

OPERATIONAL AUDIT

CRAIG COUNTY

For the fiscal year ended June 30, 2015



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



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

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

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Oklahoma State Auditor & Inspector

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

October 11, 2018

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

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

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

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

Sincerely,

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

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

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

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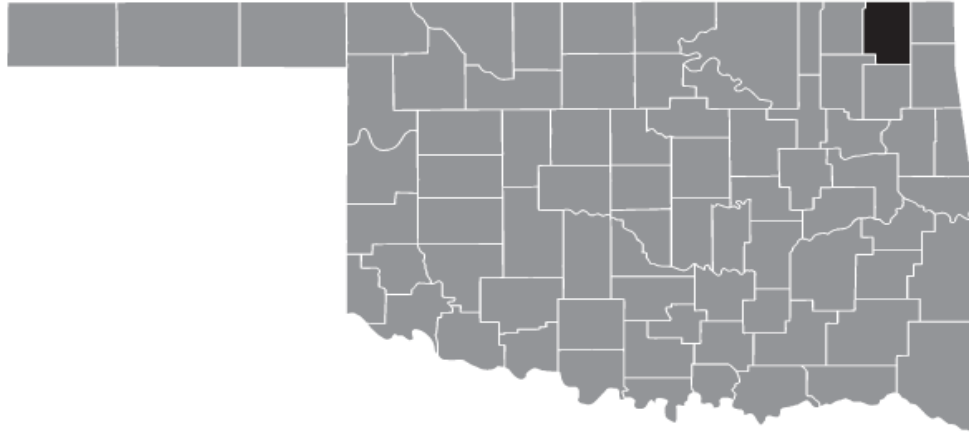
ITEM OF INTEREST

On May 11, 2010, the voters of Craig County approved to extend and renew the three-fourths of one percent (3/4 %) sales tax set to expire on January 1, 2023 until July 1, 2040. The purpose of the extended sales tax is to pay for acquiring, constructing, equipping, repairing, renovating, operating, and maintaining County community center facilities of Craig County, Oklahoma; to pay the principal and interest on indebtedness incurred on behalf of said County by the Craig County Governmental Building Authority for such purpose.

(Pg. v)

INTRODUCTORY SECTION
UNAUDITED INFORMATION ON PAGES ii - viii
PRESENTED FOR INFORMATIONAL PURPOSES ONLY

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



Created at statehood and named for Granville Craig, a prominent Cherokee, this area was part of the Cherokee Nation. The area was only sparsely settled until after the Civil War when a few scattered Cherokees made their homes in the region. Every three years the Battle of Cabin Creek Reenactment takes place; the next event will be Fall 2010.

Vinita, the county seat, was once called both Downingville and The Junction and was established in 1891 at the junction of the Missouri, Kansas, and Texas Railroad (KATY) and the Atlantic and Pacific Railroad, (later the Frisco), the first rail lines to enter Oklahoma.

Craig County has long been a livestock producing area with cattle ranchers located throughout. The industrial base of Vinita has been expanded to include everything from the manufacturing of towers to micro connectors. As headquarters of the Grand River Dam Authority, Craig County is also the site of the Kansas, Arkansas, Oklahoma Electric Power Distributor, and the Northeast Oklahoma Electric Cooperative.

Annual events include the original Will Rogers Memorial Rodeo in August, the Calf Fry Festival in September, and Oktoberfest.

The Craig County Book and others offer more information, or call the county clerk's office at 918/256-2507.

County Seat – Vinita

Area – 762.71 Square Miles

County Population – 14,582
(2014 est.)

