improvement account was created and budgeted starting in FY 2014. The funds were from the lapsed balance of appropriations in General Fund. These funds are set aside for the future capital improvements of Cleveland County.

**CLEVELAND COUNTY SHERIFF'S OFFICE
EXECUTIVE SUMMARY OF FINDINGS
FOR THE PERIOD OF JULY 1, 2011 THROUGH JUNE 30, 2016**

Further, the Sheriff is authorized to collect various sources of revenue per state statutes. These funds are presented in the table on page iv. As to whether these funds may be used in the budgeting process, Attorney General Opinion 2012 OK AG 11 states in part:

¶30 In order to provide a complete financial plan for the budget year, all sources of revenue for that fund must be included in the budget. This is described more particularly in Section 1410, requiring that "the estimate of revenues in each fund for any budget year shall include probable income by source which the county is legally empowered to collect or receive at the time the budgets are adopted." *Id.* Therefore, we conclude that once a county has elected to be governed by the County Budget Act, the county budget is required to include all funds and accounts available for expenditure by all county entities, with the exception of those funds whose activities do not require funding through appropriation from the budget board. Those funds and accounts which require funding through appropriations from the county budget board are subject to the hearing and notice requirements of Section 1412.

¶31 While Section 1408 does not require inclusion of funds whose activities do not require county appropriations in the county budget, the county budget board may require county officers to disclose information from these funds to provide a complete picture of a county's financial condition. One example of a fund not required to be included in the county budget is the "sheriff's service fee account" authorized by [19 O.S.2011, § 514.1](#).⁹ That statute provides, "[t]here is hereby created a cash account to be known as the 'Sheriff's Service Fee Account'. Monies from the account shall be expended by the sheriff in the lawful operation of his office." *Id.* Monies from various sources may be deposited into this account. For instance, fees collected for the service of summons and service fees for misdemeanor warrants are to be deposited into this account. [12 O.S.2011, § 2004\(C\)\(1\)\(b\)](#),¹⁰ [28 O.S.2011, § 153\(J\)\(1\)](#). As the activities of this fund do not require funding through appropriations from the county budget board, this fund would not be required to be included in the county budget. *See* [19 O.S.2011, § 1408](#). However, under this example, these funds may be considered by the county budget board in determining the need for appropriations to the county sheriff.

¶32 Section 1411 of the Act governing estimated revenues and expenditures of a county office or department, authorizes the county budget board to "require such additional statistics or financial statements from county officers or others to enable it to ascertain fiscal conditions and needs." *Id.* § 1411(B). This is consistent with the duty of the county budget board to budget in accordance with fiscal needs of each county entity. If a particular county entity has financial resources from a source other than county appropriations which may be used for the operations of the county office, a county budget board may consider such resources in determining the proper allocation of county appropriations. Although these funds are not required to be included in the county budget, they may be considered in determining the needs of a particular county entity.

Of primary concern to the BOCC was whether sufficient funds were available from all available revenue streams to fund the operations of the CCSO which include the jail. Our review of all available revenue

**CLEVELAND COUNTY SHERIFF'S OFFICE
EXECUTIVE SUMMARY OF FINDINGS
FOR THE PERIOD OF JULY 1, 2011 THROUGH JUNE 30, 2016**

streams included the following noted deficiencies in collections of revenue and incorrect or inefficient expenditures:

- unbilled and underbilled revenue from housing DOC inmates and community sentencing ~ \$280,935;
- overpayment of inmate medical costs ~ \$162,517 (FY14-February 2017);
- inefficient scheduling of personnel resulting in unbudgeted payments of Compensatory Time ~ \$107,544;
- delayed transfer of Commissary funds ~ \$204,355;
- inaccuracies of Inmate Trust Fund checking account balance ~ -\$20,392.

These errant revenues and expenditures, when included with other revenue streams, appear to demonstrate that the CCSO had adequate funding for its operations, including the jail. Further, despite a March 3, 2017, request from the Sheriff for an emergency CCBB meeting and a subsequent March 8, 2017, request for more than \$1.3 million in additional funding to operate the CCSO and jail through the end of FY17, OSAI was unable to obtain any documentation or information to substantiate the request. It should be noted that CCSO completed the fiscal year without a budget shortfall.

Of considerable concern is the appearance that any possible funding shortfall is the direct result of the action or inaction by CCSO in its management, operation, recordkeeping, and accounting systems.

- The Sheriff does not have policies and procedures in place to ensure proper oversight of the financial and compliance operations of the Office.
- The Sheriff did not implement previous recommendations in audit reports regarding the expenditures paid from inmates' funds and continued to operate in the same manner which led to an insufficient checking account balance of - \$20,392.
- The Sheriff had no oversight or control over the housing of prisoner's billing resulting in an untimely billed amount of \$243,837 and a loss of \$4,212 otherwise due to CCSO.
- The Sheriff was aware of assets (vehicles) being purchased at the end of each fiscal year once it was determined there was a balance of budgeted funds in the General Fund. These funds would otherwise lapse to be budgeted in the next fiscal year.
- The Sheriff is aware that employees are permitted to receive Compensatory Time in excess of the County policy and the CCSO fiscal year budget.
- The Sheriff created a debt for his office and the County in violation of state law.

A review of inmate housing records determined that the Sheriff is unable to provide reasonable assurance as to the accuracy of inmate counts or the accuracy of the financial summary of costs/expenses based on the number of inmates. The Sheriff does not maintain or retain such records as required by statute and instead relies on its medical provider for any daily count. Further, the Sheriff has not set an inmate incarceration rate for determining the total cost per inmate per day since February 2013. Thus, the Sheriff is in noncompliance with state statute and at risk of not charging the correct rate to offset expenditures created by housing inmates at the jail.

**CLEVELAND COUNTY SHERIFF'S OFFICE
EXECUTIVE SUMMARY OF FINDINGS
FOR THE PERIOD OF JULY 1, 2011 THROUGH JUNE 30, 2016**

A review of the Sheriff's fleet determined the following:

- Inventory is not maintained in a current manner with the insurance agent resulting in forty-eight fleet vehicles with an original cost of \$993,829 in use without insurance coverage and thirty-seven vehicles that have been disposed of still being listed on the insurance policy;
- Fourteen vehicles have been identified as surplus and are awaiting to be sold at auction;
- OSAI confirmed 10 vehicles were assigned to administrative, information technology, facilities maintenance, and other departments that potentially do not meet the IRS guidelines for withholding of taxes for fringe benefits.

The County should consider utilizing a fleet policy that would eliminate the risk of uninsured vehicles in operation when disposed or purchased.

A review of incidents and the timeline leading up to the filing of a lawsuit by the Sheriff alleging the BOCC/CCBB inadequately funded the Jail and the BOCC's request of OSAI for an operational audit suggests the prospect that mismanagement by the Sheriff was, perhaps, the single argument in support of any possible revenue shortfall which also expediently served as the basis for his lawsuit against the BOCC.

- | 09/2016 Sheriff fails to bill for DOC and community sentencing through March 2017.
- | 11/2016 Sheriff submits invoice to DOC for underbilling in January-December 2015.
- | 12/2016 Sheriff improperly contracts with law firm to sue the BOCC/CCBB.
- | 01/2017 Inmate Trust Fund is closed with deficit balance of \$20,391.69. The Sheriff stops transferring commissary profits to the Commissary Fund which is used to improve or provide jail service. These funds are held in an outside bank account that is not part of the County's records.
- | 03/03/2017 Sheriff sends written request for emergency budget meeting to discuss lack of funding.
- | 03/13/2017 Sheriff tells CCBB the DOC hasn't paid for Jan/Feb without disclosing it was not billed.
- | 03/14/2017 Sheriff requests internal transfer of \$350,000 to meet revenue obligations.
- | 03/23/2017 Sheriff files lawsuit against BOCC/CCBB alleging inadequate funding.
- | 03/24/2017 Sheriff finds overpayment of Inmate Medical Contract totaling \$162,517.
- | 04/04/2017 DOC receives invoice for September 2016-March 2017 and pays \$243,837.
- | 04/10/2017 BOCC engages with SAI to conduct Operational Audit of CCSO.
- | 06/2017 Commissary sales and profits from January 2017 through June 2017 were deposited with the Treasurer in the amount of \$204,355. These funds are held in an outside bank account that is not part of the County's records.

Currently, a large portion of the Sheriff's budget is funded with a county sales tax that will expire during the fiscal year ending June 30, 2020. The Budget Board should take steps now to plan for the lost revenue stream and take action to ensure that this department will continue to be adequately funded.

This audit report focuses on the operation of the CCSO. Its content identifies areas in which the lack of internal controls, policies, procedures, and designed accounting functions appear to have resulted in mismanagement and over-expenditure of public funds. OSAI has included recommendations to improve management of CCSO operations, improve efficiencies, and better ensure accountability in the receipt and expenditure of public funds.

**CLEVELAND COUNTY SHERIFF'S OFFICE
EXECUTIVE SUMMARY OF FINDINGS
FOR THE PERIOD OF JULY 1, 2011 THROUGH JUNE 30, 2016**

As to the CCSO lawsuit against the BOCC/CCBB, OSAI conducts audits of public entities with the goal of improving the delivery of government services in the most cost-effective manner possible. OSAI is not a law firm and does not offer any legal opinion as to the issues presented in the lawsuit. OSAI does identify applicable statutes relevant to financial matters to assist government officials in the performance of the duties of their office and its accompanying fiduciary responsibility.

OBJECTIVES AND RESULTS OF OPERATIONAL AUDIT

**CLEVELAND COUNTY SHERIFF'S OFFICE
OPERATIONAL AUDIT
FOR THE PERIOD OF JULY 1, 2011 THROUGH JUNE 30, 2016**

PURPOSE, SCOPE, AND SAMPLE METHODOLOGY

This audit was conducted in response to 74 O.S. § 212 (I), 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 period of July 1, 2011 through June 30, 2016. Our audit procedures included:

- Inquiries of appropriate personnel,
- Inspections of documents and records,
- Observations of the Sheriff's Office operations,
- Selecting representative samples to determine revenues were deposited into the appropriate account and collections were deposited timely,
- 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 Sheriff's Office 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.

**CLEVELAND COUNTY SHERIFF'S OFFICE
OPERATIONAL AUDIT
FOR THE PERIOD OF JULY 1, 2011 THROUGH JUNE 30, 2016**

Objective 1: Determine that all collections of the Sheriff's Office (for operation of the office and Jail) have been accounted for timely and in the proper funds.

Conclusion: The Sheriff's internal controls do not provide reasonable assurance that all collections have been accounted for timely and in the proper funds.

The Sheriff's financial operations did not comply with 19 O.S. § 682, which requires the color of office to deposit daily.

FINDINGS AND RECOMMENDATIONS

Finding 1 - Inadequate Internal Controls and Noncompliance Over Sheriff's Collections and Lack of Segregation of Duties

Condition: Upon inquiry, observation, and testwork the following was noted:

- One individual prepares invoices, receives mail, receipts money, creates deposit tickets and makes deposits with the County Treasurer; additionally, there is no evidence documented of anyone reviewing the deposit process.
- Deposits are not made daily.
- Of the 305 deposits tested, 126 were not deposited daily.
- A log is not maintained for issued receipt books and receipt books are not used in a sequential order.

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

Effect of Condition: This condition resulted in noncompliance with state statutes and could result in misappropriation of assets, inaccurate records, and incomplete information.

Recommendation: The Oklahoma State Auditor & Inspector's Office (OSAI) recommends that management be aware of these conditions and determine if duties can be properly segregated. OSAI recommends implementing compensating controls to mitigate the risks involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office, and having management review and approval of accounting functions.

Further, OSAI also recommends that monies received should be deposited daily and reviewed for accuracy and a log is maintained of all receipt books issued.

Management Response:

Chairman of the BOCC: The Board of County Commissioners (BOCC) concurs with the findings and recommendations of the OSAI office concerning Sheriff Lester's violation of 19 O.S. § 682 and are gravely concerned about the apparent gross mismanagement and lack of internal controls over and segregation of duties with respect to collections by Sheriff Lester's office.