Farms – 1,263

Land in Farms – 462,205 Acres

Primary Source: Oklahoma Almanac 2015-2016

Board of County Commissioners

District 1 – Lowell Walker
District 2 – Hugh Gordon
District 3 – Dan Peetoom

County Assessor

Kelli Beisly-Minson

County Clerk

Tammy Malone

County Sheriff

Jimmie Sooter

County Treasurer

Lisa Washam

Court Clerk

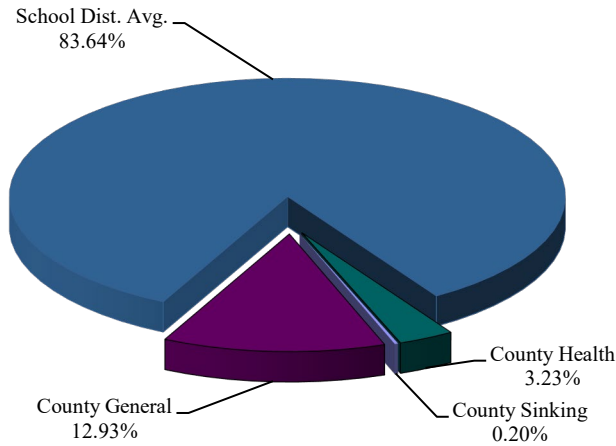
Debbie Mason

District Attorney

Matt Ballard

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

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



County-Wide Millages		School District Millages								
				Gen.	Bldg.	Skg.	EMS	Career Tech.	Common	Total
County General	10.37									
County Health	2.59	White Oak	I-1	38.45	5.49	-	-	11.37	4.15	59.46
County Sinking	0.16	Chelsea (Rogers)	I-3	37.14	5.31	20.20	-	11.37	4.15	78.17
		Ketchum	I-6	36.01	5.14	9.16	-	11.37	4.15	65.83
		Welch	I-17	35.66	5.09	14.68	-	11.37	4.15	70.95
		Bluejacket	I-20	36.99	5.28	12.45	-	11.37	4.15	70.24
		Afton (Ottawa)	I-26	36.82	5.26	-	-	11.37	4.15	57.60
		Vinita	I-65	36.08	5.15	18.57	-	11.37	4.15	75.32
		Cleora (Delaware)	D-6	35.44	5.06	-	3.00	11.37	4.15	59.02

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

Sales Tax

Sales Tax of December 10, 2002

The voters of Craig County approved a one percent (1%) sales tax effective May 11, 2004. One-fourth of one percent (1/4%) sales tax shall be levied until repealed by a majority of the electors of Craig County in an election called for that purpose, and further providing that the remaining three-fourths of one percent (3/4 %) sales tax shall expire and cease to be collected on January 1, 2023. This sales tax was established to pay for acquiring, constructing, equipping, repairing, renovating, operating, and maintaining County courthouse and jail facilities of Craig County, Oklahoma; to pay the principal and interest on indebtedness incurred on behalf of said County by the Craig County Governmental Building Authority for such purpose. These funds are accounted for in the Sales Tax Building Cash Account fund.

Sales Tax of May 11, 2010

The voters of Craig County approved to extend and renew the three-fourths of one percent (3/4 %) sales tax set to expire on January 1, 2023 until July 1, 2040. The purpose of the extended sales tax is to pay for acquiring, constructing, equipping, repairing, renovating, operating, and maintaining County community center facilities of Craig County, Oklahoma; to pay the principal and interest on indebtedness incurred on behalf of said County by the Craig County Governmental Building Authority (Authority) for such purpose.

In the Craig County Governmental Building Authority Sales Tax Revenue Bonds Series 2010, dated September 15, 2010, the Authority incurred indebtedness in the aggregate original principal amount not to exceed \$3,700,000 for the acquiring, constructing, and equipping of county community center facilities and properties in of Craig County, Oklahoma. Payments for this indebtedness will not begin until January 25, 2023, more than twelve (12) years after the debt was incurred resulting in a total of \$13,080,000 in payments made between 2023 and 2040.

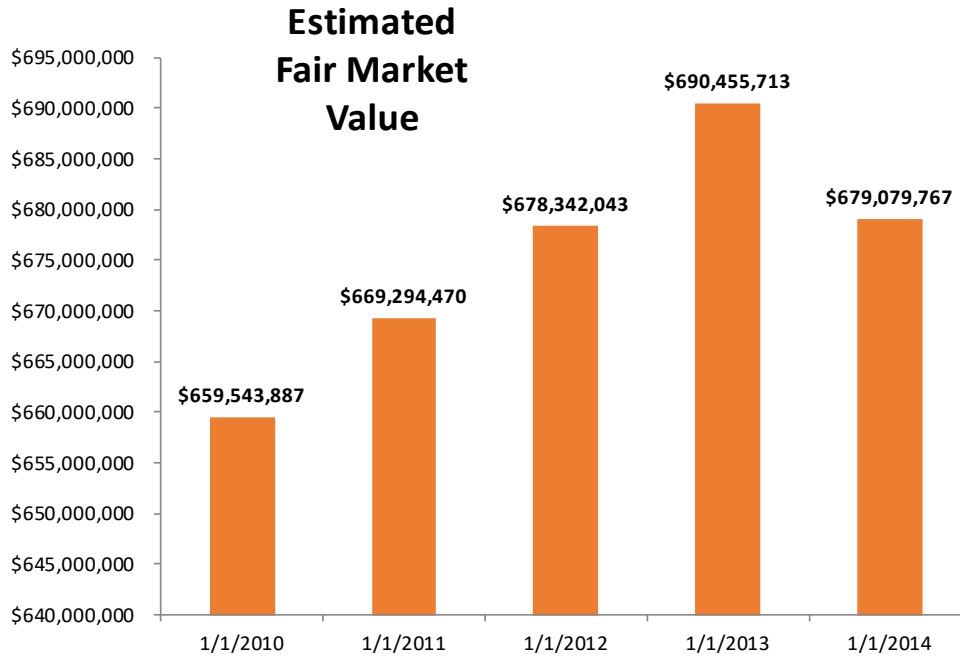
Sales Tax of May 14, 2013

The voters of Craig County approved to extend and renew the one percent (1%) sales tax set to expire on June 30, 2014. This extension is for a five (5) year period beginning July 1, 2014. The revenue of said sales tax is to be designated as follows: county roads in the amount of 62.50%; emergency medical (ambulance) services in the amount of 12.50%; law enforcement in the amount of 10%; and general county operations in the amount of 15%. These funds are accounted for in the County General Fund.

During the fiscal year the County collected \$2,761,255 in total sales tax.

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

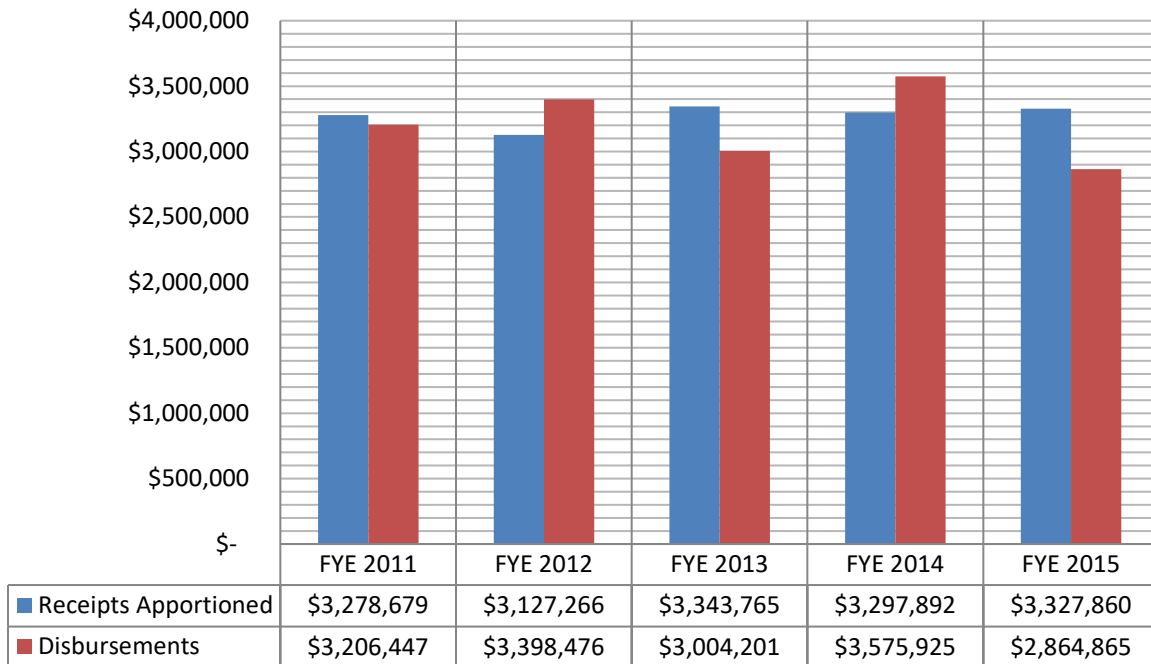
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2014	\$9,623,516	\$13,200,924	\$62,227,846	\$4,037,479	\$81,014,807	\$679,079,767
1/1/2013	\$10,110,226	\$13,025,865	\$60,443,782	\$4,177,466	\$79,402,407	\$690,455,713
1/1/2012	\$8,871,843	\$14,048,654	\$59,231,096	\$4,142,258	\$78,009,335	\$678,342,043
1/1/2011	\$8,590,810	\$13,962,788	\$58,611,015	\$4,195,749	\$76,968,864	\$669,294,470
1/1/2010	\$9,722,632	\$12,425,675	\$57,857,476	\$4,158,236	\$75,847,547	\$659,543,887