**CLEVELAND COUNTY SHERIFF'S OFFICE
OPERATIONAL AUDIT
FOR THE PERIOD OF JULY 1, 2011 THROUGH JUNE 30, 2016**

Sheriff: That correction was implemented during the course of the audit. The agency is following the recommendations provided by OSAI. Duties have been and/or are being segregated, controls have been put in place to mitigate risk to the agency and processes have been reviewed and examined. Deposits are being checked by objective employees outside the deposit system and management, a log system is in place for receipt books, and deposits will be made on a daily basis throughout the agency.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. Effective internal controls include management designing procedures to ensure that all collections received under the color of office are receipted and deposited daily to comply with state statute 19 O.S. § 682. Effective internal controls require that key functions within a process be adequately segregated to allow for prevention and detection of errors and possible misappropriation of funds.

Title 19 O.S. § 682 states in part, "It shall be the duty of each and every county officer, county board, county commission and all members and employees of either thereof, to deposit daily in the official depository designated in Section 681 of this title..."

Finding 2 - Noncompliance with State Statute Regarding Towing Contract

Condition: Upon inquiry and observation of contracts within the Sheriff's Office, the following was noted:

The Cleveland County Sheriff's Office (CCSO) solicited bids for a vendor to provide wrecker services for towing and storage where such services are requested by CCSO. The County first solicited bids in this manner and awarded the contract on March 16, 2009. State statutes and the Corporation Commission strictly regulate the maximum amount that can be charged to any individual for these services. The bid was awarded to the towing service who would give CCSO the largest refund of the fee charged to the individual.

The successful bidder agreed pay CCSO \$52.50 of the maximum fee allowed by law for each vehicle impounded. In addition, the towing service charged the owners \$20 upon the release of vehicles and remitted these fees to CCSO. Also, as a perk the towing service agreed that all CCSO vehicles would be towed at no charge and seized or confiscated vehicles will be stored at no charge.

This contract was approved by the Board of County Commissioners and the District Attorney's legal counsel. OSAI could not find any statutory authority for the Sheriff's office to charge the \$20 release fee.

Cause of Condition: CCSO contracted with a towing company for exclusive rights for wrecker services, towing, and storage that would most benefit the CCSO. Policies and procedures have not been designed to ensure all statutes and regulations regarding towing services are followed.

Effect of Condition: This condition appears to have resulted in noncompliance with state statutes.

Recommendation: OSAI recommends that the County consult with their legal counsel to develop sound procedures that would ensure compliance with state statutes and regulations set forth by the Corporation Commission.

**CLEVELAND COUNTY SHERIFF'S OFFICE
OPERATIONAL AUDIT
FOR THE PERIOD OF JULY 1, 2011 THROUGH JUNE 30, 2016**

Management Response:

Chairman of the BOCC: The BOCC concurs with the findings and recommendations of the OSAI office and have been advised that the office of Sheriff Joe Lester has already taken steps to correct this finding at the direction of the District Attorney's office.

Sheriff: That correction was implemented during the course of the audit. The agency cancelled the contract as of June 2017 on the advice of OSAI and the District Attorney's office. The agency will not seek a similar contract in the future. Prior to originally seeking a Towing contract, the agency sought any/all proper information, assistance and guidance from the District Attorney's office and the county Purchasing Office prior to seeking the original and subsequent bids. The agency received approval to proceed from both entities on both bids. The agency proceeded in good faith in their action and believed we were in full compliance. The agency set stringent criteria in the bid process to ensure that citizens of Cleveland County would receive fair and equal treatment from any winning bidder for Towing services. The contract has been cancelled.

Criteria: Accountability and stewardship should be overall goals in management's accounting of county funds. Internal controls should be designed to monitor compliance with laws and state statutes pertaining to contracts.

Title 47 O.S. § 952 (C) states in part, "the wrecker vehicle used to perform wrecker or towing services requested by a political subdivision of this state for removal of a vehicle from public property.... shall be from the licensed wrecker or towing service whose location is nearest to the vehicle to be towed. Requests for service may be alternated or rotated among all such licensed wrecker or towing services which are located within a reasonable radius of each other...."

Title 47 O.S. § 953.1 (A) states, "the rates established by the Corporation Commission shall determine the nonconsensual tow maximum fees and charges for wrecker or towing services performed in this state, including incorporated and unincorporated areas, by a wrecker or towing service licensed by the Department of Public Safety when that service appears on the rotation log of the Department or on the rotation log of any municipality, county or other political subdivision of this state, and the services performed are at the request or at the direction of any officer of the Department or of a municipality, county, or political subdivision. No wrecker or towing service in the performance of transporting or storing vehicles or other property towed as a result of a nonconsensual tow shall charge any fee which exceeds the maximum rates established by the Commission. Such rates shall be in addition to any other rates, fees or charges authorized, allowed or required by law and costs to collect such fees. Any wrecker or towing service is authorized to collect from the owner, lienholder, agent or insurer accepting liability for paying the claim for a vehicle or purchasing the vehicle as a total loss vehicle from the registered owner of any towed or stored vehicle, the fee required by Section 904 of this title including environmental remediation fees and services."

Title 47 O.S. § 956 (A) states, "No operator, employee, or contractor of a wrecker or towing service or of a person or business that derives any business or income from a wrecker or towing service shall offer, and no officer or employee of the Corporation Commission, Department of Public Safety or any political subdivision of the state shall accept, directly or indirectly,

**CLEVELAND COUNTY SHERIFF'S OFFICE
OPERATIONAL AUDIT
FOR THE PERIOD OF JULY 1, 2011 THROUGH JUNE 30, 2016**

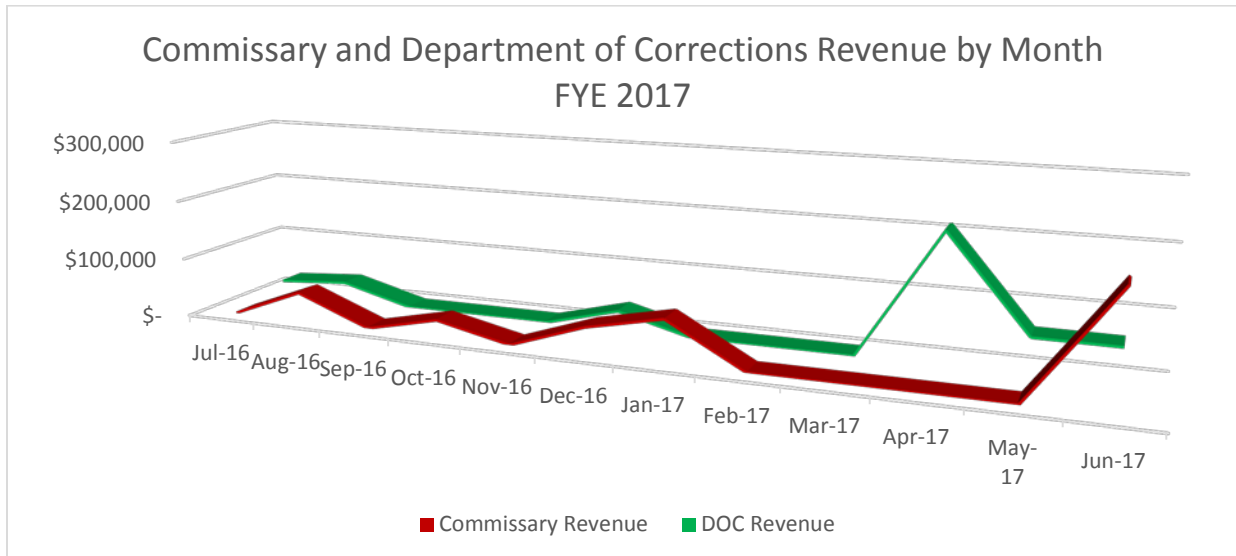
any compensation, gift, loan, favor or service given for the purpose of influencing the officer or employee in the discharge of official duties of the person.”

- Objective 2:** Review collections of the Sheriff’s Office (for the operation of the Office and Jail) for the previous 5 fiscal years to determine that revenue streams have been consistently accounted for in the proper funds.
- Objective 3:** Recalculate and confirm that other entities were accurately billed for the housing of prisoners. Confirm that collections were timely received and deposited into the proper Jail funds.

Conclusion: With respect to all revenue streams, revenues have not been consistently accounted for in the proper funds for fiscal years for the audit period.

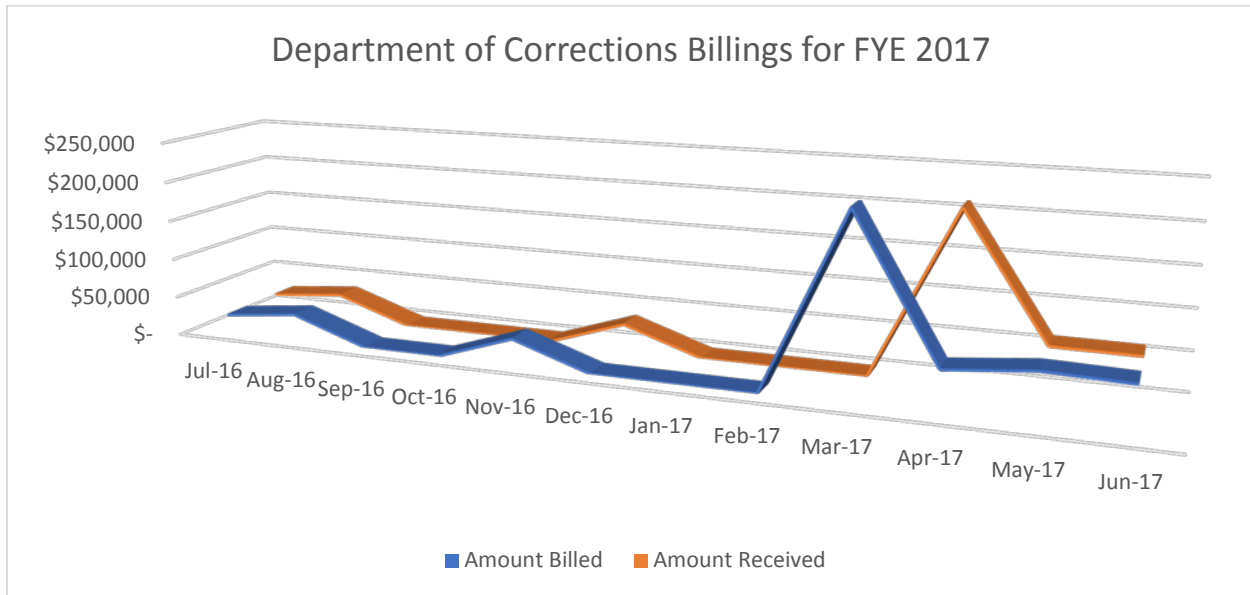
During the time frame of September 2016 through March 2017, the Department of Corrections (DOC) was not timely billed in the amount of \$243,837 for housing of prisoners. In March of 2017, the Sheriff’s office billed DOC for the time period and received \$243,837 on April 13, 2017. There is a spike in the chart below in November/December of 2016 in which the Sheriff’s office realized they had not properly billed the Department of Corrections from January 2015 through December 2015, resulting in the Sheriff’s office billing the Department of Corrections in November 2016 and being able to recover \$32,886 on December 23, 2016 for unbilled prior year revenue.

Other entities were not accurately billed for the housing of prisoners and collections were not timely received and deposited. Further, the CCSO did not transfer and timely deposit Commissary profits in the amount of \$204,355.



**CLEVELAND COUNTY SHERIFF'S OFFICE
OPERATIONAL AUDIT
FOR THE PERIOD OF JULY 1, 2011 THROUGH JUNE 30, 2016**

As reflected in the graph below the DOC timely paid invoices upon receipt. The spike in receipts was a result of the Sheriff's office not timely billing for the housing of prisoners.



FINDINGS AND RECOMMENDATIONS

Finding 3 – Inadequate Internal Controls Over Revenue Sources of the Sheriff's Office

Condition: Revenue streams are generated monthly from Detention operations and should be invoiced monthly. The graph below clearly shows the multiple months in which revenue from these sources was not invoiced and received. The graph shows a large spike in the months of April 2017 and June 2017 when the Sheriff's office billed DOC for prior months that were not timely billed and deposited. The first graph reflects Commissary profits from prior months that were being held in the Inmate Trust Checking Account which is an outside bank account and not part of the County's financial records.