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

County General Fund

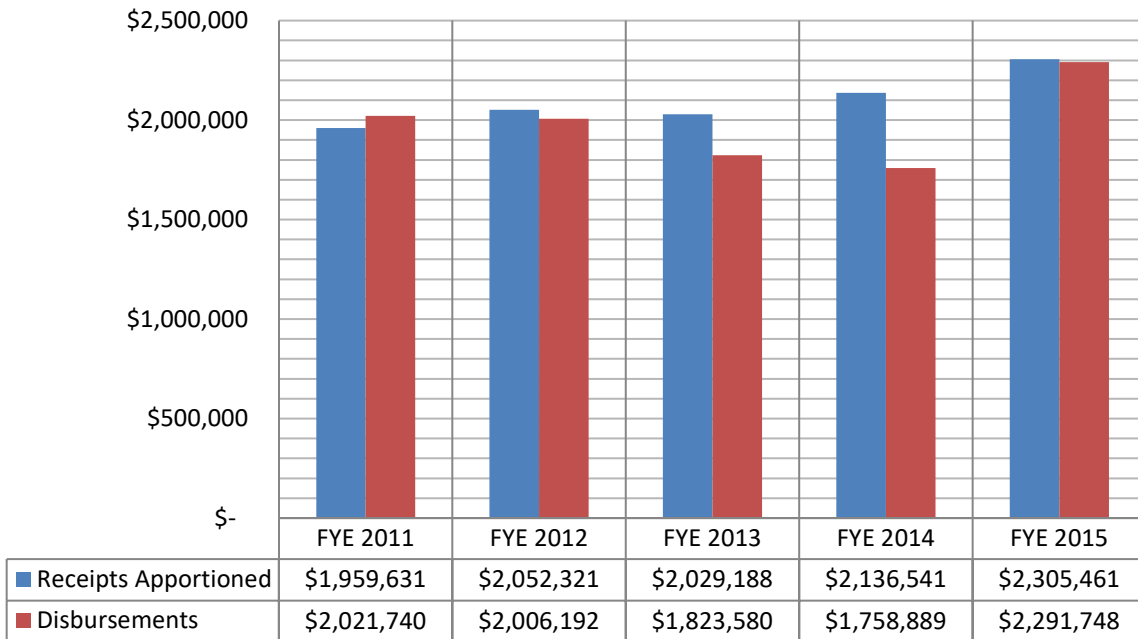
The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the county’s primary source of operating revenue. The County General Fund is typically used for county employees’ salaries plus many expenses for county maintenance and operation. It also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