CCSO provided no oversight or review of the billing process. During our testwork, the following was noted regarding the billing process:

- The Housing of Prisoners billing for the Department of Correction was not timely billed, from September 2016 through March 2017 which totaled \$243,837.
- Billings for Department of Corrections Community Sentencing was not timely billed from September 2016 through March 2017, for a total loss was \$4,212. If invoices are not submitted within 10 days after month end, the amount of the invoice is no longer collectible.
- The City of Norman was not timely billed. During FY 17 the averaged billing time was 30 days out.

**CLEVELAND COUNTY SHERIFF'S OFFICE
OPERATIONAL AUDIT
FOR THE PERIOD OF JULY 1, 2011 THROUGH JUNE 30, 2016**

- It was further noted that DOC was not billed correctly January 1, 2015 through December 31, 2015. In November 2016, a separate invoice was created in the amount of \$32,886 and received and deposited in December 2016.
- CCSO did not transfer and timely deposit Commissary profits in the amount of \$204,355.

Cause of Condition: The Sheriff has not taken steps to ensure all administrative employees understand their jobs and the importance of financial operations within the administration.

Effect of Condition: This condition resulted in a breakdown of the collections process. Outside entities were not properly billed for the housing of prisoners resulting in the County struggling to pay operations of the jail. Further, this condition resulted in improper monitoring of the Sheriff Commissary and Inmate Trust Funds and funds that are required by statute to be transferred and used for the operations of the Jail were not transferred contributing to a cash flow issue for CCSO.

Recommendation: OSAI recommends that the Sheriff evaluate the staff on hand to determine if there is proper administrative personnel who can be assigned the responsibilities of monitoring the financial processes of CCSO and ensure the critical billings of the office are timely received to avoid interruption of mission critical services.

Management Response:

Chairman of the BOCC: The BOCC concurs with the findings and recommendations of the OSAI office and are gravely concerned with the apparent gross mismanagement and lack of accountability, stewardship and overall management in the accounting of funds in Sheriff Lester's office.

Moreover, the BOCC has grave concerns regarding the truthfulness of representations made by Sheriff Lester that are reflected in the minutes of the County Budget Board meetings for March 13 and March 20, 2017. Sheriff Lester made a number of representations regarding billing and receivables from entities such as the Department of Corrections and the City of Norman to the Budget Board and the Board of County Commissioners. The findings of the OSAI office show Sheriff Lester's representations at the March 13 and 20, 2017 Budget Board Meetings to be demonstrably false. The BOCC has grave concerns that this is indicative of a knowing or willful violation or breach of the budget protocol, state statute, and various contracts with the Department of Corrections and the City of Norman.

Sheriff: That correction was implemented during the course of the audit. The agency is following the advice and recommendations provided by OSAI. That this office has re-examined staff, administrative personnel, assigned responsibilities, financial processes, and timely billing procedures, and has trained and is increasing training to a level that ensures billing will be conducted timely and accurately. Additional personnel are being trained in billing and fiscal entry to ensure there are "back-up" employees present in the event the primary employee cannot perform the duty. Additional training has already been planned to increase the cadre of personnel in all of these areas. Management is double checking monthly to ensure compliance.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. Effective internal controls include management design and implement procedures to ensure that the Sheriff's office timely bills for the housing of prisoners, follows terms and conditions of related contracts, and ensures Commissary profits are timely transferred for utilization of jail operations.

**CLEVELAND COUNTY SHERIFF'S OFFICE
OPERATIONAL AUDIT
FOR THE PERIOD OF JULY 1, 2011 THROUGH JUNE 30, 2016**

DOC Contract 3.1.2 states, "The Contractor will maintain records and information relating to community sentenced offenders and will make such records available to DOC for the purposes of inspection, evaluation, and audit. Said records and information will be maintained as prescribed by the DOC and the local system being served."

DOC Contract 5.1.2 states, "The Contractor will submit invoices to DOC not more than 15 working days after the last day of the month in which the services were rendered. Invoices submitted by the Contractor shall be consistent with the compensation rate and unit of service described above and shall include the following information:

1. the offender served
2. the date and location where the service was rendered
3. the type and duration of the service provided
4. any other information required by the Department of Corrections that is necessary to demonstrate the Contractor's compliance with requirements or outcome based measures of the Contract."

DOC Contract 5.1.3 states, "The Contractor understands that the rate set forth in this contract is the established fixed rate for the services required by this contract and agrees that the total of all payments received from all sources for each unit of service delivered, shall not exceed the established fixed rate, or any other rate as determined by a Court of competent jurisdiction."

DOC Contract 5.1.4 states, "Should a dispute arise between the Contractor and DOC over the validity of a portion of any invoice, DOC will remit any portion not in dispute to the Contractor. If payment is not received in a timely manner, the Contractor will be allowed to charge interest in accordance with the Late Payment Act [Title 62 O.S. § 41.4(a) et. seq.]. (Superseded by Title 62 O.S. § 34.71)"

Objective 4: Review expenditures of the Sheriff's Office to determine that expenditures were paid from appropriate funds and were timely paid.

Conclusion: With respect to the items tested, the Sheriff's internal controls do not provide reasonable assurance that expenditures were paid timely and from the appropriate funds.

Additionally, the Sheriff's office did not comply with 19 O.S. § 1505, which requires that disbursements be properly supported, timely encumbered, and certified that all proper documentation is present.

FINDINGS AND RECOMMENDATIONS

Finding 4 - Inadequate Internal Controls Over Purchasing and Noncompliance with State Statutes

Condition: During observation, inquiry, and testwork, the following was noted:

- 109 purchase orders reviewed were marked "Do Not Mail, give to the Sheriff Administration Office", instead of mailing directly to the vendor; which ensures proper delivery.

**CLEVELAND COUNTY SHERIFF'S OFFICE
OPERATIONAL AUDIT
FOR THE PERIOD OF JULY 1, 2011 THROUGH JUNE 30, 2016**

- Blanket purchase orders are used by all Sheriff departments when purchasing from the same vendor, when each department should be purchasing from the proper fund allocated for their particular department.

Additionally, during our test of six hundred thirty-seven (637) disbursements we noted the following:

- Three (3) disbursements in the amount of \$639.10 were not for the operation of the office.
 - One (1) disbursement for \$175.00 was paid for an employee's Certified Fraud Examiner membership dues even though the certification was not a requirement of their job and should not have been paid by the Sheriff's office.
 - One (1) disbursement for \$224.10 was paid to tow a former employee's ambulance off the Sheriff's property.
 - One (1) disbursement to an Inmate was paid from the Sheriff Jail M&O Cash Fund instead of the Inmate Trust Fund for a total of \$240.00.
- Fifty-three (53) disbursements were not charged to the proper fund or account for a total of \$318,241.40. Of the 53 exceptions, OSAI noted the following:
 - Two (2) disbursements in FY13 that were paid from the General Justice Center M&O account for a total of \$131,330.00 were for transport vehicles that were converted into patrol vehicles in FY15.
 - Three (3) disbursements for inmate phone cards totaling \$3,405.00 were paid from the General Justice Center M&O account instead of the Commissary account or Sheriff Service Fee account.
 - One (1) disbursement totaling \$4,020.13 for commissary items for the inmates was paid from the General Justice Center M&O account instead of the Commissary account.
- Six (6) disbursements totaling \$1,711.93 were not made for the appropriate amount. Of the six exceptions, OSAI noted:
 - Two (2) of the disbursements totaling \$343.51 reflected taxes charged for hotel expenses.
- Twelve (12) disbursements totaling \$41,605.58 were not supported by adequate documentation. Of the twelve exceptions, OSAI noted:
 - Four (4) of the disbursements were paid 3 months after receiving an invoice, and there was no documentation explaining the delayed payment.
- Four (4) disbursements totaling \$33,552.07 were not charged to the proper period.
 - Radio labor charges encumbered 6/26/12, invoice date 2/15/13 for \$8,699.60.
 - Light bars - Encumbered 6/26/12, invoice date 2/15/13 for \$5,770.80.
 - Radios and antennas encumbered 6/13/14, invoiced 10/15/14, warrant issued 12/22/14 for \$7,978.58.
 - Repairs-ordered 6/15/15, invoice 8/13/15, encumbered 8/17/15 for \$7,306.95.
- Forty-one (41) disbursements totaling \$124,045.90 were not encumbered prior to receiving goods or services.

Cause of Condition: The County is not following established purchasing procedures, and has not designed and implemented controls to ensure disbursements are properly supported, timely encumbered, and certified that all proper documentation is present.

Effect of Condition: These conditions resulted in noncompliance with state statute, inaccurate records, and incomplete information, which could result in misappropriation of assets.

Recommendation: OSAI recommends management adhere to purchasing procedures outlined in 19 O.S. §§ 1501-1505. Internal controls should be implemented to ensure purchases are requisitioned from the

**CLEVELAND COUNTY SHERIFF'S OFFICE
OPERATIONAL AUDIT
FOR THE PERIOD OF JULY 1, 2011 THROUGH JUNE 30, 2016**

proper fund, timely encumbered, supported with proper documentation, and paid in the correct amount. Prior notification of department employees should be required if allowed to pick up warrants for vendors. Further, management should consider requiring key financial personnel to attend purchasing classes offered by the OSU County Training Program.

Management Response:

Chairman of the BOCC: The BOCC concurs with the findings and recommendations of the OSAI office and are gravely concerned about the violations of 19 O.S. §§ 1501-1505 and the apparent gross mismanagement and lack of internal controls over of the purchasing process by Sheriff Lester's office.

Sheriff: That correction was implemented during the course of the audit. The agency is following the advice and recommendations provided by OSAI. The agency will continue to monitor this change to adhere to these recommendations and to ensure compliance. The proper procedures have been instituted using written directives and training to all personnel handling deposits and billing in the detention center, and personnel handling billing, purchase orders, payments and disbursements agency wide to adhere to these recommendations. That throughout the agency proper procedures are being examined, reviewed and instituted by written directive to all personnel handling deposits, billing, purchase orders, blanket purchase orders, and disbursements to follow all purchasing procedures outlined in 19 O.S. 1501-1505 as well as insuring items are purchased from proper funds, properly encumbered, properly documented and paid correctly. An evaluation of employees currently in the agency purchasing system is underway to ensure proper training and understanding of the system is followed.

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

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

Title 19 O.S. §§ 1501-1505 prescribes the procedures established for the requisition, purchase, lease-purchase, rental, and receipt of supplies, materials, and equipment for maintenance, operation, and capital expenditures of county government.

Title 62 O.S. § 310.4 states in part,

...All unencumbered balances, if any,...on hand at the close of day June 30, may remain as a credit for said fiscal year up to the close of day September 30, next ...Provided this act shall not be so construed to allow the incurring of a new indebtedness after June 30 chargeable to the appropriation account of the immediately preceding fiscal year.

Finding 5 - Inadequate Internal Controls and Noncompliance Over the K-9 Dog Purchase

Condition: During audit fieldwork, it was brought to our attention that the Sheriff's office obtained a K-9 without following the purchasing procedures outlined in state statutes. The dog was obtained without first completing a requisition and notifying the purchasing agent to start the purchasing process. A donation

**CLEVELAND COUNTY SHERIFF'S OFFICE
OPERATIONAL AUDIT
FOR THE PERIOD OF JULY 1, 2011 THROUGH JUNE 30, 2016**

was accepted without proper approval by the Board of County Commissioners in an open meeting. The following was noted:

- December 2016, a K-9 was personally purchased from Czechoslovakia by the Cleveland County K-9 Director.
- While the funds to purchase the dog were donated, (the donation check was dated April 6, 2017 in the amount of \$4,500, the BOCC approved the acceptance of the donation on April 17, 2017 and the Sheriff's Office did not timely deposit the check until May 8, 2017) the donation was not approved by the BOCC until May 8, 2017. However, the K-9 was not on inventory at the time the auditors visually inspected the Sheriff's inventory.
- From March 27, 2017 through May 30, 2017, the K-9 was on duty with the Cleveland County Sheriff's Department and the County paid for all food, veterinarian bills, and CLEET training during this period. Having the K-9 on duty and not an actual fixed asset of the Sheriff's office is a significant liability to the County.
- A purchase order (PO) for the K-9 was requisitioned on May 18, 2017 and from that submitted PO, the Sheriff's office put the K-9 on inventory. This PO was later rejected by the BOCC for lack of supporting documentation needed for approval of payment. The K-9 is on the County Inventory, yet not County property. On July 31, 2017, the BOCC approved to have the K-9 removed from inventory.

Cause of Condition: The Sheriff's Office did not follow statutory procedures regarding the processes of requisitioning and purchasing.

Effect of Condition: This condition resulted in noncompliance with state statutes regarding purchasing, improper acceptance of a donation without BOCC approval, and incorrect inventory records. This condition could result in liability issues for the County placing a K-9 unit in service that is not official inventory of the County.

Recommendation: OSAI recommends that the Sheriff adhere to state purchasing guidelines. Purchase orders should be encumbered before goods or services are ordered in accordance with 19 O.S. § 1505C. All donations must be received and approved by the BOCC in an open meeting prior to accepting the donation. All cash donation must be timely deposited with the County Treasurer. Also, inventory items may only be added to inventory after the purchase is complete and has been approved for payment by the BOCC.

Management Response:

Chairman of the BOCC: The BOCC concurs with the findings and recommendations of the OSAI office and are gravely concerned with the apparent gross mismanagement and willful violation of 19 O.S. § 1505(c). It should also be noted that Sheriff Lester was specifically asked in a BOCC meeting on June 12, 2017, whether due to the potential violation of 19 O.S. § 1505 (c), the K-9 had been removed from service. In response, Sheriff Lester stated that it had, but the K-9 was found to be still in service that day. The K-9 was taken off of the Sheriff's inventory in a BOCC meeting on July 31, 2017.

Sheriff: The Sheriff and/or the agency cannot respond to this finding at this time due to pending litigation between Sheriff Lester and the Cleveland County Board of County Commissioners.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. Internal controls should be designed to adequately segregate the duties of the purchasing process.

**CLEVELAND COUNTY SHERIFF'S OFFICE
OPERATIONAL AUDIT
FOR THE PERIOD OF JULY 1, 2011 THROUGH JUNE 30, 2016**

Effective internal controls require that management properly implement procedures to ensure that purchases are made in compliance with 19 O.S. § 1505C which provides that purchase orders should be timely encumbered.

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

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

I hereby certify that the amount of this encumbrance has been entered against the designated appropriation accounts and that this encumbrance is within the authorized available balance of said appropriation."

Objective 5: Review all payroll expenditures for the prescribed period to ascertain:

- a) what funds were used to meet payroll obligations;
- b) whether all funds used to satisfy payroll obligations are available for that purpose;
- c) how often payroll obligations were met by re-assignment of accounts to be used for a particular pay period (e.g., the source of an employee's pay might come from a detention account one pay period and perhaps the Sheriff's administrative account the next).

Conclusion: With regards to the payroll expenditures for the prescribed period, the following funds were used to meet the payroll obligations: Administration/Operations Personal Services, Courthouse Security Personal Services, Detention Personal Services, Service Fee Personal Services, Justice Center Personal Services, Environmental Officer Personal Services, Revolving Personal Services Detention and Criminal Alien Assistance Grant Personal Services. Funds were available to satisfy the payroll obligations for each pay period; however, employees were paid from different funds within the same department due to funds expended for excessive compensatory and annual leave pay not considered during the budget process.

FINDINGS AND RECOMMENDATIONS

Finding 7 - Inadequate Internal Controls Over the Payroll Process and Noncompliance with State Statutes Regarding Record Retention

Condition: Upon inquiry, observation and payroll expenditures test work, we noted the following weaknesses:

**CLEVELAND COUNTY SHERIFF'S OFFICE
OPERATIONAL AUDIT
FOR THE PERIOD OF JULY 1, 2011 THROUGH JUNE 30, 2016**

Of the 180 timesheets tested from July 1, 2011 through April 30, 2017:

- For the period of July 1, 2011 through January 1, 2014, timesheets were not maintained.
- 43 timesheets were not signed by employee from January 2014 through April 2017.
- 48 timesheets were not reviewed/authorized from January 2014 through April 2017.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure that all records are maintained in accordance with state statute. Additionally, timesheets should be signed by the employee and reviewed/authorized by a supervisor for accuracy.

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

Recommendation: OSAI recommends the Sheriff implement internal controls to ensure compliance with state statutes by maintaining all records and designing policies and procedures to ensure timesheets and records are kept at the minimum period of seven years and timesheets are signed by employees and reviewed/authorized by a supervisor.

Management Response:

Chairman of the BOCC: The BOCC concurs with the findings and recommendations of the OSAI office and is gravely concerned with Sheriff Lester's violation of 19 O.S. § 517.1 and the apparent gross mismanagement and the lack of internal controls over the payroll process by Sheriff Lester's office. The County is currently taking further steps to implement a universal timekeeping system in response to this finding.

Sheriff: That correction was implemented during the course of the audit, that this agency is following the recommendations provided by OSAI. Upon the Sheriff's clerk being made aware of the discrepancy, and learning of the statute to the contrary, an immediate change was made and implemented for these records. A supervisor and agency management will ensure proper controls and procedures are in place to guarantee timesheets and records are kept for at least seven years and that each timesheet is properly completed by each employee and signed and reviewed by proper supervisors.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. Internal controls should be designed and implemented to ensure payroll records are kept for a minimum of seven years as stated below:

Title 19 O.S. § 517.1 states, "The governing body of each county may establish a length of time for the county to keep departmental records and authorize the sheriff to properly dispose of or convert to microfilm or a similar medium all records not specifically addressed in other statutes. Such records shall be kept for a minimum of seven (7) years; provided however, if the sheriff is the sole source for such records, the records shall not be destroyed but shall be kept in retrievable form."

Finding 8 - County Policy Not Adhered to Regarding Annual Leave and Compensatory Time

Condition: Upon inquiry, observation, and payroll expenditures testwork, we noted that non-budgeted compensatory time was paid from General Fund (which is a budget fund) and also cash funds. Additionally,

**CLEVELAND COUNTY SHERIFF'S OFFICE
OPERATIONAL AUDIT
FOR THE PERIOD OF JULY 1, 2011 THROUGH JUNE 30, 2016**

accrued annual leave and compensatory time were allowed in excess of the county policy. These amounts are presented in the tables below:

- Compensatory time paid:

Fund	FY 13	FY 14	FY 15	FY 16	FY 17
General	\$71,986.78	\$35,842.20	\$71,331.17	\$25,947.20	\$63,915.20
Cash Fund	<u>29,681.00</u>	<u>32,522.02</u>	<u>37,544.13</u>	<u>28,468.38</u>	<u>43,629.13</u>
Total	<u>\$101,667.78</u>	<u>\$68,364.22</u>	<u>\$107,875.29</u>	<u>\$54,415.58</u>	<u>\$107,544.33</u>

- Accrued annual leave and compensatory time is allowed in excess of limits per the county policy:

Leave Paid in Excess	FY 13	FY 14	FY 15	FY 16	FY 17
Vacation Leave	\$1,134.08	\$82.35	\$805.05	\$ -	\$1,081.70
Compensatory	<u>5,749.85</u>	<u>232.93</u>	<u>-</u>	<u>2,021.02</u>	<u>6,797.03</u>
Total	<u>\$6,883.93</u>	<u>\$315.27</u>	<u>\$805.05</u>	<u>\$2,021.02</u>	<u>\$7,878.73</u>

- Currently the Sheriff's office has a liability of \$583,919 in compensatory time as of March 31, 2017, which is unbudgeted and will be paid to the respective employee upon leaving employment.

Cause of Condition: Procedures have not been designed and implemented to strengthen internal controls over the payroll process. Scheduling of employees is done in a manner that perpetually results in overtime for all employees and procedures have not been designed and implemented to follow the current County policy regarding compensatory and annual leave time earned.

Effect of Condition: These conditions have resulted in County resources being used inefficiently and has resulted in an increased payroll expense for the Sheriff's office.

Recommendation: OSAI recommends the Sheriff implement procedures to schedule employees in a more efficient manner and ensure compliance with County Policy regarding compensatory time and annual leave. Implementing these procedures would decrease amounts paid for compensatory time reducing payroll expenditures.

Management Response:

Chairman of the BOCC: The BOCC concurs with the findings and recommendations of the OSAI office and are gravely concerned with Sheriff Lester's failure to adhere to County policy regarding annual leave and compensatory time and the apparent gross mismanagement of Sheriff Lester's office.

Sheriff: The Sheriff and/or the agency cannot respond to this finding at this time due to pending litigation between Sheriff Lester and the Cleveland County Board of County Commissioners.

**CLEVELAND COUNTY SHERIFF'S OFFICE
OPERATIONAL AUDIT
FOR THE PERIOD OF JULY 1, 2011 THROUGH JUNE 30, 2016**

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. County resources should be used in a manner that limits amounts paid for compensatory time when possible to limit expenditures within each department.

County policy states in part: "In the case of law enforcement personnel who are not exempt. Each employee can accumulate up to 480 hours of compensatory time off. After the accrual of 480 hours of compensatory time, a law enforcement employee will thereafter be paid cash payment for overtime. In all cases where compensatory time off is authorized, once the employee has utilized compensatory time off to reduce the maximum accrual below the applicable limit, then additional overtime will be paid in the form of additional compensatory time off."

The County policy further states all full-time Cleveland County employees shall be entitled to vacation leave that is accrued on a monthly basis in accordance with the schedule outlined below:

Accrual Rates		
Years of Service	Vacation Leave	Accumulation Limit
0-5 years	10.00 hours per month	240 hours
5-10 years	12.00 hours per month	480 hours
10-20 years	13.33 hours per month	480 hours
Over 20 years	16.67 hours per month	480 hours

Objective 6: Review all accounts for the prescribed period to determine the total spent each year to operate all aspects of the Cleveland County Detention Center, with specific attention to the following detention center-specific costs:

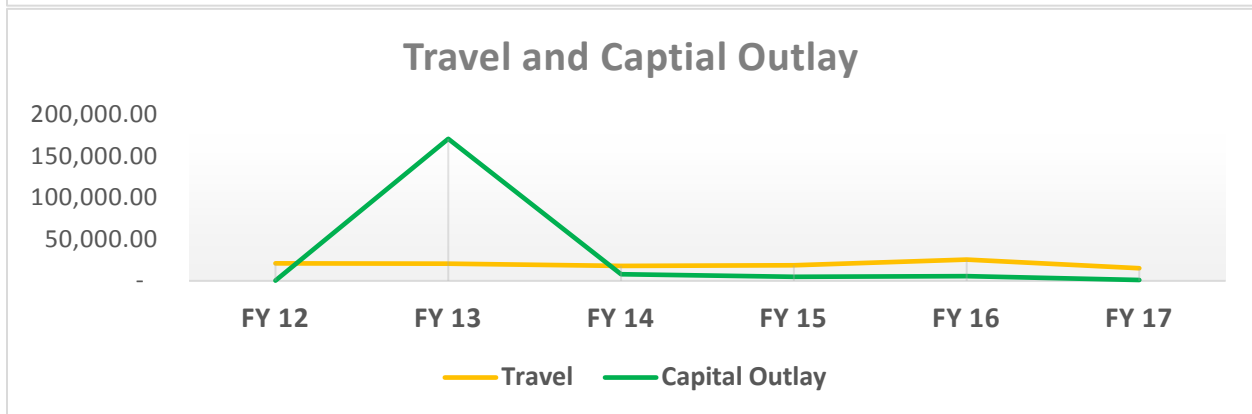
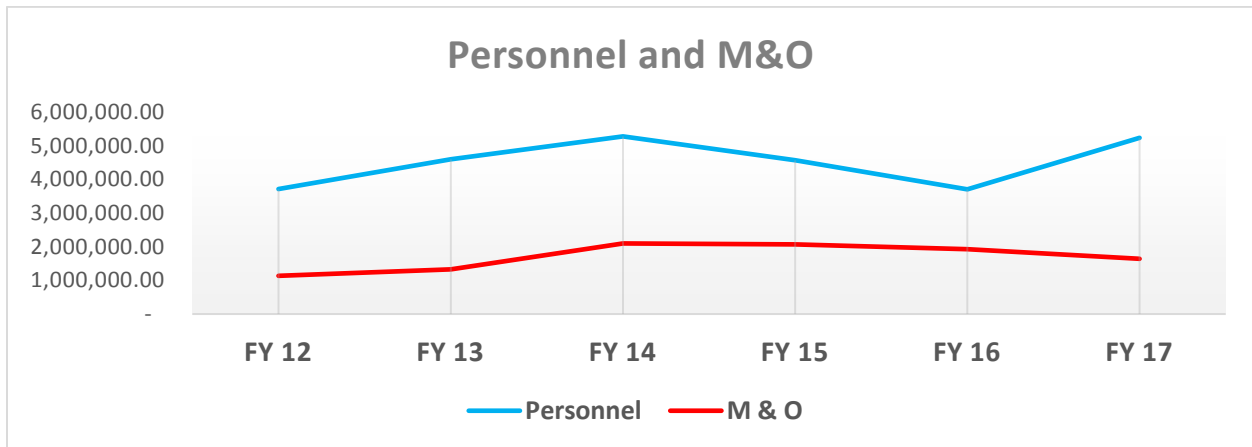
- a) Personnel (all detention personnel)
- b) M&O – (prisoner housing costs, utility costs, food service, laundry services, medical, commissary, telephone, postage and office supplies.)
- c) Travel – (including maintenance, fuel, and personnel)
- d) Capital Outlay – (vehicles, furniture, fixtures, equipment, uniforms, firearms, and ammunition etc.)