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

County Highway Fund

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



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

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

	Beginning Cash Balances July 1, 2014	Receipts Apportioned	Transfer In	Transfer Out	Disbursements	Ending Cash Balances June 30, 2015
Combining Information:						
County Funds:						
County General Fund	\$ 946,065	\$ 3,327,860	\$ -	\$ -	\$ 2,864,865	\$ 1,409,060
County Highway Fund	1,351,772	2,305,461	-	-	2,291,748	1,365,485
Sheriff Drug Enforcement	28,632	10,750	-	-	39,270	112
County Health	464,141	484,396	-	-	425,781	522,756
County Sinking	15,332	12,791	-	-	27,776	347
Sales Tax Building Cash Account	136,822	1,380,628	-	-	1,308,515	208,935
Sheriff Service Fee	38,965	188,837	-	-	186,941	40,861
Resale Property	175,393	62,729	7,729	-	52,064	193,787
Assessor Revolving	19,957	2,939	-	-	1,400	21,496
County Clerk Lien Fee	2,500	4,351	-	-	2,876	3,975
Assessor Visual Inspection	4,124	-	-	-	152	3,972
Treasurer Mortgage Tax Certification Fee	13,119	2,340	-	-	2,822	12,637
Juvenile Transport	2,463	5,632	-	-	4,570	3,525
Ambulance Grant Emergency Medical Services	79,988	-	-	-	79,988	-
Juvenile Detention Authority	3,175	-	-	-	-	3,175
County Clerk Records Management and Preservation	10,945	13,785	-	-	11,732	12,998
Department of Corrections Board of Prisoners	76,273	379,482	-	-	423,563	32,192
Sheriff Drug Buy	2,069	-	-	-	-	2,069
Sheriff Jail Commissary Profit	8,465	77,556	-	-	66,367	19,654
Flood Plain Board	322	-	-	-	100	222
Drug Dog	26	-	-	-	-	26
County Bridge and Road Improvement Fund	1,265,525	359,102	-	-	587,638	1,036,989
911 Fees Charged	1,082	14,953	-	-	13,342	2,693
Sheriff Communications	5	-	-	-	-	5
Craig County Emergency Management-2	14,319	20,993	-	-	27,903	7,409
Sheriff Littering Reward	111	200	-	-	-	311
Local Emergency Planning Committee (LEPC)	175	1,170	-	-	1,145	200
Drug Court User Fees	36,935	46,699	-	-	45,117	38,517
Combined Total - All County Funds, as Restated	\$ 4,698,700	\$ 8,702,654	\$ 7,729	\$ -	\$ 8,465,675	\$ 4,943,408

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

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

Description of County Funds

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

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

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

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

Sheriff Drug Enforcement - accounts for the receipt of state grant monies and donations. Disbursements are for the operations of the Sheriff's office in the fight of illegal drug possession and use.

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

County Sinking – accounts for debt service receipts derived generally from a special ad valorem tax levy and from interest earned on investments of cash not immediately required for debt service payments.

Sales Tax Building Cash Account – accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the sales tax resolution.

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

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

Assessor Revolving – accounts for revenues from fees charged by the County Assessor and disbursements as restricted by state statute.

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

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

Assessor Visual Inspection – accounts for the receipt of fees charged to all entities receiving ad valorem taxes. Disbursements are for the expenses incurred for the re-evaluation of all county property for ad valorem purposes.

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

Juvenile Transport – accounts for state grant revenues and travel reimbursements from the State of Oklahoma for the transport of juvenile offenders.

Ambulance Grant Emergency Medical Services – accounts for revenues from a state grant. Disbursements were for the acquisition of an ambulance and radios.

Juvenile Detention Authority – accounts for state grant funds received and used for maintenance of the juvenile detention center.

County Clerk Records Management and Preservations – accounts for fees collected for instruments filed in the County Clerk's office. Disbursements are for the maintenance and preservation of public records.

Department of Corrections Board of Prisoners – accounts for the monies received from the State of Oklahoma for the boarding and feeding of Department of Corrections prisoners and disbursements as restricted by statute.

Sheriff Drug Buy – accounts for monies set aside for law enforcement sting operations.

Sheriff Jail Commissary Profit – accounts for revenues from profits on commissary sales in the county jail. Disbursements are for jail operations as defined by state statute.

Flood Plain Board – accounts for the receipt of fees from flood plain permits obtained from mortgages. Disbursements are for lawful expenses of the flood plain office.

Drug Dog – accounts for donations from the community for the purpose of K-9 training and upkeep.

County Bridge and Road Improvement Fund – accounts for state funds to be used in the construction of roads and bridges throughout the County.

911 Fees Charged – accounts for the collection of fees charged on cellular telephone bills for the County's wireless emergency 911 system. Disbursements are for expenditures related to providing these services.

Sheriff Communications – accounts for grant monies received from Rural Electric Cooperative (REC) for the purpose of purchasing communication equipment for the Sheriff's office.

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

Craig County Emergency Management-2 – accounts for the receipt and disbursement of funds from state and local governments for the operations of the emergency management office.

Sheriff Littering Reward – accounts for the monies collected from fines imposed for littering and disbursed to citizens involved in the reporting of littering offenses.