Conclusion: The Cleveland County Detention Center's internal controls do not provide reasonable assurance that expenditures were accurately reported in the accounting records. With regards to travel, it was noted that five (5) Police Interceptor's with all equipment for the vehicles were purchased in 2013 from the Detention Center Capital Outlay (equipment) for \$149,864.78 with no evidence of the vehicles being used for the Detention Center.

Description	FY 12	FY 13	FY 14	FY 15	FY 16	FY 17
Personnel	\$3,712,808.35	\$4,602,917.81	\$5,282,560.25	\$4,573,740.25	\$3,708,190.16	\$5,239,908.86

**CLEVELAND COUNTY SHERIFF'S OFFICE
OPERATIONAL AUDIT
FOR THE PERIOD OF JULY 1, 2011 THROUGH JUNE 30, 2016**

Description	FY 12	FY 13	FY 14	FY 15	FY 16	FY 17
M & O	1,136,401.46	1,327,337.85	2,099,247.69	2,071,884.57	1,931,149.86	1,645,379.03
Travel	21,022.32	20,512.58	18,088.67	18,694.65	25,548.45	15,163.62
Capital Outlay	313.40	170,784.12	7,856.34	4,789.49	5,543.80	1,022.00
Grand Total	<u>\$4,870,545.53</u>	<u>\$6,121,552.36</u>	<u>\$7,407,752.95</u>	<u>\$6,669,108.96</u>	<u>\$5,670,432.27</u>	<u>\$6,901,473.51</u>



FINDINGS AND RECOMMENDATIONS

Finding 9 - Sheriff Travel Account Used for Purchases Not Related to Travel

Condition: The Sheriff's office uses the Detention Center travel account to pay vendors for prisoner transportation services, membership dues, and registration. Disbursements from travel accounts should only be made for statutory travel allowance and travel reimbursements. We noted the following amounts incorrectly paid from the travel account:

	FY12	FY13	FY14	FY15	FY16	TOTAL
Vendors	\$21,022.32	\$19,632.33	\$17,575.17	\$18,129.65	\$24,903.66	\$101,263.13

**CLEVELAND COUNTY SHERIFF'S OFFICE
OPERATIONAL AUDIT
FOR THE PERIOD OF JULY 1, 2011 THROUGH JUNE 30, 2016**

Cause of Condition: Policies and procedures have not been designed and implemented to ensure travel accounts are only used to pay travel related expenses of employees.

Effect of Condition: This condition resulted in noncompliance with state statutes and purchases not being paid from the proper account.

Recommendation: OSAI recommends that the Sheriff design and implement procedures to ensure all purchases are paid from the proper fund and account related to the expense and to ensure compliance with state statutes. Further, incorporating management oversight and approval of requisitioning expenses from the proper fund would help ensure purchases are being made from a properly designed account.

Management Response:

Chairman of the BOCC: The BOCC concurs with the findings and recommendations of the OSAI office and are gravely concerned with Sheriff Lester's violation of 19 O.S. § 1505 and are gravely concerned with the gross mismanagement and lack of internal controls over the use of the travel account for purchases not related to travel by Sheriff Lester's office.

Sheriff: That correction was implemented during the course of the audit. The agency is following the recommendations provided by OSAI. For the many years preceding the audit period, the agency fiscal personnel were instructed by the County Clerk and Purchasing offices to pay training, travel, dues, memberships, and prisoner transport costs out of travel accounts. During the course of this audit, and upon being made aware of this discrepancy, fiscal personnel with this agency have now ceased this process and are using proper funding accounts for these costs. In addition, management is insuring that any items purchase from one account are tracked, documented, and explained in detail if the item is needed for another purpose or in another area. Management will also ensure these type items are docketed and submitted to the Board of County Commissioners for discussion and approval. Management has also reached out to County Human Resources personnel in an effort to ascertain details regarding take home vehicles and employee's responsibilities regarding "fringe benefits".

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. Internal controls should be designed to ensure all funds are expended from a properly designated account.

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

Title 62 O.S. § 331 states in part, "First: All special "funds" arising out of an ad valorem tax levy, within the limitations of said, Section 9, Article 10, Constitution, except Separate School funds, authorized or required by existing laws to devoted to a specific or special purpose, or that may hereafter be so authorized, or required, unless specifically excepted, and be accounted for as integral "budget accounts" within and as part of the said "General Fund." Each such integral budget account shall bear the title ascribed by law to such special purpose, and it shall be subject to be so itemized for purpose of appropriation as the law may direct for the accomplishment of such special purpose, and none of the items shall ever be expended for any purpose other than provided by the law creating such budget account...."

**CLEVELAND COUNTY SHERIFF'S OFFICE
OPERATIONAL AUDIT
FOR THE PERIOD OF JULY 1, 2011 THROUGH JUNE 30, 2016**

Title 19 O.S. § 163 states, "Each county officer or his deputy shall be entitled to reimbursement for all traveling expenses incurred in the performance of official duties. All expenses shall be paid upon sworn itemized claims."

Title 19 O.S. § 164 states in part, "When transportation involves the use of the private automobile of a county officer, deputy, or county employee entitled to reimbursement, such county officer, deputy or employee shall be entitled to claim reimbursement for use thereof..."

Objective 7: Review expenditures of the Sheriff's Office for expenditures of capital assets (equipment, fleet) to determine that the expenditures were necessary and were paid from the proper funds.

Conclusion: With respect to the Sheriff's office expenditures of capital assets it appears that the expenditures were not paid from the proper funds. We noted the following vehicles purchased with Detention funds, assigned to the transport division and are currently assigned to the patrol division.

Item Number	VIN #	Year	Model	PO Number	Cost
B331-0212	1FAHP2L82DG148746	2013	Ford Interceptor	6187	\$26,266
B331-0219	1FAHP2L80DG148745	2013	Ford Interceptor	6187	26,266
B331-0220	1FAHP2L87DG148743	2013	Ford Interceptor	6187	26,266
B331-0214	1FAHP2L88DG148752	2013	Ford Interceptor	6234	<u>26,266</u>
Total					<u>\$105,064</u>

The Sheriff's office currently has one hundred eight (108) vehicles listed on inventory that are assigned to various departments within the Sheriff's office. According to payroll records obtained, it appears the Sheriff's office has thirty-three (33) employees who are assigned vehicles and perform some type of law enforcement duties. In addition, Cleveland County has the lowest unincorporated road miles in the state at only 305 miles according to the Certification of County Road Mileage published by the Oklahoma State Transportation Commission.

Slaughterville FLEET Center

The Sheriff has thirty-eight (38) vehicles listed on inventory that are housed at the FLEET maintenance building in Slaughterville. We verified the vehicles being housed at the Fleet Center and noted the following:

- Fourteen (14) vehicles have been identified as surplus and are awaiting to be sold at County auction.
- Six (6) vehicles are currently inoperable and awaiting parts to be made operable.
- Two (2) vehicles that have been wrecked, insurance has paid the County for the vehicles; they are not listed on inventory and currently being used for parts.
- One (1) vehicle is totaled and currently awaiting payout from the insurance company.
- Seven (7) vehicles are not listed on the current list of insured vehicles.

**CLEVELAND COUNTY SHERIFF'S OFFICE
OPERATIONAL AUDIT
FOR THE PERIOD OF JULY 1, 2011 THROUGH JUNE 30, 2016**

The remaining vehicles are assigned to employees in various non-emergency positions within the Sheriff's office that may not meet the requirements necessary by Internal Revenue Service. The Sheriff's office should contact the human resources department of the County to determine if the job duties require the employee to be charged a fringe benefit for driving the vehicles to their official duty station.

Schedule of Vehicles Purchased

During the fiscal years ending 2012 through 2017, \$1,125,431 was spent on the purchase of forty-three (43) new vehicles. Thirty-eight (38) of these vehicles were purchased from Administration/Operations, Courthouse Security Accounts, and Detention within the General Fund appropriations and five (5) vehicles were purchased from cash fund appropriations. These vehicles were allowable purchases, bought in a lawful manner and approved by the Board of County Commissioners.

<u>Fund</u>	<u>Purchase Order Number</u>	<u>Date of Purchase</u>	<u>Amount</u>	<u>Description</u>
FYE 2012				
General Fund	5988	7/29/2011	\$ 216,920.00	10 Vehicles
General Fund	6070	7/29/2011	\$ 21,692.00	1 Vehicle
General Fund	6056	7/29/2011	\$ 21,692.00	1 Vehicle
Total			\$ 260,304.00	12 Vehicles
FYE 2013				
General Fund	6197	9/11/2012	\$ 52,532.00	2 Police Vehicles
General Fund	6233	9/11/2012	\$ 26,266.00	1 Police Car
General Fund	6187	10/11/2012	\$ 78,798.00	3 Police Vehicles
General Fund	6234	9/11/2012	\$ 26,266.00	1 Police Car
General Fund	6197	10/11/2012	\$ 52,532.00	2 Police Vehicles
General Fund	6187	9/11/2012	\$ 26,266.00	1 Police Vehicles
Total			\$ 262,660.00	10 Vehicles
FYE 2014				
Sheriff Revolving Fund	5520	8/23/2013	\$ 94,380.00	4 Patrol Cars
Total			\$ 94,380.00	4 Vehicles
FYE 2015				
General Fund	5955	10/16/2014	\$ 59,523.60	2 Vehicle
General Fund	6022	10/16/2014	\$ 59,523.60	2 Vehicle
General Fund	915	12/16/2014	\$ 178,570.80	6 Ford Interceptors
Sheriff Donations Fund	3762	5/27/2015	\$ 29,658.00	1 Vehicle
Total			\$ 327,276.00	11 Vehicles
FYE 2016				
There were no vehicles purchased.				
FYE 2017				
General Fund	5246	12/12/2016	\$ 30,674.00	1 2017 Ford
General Fund	5005	12/12/2016	\$ 61,348.00	2 Vehicles
General Fund	5259	12/12/2016	\$ 27,441.00	1 2017 Ford
General Fund	5003	12/12/2016	\$ 30,674.00	1 Vehicle
General Fund	5245	12/12/2016	\$ 30,674.00	1 2017 Ford
Total			\$ 180,811.00	6 Vehicles
Total All Years			\$ 1,125,431.00	43 Vehicles

**CLEVELAND COUNTY SHERIFF'S OFFICE
OPERATIONAL AUDIT
FOR THE PERIOD OF JULY 1, 2011 THROUGH JUNE 30, 2016**

As required by **2007 OK AG 35**, the Sheriff's Office has a constitutional duty to maintain the County Jail. As such, expenses incurred and obligations toward this function should take precedence in performance of the office.

According to Attorney General's opinion **2007 OK AG 35**,

"The maintenance of a county jail, either by the county sheriff or a public trust created for the purpose of operating a county jail, is a constitutional duty. A county is required to provide for a jail and fund its operation, and give priority for the funding to ensure performance of a constitutional duty. Such funding requirement is the same regardless of whether the jail is operated by the county sheriff or a public trust created for such purpose."

FINDINGS AND RECOMMENDATIONS

Finding 10 - Inadequate Internal Controls Over Fixed Assets

Condition: Upon inquiry of the Sheriff's office and observation of fixed assets, we noted the County does not have a Fleet Management Policy, resulting in the following:

- The Sheriff's inventory covered by the insurance policy has not been updated since fiscal year 2012, and thus did not adequately reflect the inventory currently on hand. This resulted in thirty-seven (37) disposed vehicles being listed on the County's insurance policy and forty-eight (48) vehicles that have not been added to the insurance policy with a total original cost of \$993,829 that is uninsured.
- OSAI confirmed 10 vehicles that were assigned to administrative, information technology, facilities maintenance, and other departments within the Sheriff's office that potentially do not meet the IRS Guidelines regarding fringe benefits.
- Two (2) vehicles were disposed of but have not been removed from the Sheriff's inventory.

Cause of Condition: Policies and procedures have not been designed and implemented that would provide assurance that all assets are properly insured and that commissioned vehicles are only assigned to commissioned officers.

Effect of Condition: When fixed assets are not monitored, opportunities for misuse or loss of equipment can occur. Failure to update insurance policies left new purchases uninsured, while disposed assets remained covered. This lack of fleet management oversight is costly to the Cleveland County taxpayers. Further, IRS regulations may have been violated regarding the practice of providing vehicles for non-emergency employees.

Recommendation: OSAI recommends BOCC implement internal controls to identify and address risks. Creating a Fleet Management Policy would help ensure the Sheriff's office vehicles are updated on the insurance policy, employees assigned vehicles are being properly reported to the IRS, and track the maintenance history of vehicles, as well as a budget tool to determine the Sheriff's office needs for new vehicles. In addition, the Sheriff's office should contact the County Human Resources Department to determine vehicles are being used for official duties or commuting to the official duty station as outlined in the IRS Publication 15-B.

**CLEVELAND COUNTY SHERIFF'S OFFICE
OPERATIONAL AUDIT
FOR THE PERIOD OF JULY 1, 2011 THROUGH JUNE 30, 2016**

Management Response:

Chairman of the BOCC: The BOCC concurs with the findings and recommendations of the OSAI office and are gravely concerned with Sheriff Lester's potential violation of IRS guidelines and apparent gross mismanagement and inadequate internal controls over fixed assets by Sheriff Lester's office.

Sheriff: That correction was implemented during the audit period, to address insurance, risk assessment, and protect agency assets. The agency is following the recommendations provided by OSAI. The agency inventory control specialist has regularly and routinely updated the county on the inventory of vehicles that are owned and maintained by the agency. The county had access to all updated information at the time it changed insurance providers. In spring of 2017, management was notified by the new insurance provider that it appeared the vehicle list they held was inaccurate. Upon examination of the list, management was able to confirm that the list provided to them by the County was inaccurate, and management spent approximately one and one half days assisting the private insurance provider in updating their records. Management had correct information at all times, and provided the new insurance provider with accurate information regarding agency vehicles. This is the same information that the county possessed and/or had access. Historically, all insurance coverage/contact work was completed by county personnel allegedly acting on behalf of the agency. Management will ensure that in the future, this agency will check and double check with the private insurer to ascertain that all coverable agency assets are properly insured. Management has also made contact with County Human Resources Personnel and will meet to discuss details and proper procedure for determinations of "fringe benefit" vehicles. Management is currently inquiring for available Fleet Management policies to adopt and/or utilize to better help record maintenance, rotation, and budget needs.

Criteria: An important aspect of internal control is the safeguarding of assets, which includes adequate insurance coverage for all county owned property. 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.

IRS Publication 15-B states in part, "A fringe benefit is a form of pay for the performance of services. For example, you provide an employee with a fringe benefit when you allow the employee to use a business vehicle to commute to and from work. If the recipient of a taxable fringe benefit is your employee, the benefit is subject to employment taxes and must be reported on Form W-2, Wage and Tax Statement. The actual value of fringe benefits provided during a calendar year must be determined by January 31 of the following year. You must report the actual value on Forms 941 (or Form 944) and W-2."

Objective 8: Review the Jail logs and Jail expenses for the previous 5 years to present financial summary of costs/expenses of the Jail based on number of inmates in custody.

Conclusion: With respect to the items tested, the Sheriff's internal controls do not provide reasonable assurance of the accuracy of inmates in custody or the accuracy of the financial summary of costs/expenses based on the number of inmates. The Sheriff did not retain all head count sheets or set incarceration rates during our audit period. Further, the Sheriff is allowing the Inmate Medical Care provider to generate the

**CLEVELAND COUNTY SHERIFF'S OFFICE
OPERATIONAL AUDIT
FOR THE PERIOD OF JULY 1, 2011 THROUGH JUNE 30, 2016**

daily count report to be used for inmate medical billing. Additionally, the Sheriff has not set an inmate incarceration rate for determining the total cost per inmate per day since February 2013.

A financial summary of costs/expenses of the jail based on number of inmates in custody could not be presented because the Sheriff did not have procedures in place to prepare and retain these records.

FINDINGS AND RECOMMENDATIONS

Finding 12 - Inadequate Internal Controls Over the Inmate Head Count Records and Noncompliance with State Statute

Condition: Upon inquiry of Sheriff's office and observation of the inmate head count records from the Cleveland County Detention Center the following was noted:

- The Detention Center was unable to provide all documents for inmate head counts for the audit period, as the system software was not working properly. This resulted in being overcharged for medical services in the amount of \$162,517. Further, this could have resulted in loss of revenue for the housing of prisoners.
- OSAI was unable to obtain all of the shift change headcount sheets requested.
- Documentation of inmate headcounts were not maintained for the audit period.
- The Detention Center software was unable to provide an accurate count of inmates or identify the agency for which the inmate was being housed.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure the daily inmate headcounts have been recorded correctly. Furthermore, there is no evidence of any review for accuracy during the headcount process at the Detention Center.

Effect of Condition: These conditions resulted in overpayment for medical services at the Detention Center and proper documentation was not retained regarding inmate incarceration. Furthermore, these conditions could result in not being able to locate or account for inmates.

Recommendation: OSAI recommends that the Cleveland County Sheriff's Office design and implement policies and procedures to ensure that all headcounts are done timely and reviewed for accuracy, and all records are kept in accordance with state statute.

Management Response:

Chairman of the BOCC: The BOCC concurs with the findings and recommendations of the OSAI office concerning Sheriff Lester's violation of 19 O.S. § 517.1 and are gravely concerned with the apparent gross mismanagement and internal controls over the inmate head count records. Further, the BOCC is specifically concerned with the welfare and safety of the citizens of Cleveland County due to Sheriff Lester's office's failure to design and implement policies and procedures to account for and locate all inmates.

Sheriff: That correction was implemented during the course of the audit. The agency is following the recommendations provided by OSAI. The current computer software system in place at the Detention Center is no longer capable of being upgraded, updated, modified, or extended by the designing company. A new company has purchased the original designer of the software and has ceased any advances in its

**CLEVELAND COUNTY SHERIFF'S OFFICE
OPERATIONAL AUDIT
FOR THE PERIOD OF JULY 1, 2011 THROUGH JUNE 30, 2016**

design. The new company only provides maintenance on the existing software. New replacement software was cost prohibitive in the last two budget years, and appears to be very expensive in the future. This has created an inability for Detention personnel to get an accurate inmate count simply from utilizing the computer software. Management at the jail created a checks and balance system for headcount utilizing the software system, headcount sheets completed by each shift, e-mail pass down logs, and recorded files, to ensure each headcount is true and correct. The agency sought and received reimbursement for medical overpayments to the extent allowable. Management has also instituted a system of reporting an accurate headcount to the Medical Services provider which no longer relies on any element of the software system. Detention management is insuring that headcounts are done timely, and all records are being kept in accordance with the statute.

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 information, 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.

Title 19 O.S. § 517.1 states, "The governing body of each county may establish a length of time for the county to keep departmental records and authorize the sheriff to properly dispose of or convert to microfilm or a similar medium all records not specifically addressed in other statutes. Such records shall be kept for a minimum of seven (7) years; provided, however, if the sheriff is the sole source for such records, the records shall be kept for a minimum of seven (7) years."

Finding 13 - Inadequate Internal Controls Over Inmate Incarceration Fees and Collections and Noncompliance with State Statute

Condition: During observation and procedures performed, we noted the Sheriff's office has not set an inmate incarceration rate for determining the total cost per inmate per day since February 2013. The Sheriff's office utilized the date range of February 2012 through January 2013 for the calculation instead of calculating the rate based on the normal County fiscal year which is from July through June.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure the daily cost of incarceration rate are being updated annually and that inmates confined in the county jail are billed for incarceration fees.

Effect of Condition: This condition resulted in noncompliance with state statutes and could result in the County not charging the correct rate to offset expenditures created by housing inmates in the Detention Center.

Recommendation: OSAI recommends the Sheriff calculate annually the daily cost of incarceration rate and implementing procedures to comply with collections stated in Title 22 O.S. § 979a. and Oklahoma Court of Criminal Appeals Case 2002 OK CR 8 ¶ 10(2) which defines calculating the incarceration rate annually.

**CLEVELAND COUNTY SHERIFF'S OFFICE
OPERATIONAL AUDIT
FOR THE PERIOD OF JULY 1, 2011 THROUGH JUNE 30, 2016**

Management Response:

Chairman of the BOCC: The BOCC concurs with the findings and recommendations of the OSAI office concerning Sheriff Lester's violation of 22 O.S. § 979a and are gravely concerned with the apparent gross mismanagement and lack of internal controls over inmate incarceration fees and collections by Sheriff Lester's office. It should be noted that the County has requested, on numerous occasions, that the office of Sheriff Lester conduct a hearing with the court to determine the average daily cost of incarceration in the Cleveland County Jail in compliance with the opinion of the Court of Criminal Appeals in 2002 OK CR ¶ 10 (2).

Sheriff: That correction is being implemented. The agency is following the recommendations provided by OSAI. Management hired a Detention expert to examine its Inmate Incarceration rate in 2016 and it was reported to the agency that the daily cost of incarceration currently being charged was accurate and proper. Management is now aware that it must calculate its cost of incarceration rate annually, using a July through June fiscal criteria as its guide, and report same to the District Court and the Board of County Commissioners. Management is implementing that change at this time.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. An important aspect of internal controls is the safeguarding of assets. 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 22 O.S. § 979a states in part: ... The court shall require a person who is actually received into custody at a jail facility or who is confined in a city or county jail or holding facility, for any offense, to pay the jail facility or holding facility the costs of incarceration, both before and after conviction, upon conviction or receiving a deferred sentence. The costs of incarceration shall be collected by the clerk of the court as provided for collection of other costs and fines, which shall be subject to review under the procedures set forth in Section VIII of the Rules of the Oklahoma Court of Criminal Appeals, Chapter 18, Appendix of this title. Costs of incarceration shall include booking, receiving and processing out, housing, food, clothing, medical care, dental care, and psychiatric services. The costs for incarceration shall be an amount equal to the actual cost of the services and shall be determined by the chief of police for city jails and holding facilities, by the county sheriff for county jails or by contract amount, if applicable. In the event a person requires emergency medical treatment for an injury or condition that threatens life or threatens the loss or use of a limb prior to being actually received into the custody of any jail facility, the provisions of Section 533 of Title 21 of the Oklahoma Statutes shall apply to taking custody, medical care and cost responsibility. The cost of incarceration shall be paid by the court clerk, when collected, to the municipality, holding facility, county or other public entity responsible for the operation of such facility where the person was held at any time.

According to Oklahoma Court of Criminal Appeals Case 2002 OK CR 8 ¶ 10(2), all counties shall hold a hearing with the sheriff to determine the average daily cost of incarceration in the particular jail, and shall issue an administrative order promulgating this information. This order shall be made readily available in each county and shall be updated annually.

**CLEVELAND COUNTY SHERIFF'S OFFICE
OPERATIONAL AUDIT
FOR THE PERIOD OF JULY 1, 2011 THROUGH JUNE 30, 2016**

Objective 9: Review the financial operations of the Jail to determine that steps were made to contract expenditures of the Jail in conjunction with contractions of revenue sources.

Conclusion: With respect to the items tested, the Sheriff's internal controls did not provide reasonable assurance that expenditures are contracted in conjunction with revenue contracts within the Sheriff Revolving Fund. The revenue of the Sheriff Revolving Fund is received from state and local government agreements and contracts for the housing of prisoners and the expenditures are to be used to offset those costs. However, we noted expenditures from this fund were used for general operations of the Sheriff's office. According to state statute, only the *surplus* from the Revolving Fund can be used for operations. While the Sheriff has maintained the office has not been properly funded and no records were provided to substantiate a surplus, beginning July 1, 2013, accounts were created within this fund to provide for general operations of the Sheriff's office.