Local Emergency Planning Committee (LEPC) – accounts for revenues from a state grant to cover the cost of paperwork for hazardous materials that are moved within the County. Disbursements as restricted by grant agreement.

Drug Court User Fees – accounts for revenues generated from fines and costs assessed to individuals participating in the Drug Court program and contractual payments from the Oklahoma Department of Mental Health to be used to offset costs associated with running the program.

Restatement of Fund Balance

During the fiscal year, the County had a reclassification of funds. Drug Court User Fees was reclassified as a county fund and represents the collections and disbursements of the drug court program. Craig County Educational Authority was reclassified as a trust and agency fund as it is under the direction of a county authority.

Prior year ending balance, as reported	\$4,674,335
Funds reclassified to County Funds:	
Drug Court User Fee reclassified from a Trust and Agency Fund to a County Fund	36,935
Funds reclassified as Trust and Agency Funds:	
Craig County Educational Facilities Authority reclassified from a County Fund to a Trust and Agency Fund	<u>(12,570)</u>
Prior year ending balance, as restated	<u>\$4,698,700</u>

Transfers

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

- \$7,729 was transferred from the Excess Resale Property fund, a trust and agency fund, to the Resale Property fund as authorized by 68 O.S. § 3131.

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

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 946,340	\$ 946,065	\$ (275)
Less: Prior Year Outstanding Warrants	(116,051)	(116,051)	-
Less: Prior Year Encumbrances	(98,945)	(97,375)	1,570
Beginning Cash Balances, Budgetary Basis	<u>731,344</u>	<u>732,639</u>	<u>1,295</u>
Receipts:			
Ad Valorem Taxes	763,749	799,378	35,629
Charges for Services	91,542	85,971	(5,571)
Sales Tax	1,135,221	1,380,628	245,407
Intergovernmental Revenues	398,947	499,460	100,513
Miscellaneous Revenues	565,926	562,423	(3,503)
Total Receipts, Budgetary Basis	<u>2,955,385</u>	<u>3,327,860</u>	<u>372,475</u>
Expenditures:			
District Attorney	1,200	-	1,200
County Sheriff	294,177	293,752	425
County Treasurer	113,440	113,435	5
County Commissioners	50,592	50,207	385
OSU Extension	41,554	36,788	4,766
County Clerk	136,640	135,775	865
Court Clerk	113,640	113,304	336
County Assessor	46,800	46,800	-
Revaluation of Real Property	210,192	178,203	31,989
Juvenile Shelter Bureau	12,000	11,672	328
General Government	411,645	203,636	208,009
Excise-Equalization Board	3,200	2,454	746
County Election Expense	72,439	67,835	4,604
Insurance - Benefits	306,372	287,613	18,759
Charity	1,000	626	374
Recording Account	3,000	2,976	24
Civil Defense: Emergency Management	36,240	36,240	-
Highway Budget Account	1,324,221	833,205	491,016
County Audit Budget Account	24,072	1,943	22,129
Free Fair Budget Account	35,000	35,000	-
County Hospital Budget Account	20,254	20,254	-
Ambulance	429,051	323,390	105,661
Total Expenditures, Budgetary Basis	<u>3,686,729</u>	<u>2,795,108</u>	<u>891,621</u>

Continued on next page

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

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

	General Fund		
	Budget	Actual	Variance
Continued from previous page			
Excess of Receipts and Beginning Cash			
Balances Over Expenditures, Budgetary Basis	\$ -	1,265,391	\$ 1,265,391
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Outstanding Warrants		86,501	
Add: Current Year Encumbrances		57,168	
Ending Cash Balance		\$ 1,409,060	

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

CRAIG COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
COUNTY HEALTH DEPARTMENT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 464,391	\$ 464,141	\$ (250)
Less: Prior Year Outstanding Warrants	(5,102)	(5,102)	-
Less: Prior Year Encumbrances	(1,365)	(993)	372
Beginning Cash Balances, Budgetary Basis	457,924	458,046	122
Receipts:			
Ad Valorem Taxes	197,611	204,919	7,308
Charges for Services	101,044	101,044	-
Intergovernmental Revenues	170,410	178,433	8,023
Total Receipts, Budgetary Basis	469,065	484,396	15,331
Expenditures:			
County Health Budget Account	684,550	226,122	458,428
Senior Companion	242,439	225,699	16,740
Total Expenditures, Budgetary Basis	926,989	451,821	475,168
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	490,621	\$ 490,621
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Outstanding Warrants		30,003	
Add: Current Year Encumbrances		2,132	
Ending Cash Balance		\$ 522,756	