FINDINGS AND RECOMMENDATIONS

Finding 15 - Inadequate Internal Controls and Noncompliance Over Sheriff Revolving Fund

Condition: During observation and testwork of the Sheriff Revolving Fund, it was noted that expenses for the general operations of the Sheriff's office were disbursed from the Revolving Fund as follows:

Description	FY12	FY13	FY14	FY15	FY16	FY17
Revolving Office	\$ -	\$590,412.89	\$283,562.29	\$594,431.90	\$24,153.52	\$8,078.90
Revolving Jail	\$ -	\$323,658.59	\$1,566,721.27	\$1,019,417.41	\$690,314.33	\$854,984.34
Revolving Total	\$533,695.52	\$914,071.48	\$1,850,283.56	\$1,613,849.31	\$714,467.85	\$863,063.24
Office Percentage	*	65%	15%	37%	3%	1%

*Note: Jail and Office expenses were not broken out within this fund until FY 13.

Cause of Condition: Policies and procedures have not been designed and implemented to determine that jail obligations are met and that there is a surplus in the Sheriff Revolving Fund before using it for the general operations of the Sheriff's office.

Effect of Condition: This condition appears to have resulted in noncompliance with state statute.

Recommendation: OSAI recommends that the Cleveland County Sheriff's Office design and implement policies and procedures to determine if a surplus exists in the Sheriff Revolving Fund before expending funds for general operations of the Sheriff's office.

**CLEVELAND COUNTY SHERIFF'S OFFICE
OPERATIONAL AUDIT
FOR THE PERIOD OF JULY 1, 2011 THROUGH JUNE 30, 2016**

Management Response:

Chairman of the BOCC: The BOCC concurs with the findings and recommendations of the OSAI office concerning Sheriff Lester's violation of 19 O.S. § 180.43 and are gravely concerned with the apparent gross mismanagement and lack of internal controls over the revolving fund by Sheriff Lester's office.

Sheriff: The Sheriff and/or the agency cannot respond to this finding at this time due to pending litigation between Sheriff Lester and the Cleveland County Board of County Commissioners.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. An important aspect of internal controls is the safeguarding of assets. 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. § 180.43 states in part, "A. Each county sheriff may contract with the Department of Justice of the United States of America, the Department of Corrections, or any municipality of this state for the feeding, care, housing, and upkeep of federal, state, or municipal prisoners, or alien detainees incarcerated in the county jail. Any funds received pursuant to said contract shall be the funds of the county where the federal, state, or municipal prisoners, or alien detainees are incarcerated and shall be deposited in a separate revolving fund with the county treasurer. All purchases made pursuant to the provisions of this subsection shall be made pursuant to the purchasing procedures specified in Sections 1500 through 1507 of this title, including the use of blanket purchase orders as provided for in Section 310.8 of Title 62 of the Oklahoma Statutes. The sheriff shall be permitted to expend any **surplus** in the revolving fund for administering expenses for salaries, training, equipment, or travel, or for capital expenditures."

All Objectives:

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

Finding 16 - Inadequate Office - Wide Controls

Condition: Through the process of gaining an understanding of the Sheriff's office internal control structure, it was noted that office-wide controls regarding Control Environment, Risk Assessment, Information and Communication, and Monitoring have not been designed.

Cause of Condition: Policies and procedures have not been designed and implemented to address risks of the Sheriff's office.

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

**CLEVELAND COUNTY SHERIFF'S OFFICE
OPERATIONAL AUDIT
FOR THE PERIOD OF JULY 1, 2011 THROUGH JUNE 30, 2016**

Recommendation: OSAI recommends that the Sheriff's office design procedures to document their internal control framework. This documentation should outline the importance of internal controls, the risk that have been identified, the control activities established to address the risk, the steps to take to properly communicate pertinent information in a timely manner and the methodology to monitor the quality of performance over time. identify and address risks. OSAI also recommends that the Sheriff's office design monitoring procedures to assess the quality of performance over time.

OSAI recommends the Sheriff's office design and implement a system of office-wide procedures to identify and address risks related to financial reporting and to ensure that information is communicated effectively. OSAI also recommends the Sheriff design monitoring procedures to assess the quality of performance over time. These procedures should be written policies and procedures and could be included in the County's policies and procedures handbook.

Management Response:

Chairman of the BOCC: The BOCC concurs with the findings and recommendations of the OSAI office concerning Sheriff Lester's failure to develop office-wide controls and are gravely concerned with the risks presented by this failure.

Sheriff: The Sheriff and/or the agency cannot respond to this finding at this time due to pending litigation between Sheriff Lester and the Cleveland County Board of County Commissioners.

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. Management is responsible for designing an internal control system comprised of Risk Assessment and Monitoring for the achievement of these goals.

Risk Assessment is a component of internal control which should provide for an assessment of risks 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.

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.

**CLEVELAND COUNTY SHERIFF'S OFFICE
OPERATIONAL AUDIT
FOR THE PERIOD OF JULY 1, 2011 THROUGH JUNE 30, 2016**

Other Item(s) Noted:

Although not considered significant to the audit objectives, we feel the following issue(s) should be communicated to management.

Finding 11 - Inadequate Internal Controls Over Donations

Condition: During observation and inquiry, the following was noted:

- During fiscal year 2011, a Kingfisher Cooker/Smoker was donated to the Cleveland County Sheriff's Office which was not approved by the Board of County Commissioners. The inventory records do not reflect a value of the smoker however, a letter from the Sheriff's office to the donor states the smoker at a value of \$12,000.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure all donations made to the County are accepted and approved by the Board of County Commissioners. Also, procedures have not been implemented to ensure all County assets are listed on an inventory list and filed with the County Clerk.

Effect of Condition: These conditions resulted in noncompliance with state statutes, inaccurate records, and incomplete information.

Recommendation: OSAI recommends all donations to the County received by the Sheriff's office shall be accepted by the Board of County Commissioners and the dollar value of the donation be reflected in the inventory records in accordance with 60 O.S. § 390. OSAI further recommends that the Sheriff's office document and file with the County Clerk all assets in possession as required by Title 19 O.S. § 178.2. All donations should be treated as though these items were purchased with County Funds and used for County functions only.

Management Response:

Chairman of the BOCC: The BOCC concurs with the findings and recommendations of the OSAI office concerning Sheriff Lester's violation of 60 O.S. § 390 and 19 O.S. § 178.2 and are gravely concerned with Sheriff Lester's apparent gross mismanagement and lack of internal controls over donations to his office.

Sheriff: That correction was implemented during the course of the audit. The agency is following the recommendations provided by OSAI. The Sheriff was notified by a citizen of their desire to donate a Cooker/Smoker to the Sheriff's office. It was the Sheriff's intention to utilize the Cooker/Smoker for the jail in the event equipment failed in the kitchen. While the agency prepared a letter for the citizen providing acknowledgment of the donation, agency clerk's never docketed the donation for the Board of County Commissioners agenda to be voted upon and approved. Although the inventory control clerk placed the item on the agency inventory, the Board of County Commissioners was unaware of the donation. Management has taken steps to ensure that no item being donated to this agency is possessed, used or placed into work status until it has been docketed on the Board of County Commissioners Agenda, voted on and approved. Management is also insuring that a dollar value is clearly marked in association with the donation at all phases of the transaction for clarity.

**CLEVELAND COUNTY SHERIFF'S OFFICE
OPERATIONAL AUDIT
FOR THE PERIOD OF JULY 1, 2011 THROUGH JUNE 30, 2016**

Criteria: An important aspect of internal controls is the safeguarding of assets. Internal controls 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 acquisition, use or disposition of fixed assets, and safeguarding items from loss, damage, or misappropriation.

Title 60 O.S. § 390 states, "The board of county commissioners of each county of the state, as to such county, and the governing board of each city, town and school district of the state, as to each such governmental subdivision, is hereby authorized in its discretion to accept, upon behalf of such county, city, town or school district, any gift, testamentary or otherwise, whether unconditional or conditional, of any property, whether real or personal or both, to such county, city, town, or school district, or any institution, department or agency thereof; and, in such instances, the property, or, in the case of real property or intangible personal property, the muniments of title thereto, shall be delivered to, and any necessary receipts therefore shall be executed by, such board."

Title 19 O.S. § 178.2 states, "It shall be and is hereby made the duty of every county officer, board, commission, or department, and by record directive of the board of county commissioners may be made the duty of any employee of the board of county commissioners subject to summary discharge and removal by the board, to conform in all respects and be amenable to all uniform resolutions adopted by their respective boards of county commissioners directing the taking, recording, maintaining and reporting inventories of properties in their respective custody in accordance with the provisions of this act. 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.

Finding 18 - Inadequate Internal Controls and Noncompliance Over Inmate Trust Fund Checking Account and Sheriff Commissary Fund (Repeat Finding)

Condition: We noted the following weaknesses/deficiencies regarding the Inmate Trust Fund Checking Account and Sheriff Commissary Fund:

- OSAI has included reportable findings in each of their audit reports for the Cleveland County Sheriff not reconciling the Inmate Trust Checking Account dating back to 2004.
- Jail bookkeeping personnel does not understand all aspects of the Inmate Trust reconciliation process; allowing the vendor to adjust and make reconciling items to the monthly reconciliation.
- Inmate expenses (Commissary purchases, medical, phone cards, etc.) were not timely transferred to the Commissary Fund. As of May 22, 2017, the amount still not transferred was \$140,130.43 of Commissary purchases, and an additional \$18,548.75 for other inmate expenses.
- One employee receipts monies, prepares deposits, posts deposits, controls bank statements, prepares disbursements, prints checks, has administrative rights to software program, and performs the reconciliation for the Inmate Trust Fund Checking Account.
- Bank reconciliations are not timely performed and the inmate trust ledgers have not been reconciled to the bank account. Additionally, as of January 31, 2017, the Trust Fund bank account had an insufficient fund balance of \$16,499.33 and as of March 21, 2017, had an insufficient fund balance of \$20,829.24 after changed bank accounts due to new commissary vendor.
- Upon further review of the Inmate Trust Fund the following was noted:
 - There is no policy or procedure regarding unclaimed funds.

**CLEVELAND COUNTY SHERIFF'S OFFICE
OPERATIONAL AUDIT
FOR THE PERIOD OF JULY 1, 2011 THROUGH JUNE 30, 2016**

- Establish unclaimed property procedures for checks that are outstanding more than six (6) months.
- Inmate trust fund ledger indicated seventy-eight (78) released inmates still had a balance on the ledger even though a check cleared the bank with the same amount as the balance for a total of \$2,422.86.
- Three (3) inmates received two separate checks for the same amount both equaling the balance on the ledger, for a total of \$229.80.
- Two (2) fraudulent electronic transactions with no notifications to the appropriate authority in the amount of \$1,066.56.
- Police reports were filed three times due to fraudulent activity for a total amount of \$4,383.87 with no restitution being received.
- Journal entries are used when bank statements are being reconciled for unknown variances and without verifying the amount to the Inmate Trust Fund Ledger.
- Collections were not deposited into the Inmate Trust Fund Checking Account on a daily basis.
- Out of 100% of disbursements tested:
 - Three (3) checks only had one signature.
 - Three (3) checks were not signed.
 - Two (2) checks were written to someone other than the inmate or Commissary Fund.
 - Two (2) checks written to the Commissary Fund could not be traced to a deposit within the Commissary Fund.
 - Disbursements issued by debit cards are not monitored, they can be authorized by one employee, all employees have authority to issue, and debit card transactions are not reviewed or reconciled to the inmate trust ledgers.
- The County Sheriff's office does not file an annual report for the Sheriff Commissary Fund with the Board of County Commissioners as required by state statute.

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

Effect of Condition: The condition resulted in noncompliance with state statutes and an insufficient fund balance within the Inmate Trust bank account of \$20,391.69. In addition, 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 following:

- 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.
- 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 should be performed on a monthly basis.
- All collections should be deposited daily.
- All checks from the Inmate Trust Fund Checking Account must have two (2) authorized signatures.
- Expenditures are to be made from the Inmate Trust Fund Checking Account in accordance with Title 19 O.S. § 531 A.

**CLEVELAND COUNTY SHERIFF'S OFFICE
OPERATIONAL AUDIT
FOR THE PERIOD OF JULY 1, 2011 THROUGH JUNE 30, 2016**

- The Sheriff should file a report of the commissary with the County Commissioners by January 15th, of each year in accordance with Title 19 O.S. § 180.43.

Management Response:

Chairman of the BOCC: The BOCC concurs with the findings and recommendations of the OSAI office concerning Sheriff Lester's violation of 19 O.S. §§ 531A and 180.43 and are gravely concerned with the apparent gross mismanagement and lack of internal controls over the inmate trust fund checking account and the Commissary Fund by Sheriff Lester's office.

Sheriff: That correction was implemented during the course of the audit. The agency is following the recommendations provided by OSAI. The agency was made aware of the issue by Republic Bank in late February 2017. After initial queries by this agency to ascertain what discrepancy had occurred, the agency immediately requested assistance and an investigation in March 2017 from OSAI and OSBI. The agency personnel assigned at the Detention Center worked with OSAI and OSBI personnel as well as agency investigators to track the loss. Suspects were identified for a small portion of the potential loss and are being pursued by OSBI. The remaining financial discrepancies were tracked back to years preceding and during Sheriff Lester's terms of office. The agency Detention personnel are still working to check and double check inmate trust fund account checks from years past with the bank. The agency has and will follow all of OSAI's recommendations and suggestions regarding key duties and responsibilities, segregation of duties, segregation of individuals to reduce risk and error, maintaining monies in a manner reflecting deposits, disbursements and account balances and reconciliation being performed weekly and monthly. The agency has and will continue to be vigilant in timely deposits and being in compliance with state statutes. The agency has hired a Detention Clerk with an employment history in financial record keeping to ensure expertise and clarity in this account and to ensure a two person checks and balances system is present, with neither party holding complete authority over the account.

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. § 531 A. states in part, "...the county sheriff may establish a checking account, to be designated the "Inmate Trust Fund Checking Account." The county sheriff shall deposit all monies collected from inmates incarcerated in the county jail into this checking account and may write checks to the Sheriff's Commissary Account for purchases made by the inmate during his or her incarceration and to the inmate from unencumbered balances due the inmate upon his or her discharge."

Title 19 O.S. § 180.43 D. states in part, "...Any funds received pursuant to said operations shall be the funds of the county where the persons 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,

**CLEVELAND COUNTY SHERIFF'S OFFICE
OPERATIONAL AUDIT
FOR THE PERIOD OF JULY 1, 2011 THROUGH JUNE 30, 2016**

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

Title 22 O.S. § 1325(F, H) states, “F. A sheriff's office having in its possession money or legal tender under the circumstances provided in subsection A of this section, prior to appropriating the same for deposit into a special fund, shall file an application in the district court of its county requesting the court to enter an order authorizing it to so appropriate the money for deposit in the special fund. The application shall describe the money or legal tender, together with serial numbers, if any, the date the same came into the possession of the sheriff's office or campus police agency, and the name and address of the owner, if known. Upon filing, the application, which may be joined with an application as described in subsection C of this section, shall be set for hearing not less than ten (10) days nor more than twenty (20) days from the filing thereof, and notice of the hearing shall be given as provided in subsection D of this section. The notice shall state that, upon no one appearing to prove ownership to the money or legal tender, the same will be ordered by the court to be deposited in the special fund by the sheriff's office or campus police agency. The notice may be combined with a notice to sell personal property as set forth in subsection D of this section. At the hearing, if no one appears to claim and prove ownership to the money or legal tender, the court shall order the same to be deposited by the sheriff's office or campus police agency in the special fund, as provided in subsection H of this section.

H. The money received from the sale of personal property as above provided, after payment of the court costs and other expenses, if any, together with all money in possession of the sheriff's office or campus police agency, which has been ordered by the court to be deposited in the special fund, shall be deposited in such fund which shall be separately maintained by the sheriff's office in a special fund with the county treasurer or campus police agency to be expended upon the approval of the sheriff or head of the campus police agency for the purchase of equipment, materials or supplies that may be used in crime prevention, education, training or programming. The fund or any portion of it may be expended in paying the expenses of the sheriff or any duly authorized deputy or employee of the campus police agency to attend law enforcement or public safety training courses which are conducted by the Oklahoma Council on Law Enforcement Education and Training (CLEET) or other certified trainers, providers, or agencies.”

Finding 19 - Noncompliance with State Statutes Over Hiring Outside Counsel and Creating Debt Towards the County

Condition: The Sheriff's office did not follow the state statute for hiring outside counsel to represent him in a lawsuit filed against the Cleveland County Board of Commissioners on March 23, 2017. We noted the following concerns:

Sheriff Lester signed an agreement with the Denton Law Firm on December 13, 2016 which in turn created a debt towards the Sheriff's office. The fees agreed to in the contract were \$250 per hour for all attorney time, \$90 per hour for all legal assistant time, and \$100 per hour for all licensed legal intern time. The first

**CLEVELAND COUNTY SHERIFF'S OFFICE
OPERATIONAL AUDIT
FOR THE PERIOD OF JULY 1, 2011 THROUGH JUNE 30, 2016**

invoice submitted to the BOCC for payment by the Sheriff's office was struck due to the County not having a contract and proper procedures followed by the Sheriff to hire outside counsel. The Sheriff's office received an approval letter dated June 19, 2017 from the Attorney General's Office authorizing the Sheriff to hire outside legal counsel since the Cleveland County District Attorney's office had recused their office from the case. The letter clearly states "*until the date of this letter you had no authority to hire such counsel and incur such debt to your office or your county.*"

Upon receiving the letter from the Attorney General's Office, the Sheriff renegotiated and signed an agreement with the Denton Law firm on June 27, 2017. The fee then increased for the lead attorney from \$250 per hour to \$350 per hour and the new increased rate is reflected in the invoice submitted for payment. The invoice details the fees incurred from June 19, 2017 through July 20, 2017 in the amount of \$7,502.16. However, the invoice also shows the debt that was incurred by the Sheriff in the previous balance category totaling \$19,529.57.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure the County Sheriff's process of hiring outside counsel to represent him are conducted in an effective and efficient manner in accordance with state statutes. Additionally, policies and procedures are not being followed to ensure the Sheriff does not create a debt towards the County.

Effect of Condition: These conditions resulted in the Sheriff potentially obligating the County for a debt that was not properly encumbered and resulted in noncompliance with state statutes.

Recommendation: OSAI recommends the County Sheriff implement policies and procedures to ensure state statutes are followed regarding hiring outside legal counsel and all contract balances are properly approved and encumbered at the time of the contract to ensure a debt is not created to County.

Management Response:

Chairman of the BOCC: The BOCC concurs with the findings and recommendations of the OSAI office concerning Sheriff Lester's willful violation of 19 O.S. § 528 and 62 O.S. §§ 310.2 and 310.4 and are gravely concerned that these violations create unauthorized debt towards the County.

Sheriff: The Sheriff and/or the agency cannot respond to this finding at this time due to pending litigation between Sheriff Lester and the Cleveland County Board of County Commissioners.

Criteria: Title 19 O.S. § 528 states "Upon the recommendation of the Attorney General, the sheriff of any county shall have the authority to employ an attorney to represent the sheriff and the office of the sheriff in the performance of the official duties of that office. The authority to employ an attorney shall be limited to those situations or cases where the district attorney of the same county as the sheriff has been disqualified or removed from the case. The fees for employing an attorney may be paid from unrestricted funds within the budget of the sheriff or the sheriff may request that the budget authority of the county appropriate funds from the county general fund, if such funds are available, for the purpose of paying such fees."

Title 62 O.S. § 310.2 states in part, "...The amount and purpose of each purchase order or contract shall be charged against the appropriation as made by the excise board or governing body at the time purchase is made or contract let and the balance in the appropriation account after such charges are deducted shall constitute the unencumbered balance available..."

**CLEVELAND COUNTY SHERIFF'S OFFICE
OPERATIONAL AUDIT
FOR THE PERIOD OF JULY 1, 2011 THROUGH JUNE 30, 2016**

Title 62 O.S. § 310.4 states in part, "...All unencumbered balances, if any, as shown by the officer charged with keeping the appropriation and expenditure records of the county, city, or town on hand at the close of day June 30, may remain as a credit for said fiscal year up to the close of day September 30, next. Said officer charged with keeping the appropriation and expenditure records of the county, city, or town shall at any time during the month of July advertise in a newspaper of general circulation in the county and shall cause to be published for two (2) consecutive times if in a daily newspaper and once if in a weekly newspaper. Provided this act shall not be so construed to allow the incurring of a new indebtedness after June 30 chargeable to the appropriation account of the immediately preceding fiscal year..."

Finding 20 - Lack of Internal Controls Regarding Awarding Contracts

Condition: Upon inquiry of Sheriff's office and observation of contracts within the Sheriff's office, we noted the following contract for inmate food and commissary services was awarded from the Bid Packet; however, a formal contract was never signed defining the terms agreed to by both the County and the vendor.

Cause of Condition: Policies and procedures are not being followed to ensure a formal contract agreement is agreed to by both the County and vendor. In addition, although bids were submitted for inmate food and commissary services and approved by the Board of County Commissioners and the District Attorney, a formal contract was not signed.

Effect of Condition: This condition resulted in not having a signed contract which could result in unallowable costs being charged to the County.

Recommendation: OSAI recommends that the County design and implement proper procedures to award and approve contracts and ensure the contracts are reviewed by the District Attorney's Office and approved by the Board of County Commissioners. We further recommend the County design a policy to ensure all contracts, including large professional services contracts, be bid and awarded in open meeting for better transparency.

Management Response:

Chairman of the BOCC: The BOCC concurs with the findings and recommendations of the OSAI office. The County is currently taking steps to ensure that large professional service contracts be bid and awarded efficiently and transparently.

Sheriff: That correction was implemented prior to and during the course of the audit. The agency is following the recommendations provided by OSAI. The agency worked with the County Purchasing office and the District Attorney's office to prepare the bid specifications for Food Service and Commissary Services for the Detention Center. That upon approval from both parties above, the Purchasing office placed these services out for Bid to the public. That upon the bid being awarded to the current Food and Commissary Service provider, and upon this audit occurring, the agency was notified that the County should have required the agency to have a "contract" in place with the Food and Commissary Service provider for the Detention Center. That since Sheriff Lester has been in office, this agency has requested many bid proposals be placed open to the public and many bid proposals have been awarded by the Board of County Commissioners. The agency has been the requesting party for services in these bid proposals, has been

**CLEVELAND COUNTY SHERIFF'S OFFICE
OPERATIONAL AUDIT
FOR THE PERIOD OF JULY 1, 2011 THROUGH JUNE 30, 2016**

involved in the processes, has set bid specifications for the particular service needed in conjunction with the County Purchasing office, has reviewed bid proposals, selected bidders that appear to be the best service provider for the Citizens of Cleveland County, and have requested those bidders be awarded the bid. This agency has never had a contract with any service provider from a bid process and was always told by the County Purchasing office that “the bid is the contract”. Upon learning of this discrepancy from OSAI, management reached out to the current Food and Commissary Service provider as well as County Purchasing, and has requested that the Food and Commissary Service provider began working on a contract and provide it to the agency. The agency will stay in touch with the provider, encourage and motivate the provider to complete same, and cooperate with county Purchasing to ensure this contract is completed in a quick and reasonable amount of time. From this point forward this agency will ensure that any and all awarded bids will be followed by a required contract that will be completed and docketed before the Board of County Commissioners.

Criteria: Accountability and stewardship should be overall goals in management’s accounting of county funds. Internal controls should be designed to monitor compliance with laws and state statutes pertaining to contracts.

Title 19 O.S. § 1501(A)(3)(i) states in part, “purchases of food for prisoners incarcerated in the county jail; provided, in counties having a population in excess of one hundred thousand (100,000) persons, the county purchasing agent shall follow bidding procedures as provided by law unless the county purchasing agent obtains telephone quotes pursuant to the whole total of food items requisitioned prior to the purchase and the lowest and best quote is selected. Documentation of these quotes shall be recorded in the permanent records of the county clerk,”



OFFICE OF THE STATE AUDITOR & INSPECTOR
2300 N. LINCOLN BOULEVARD, ROOM 100
OKLAHOMA CITY, OK 73105-4896

WWW.SAI.OK.GOV