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

PURPOSE, SCOPE, AND SAMPLE METHODOLOGY

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

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

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

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

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

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

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

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

Conclusion: With respect to the items reconciled and reviewed; the receipts apportioned, disbursements, and cash balances are accurately presented on the County Treasurer's monthly reports. However, we noted some deficiencies in internal controls regarding the financial reporting process.

FINDINGS AND RECOMMENDATIONS

Finding 2015-009 – Inadequate Internal Controls Over the Evidence of Reconciliation of Appropriation Ledger to General Ledger (Repeat Finding)

Condition: Documentation supporting the reconciliation performed between the County Clerk's appropriation ledger and the County Treasurer's general ledger for all County funds is not retained.

Cause of Condition: Policies and procedures have not been designed and implemented regarding a monthly reconciliation of the County Clerk's appropriation ledger to the County Treasurer's general ledger.

Effect of Condition: This condition could result in unrecorded transactions, misstated financial reports, undetected errors, misappropriation of assets, or clerical errors that are not detected in a timely manner.

Recommendation: OSAI recommends that the County Clerk's appropriation ledger be reconciled monthly to the County Treasurer's general ledger. The reconciliation should be reviewed and approved by someone other than the preparer. Additionally, all documentation to support the performance and the review and approval of the reconciliation should be retained.

Management Response:

County Treasurer: We will work with the County Clerk's office to rectify this issue.

County Clerk: Currently, the ledgers are being reconciled monthly and signed by the Treasurer's office and the County Clerk's office following the reconciliation.

Criteria: Safeguarding controls are an important aspect of internal controls. Safeguarding controls relate to the prevention or timely detection of unauthorized transactions and unauthorized access to assets. Failure to perform tasks that are part of internal controls, such as reconciliations not prepared or not timely prepared, are deficiencies in internal control. To help ensure a proper accounting of funds, all reconciliations should be documented and approved by someone other than the preparer.

Objective 2: To determine the County's financial operations complied with 68 O.S. § 1370E, which requires the sales tax collections to be deposited in the general revenue or Sales Tax Revolving Fund of the County and be used only for the purpose for which such sales tax was designated.

Conclusion: With respect to the items tested, the County complied with 68 O.S. § 1370E, which requires the sales tax collections to be deposited in the general revenue or Sales Tax Revolving Fund of the County and be used only for the purpose for which such sales tax was designated.

Objective 3: To determine the County's financial operations complied with 68 O.S. § 2923, which requires the ad valorem tax collections to be apportioned and distributed monthly among the different funds to which they belong.

Conclusion: With respect to the items tested, the County complied with 68 O.S. § 2923, which requires the ad valorem tax collections to be apportioned and distributed monthly among the different funds to which they belong.

Objective 4: To determine whether the County's internal controls provide reasonable assurance that expenditures (including payroll) were accurately reported in the accounting records and financial operations complied with significant laws and regulations.

Conclusion: The County's internal controls do not provide reasonable assurance that expenditures, including payroll, were accurately reported in the accounting records.

The County's financial operations did not comply with 19 O.S. § 1505, which requires that disbursements be timely encumbered, and supported by proper documentation.

FINDINGS AND RECOMMENDATIONS

Finding 2015-003 – Inadequate Internal Controls and Noncompliance Over the Disbursement Process (Repeat Finding)

Condition: Upon inquiry and observation of the County's disbursement process, we noted the following:

- One employee generates all requisition/purchase orders, encumbers the funds, verifies the purchase order upon receiving all supporting documentation, prepares warrants, prints warrants, distributes

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signed warrants, maintains warrant register, posts warrants as paid in the system, and maintains appropriation ledger.

The audit of one hundred and six (106) purchase orders reflected the following noncompliance with regard to purchasing statutes:

- Thirty-five (35) purchase orders totaling \$136,530 were not encumbered properly.

Fund	Responsible Office	Purpose	Warrant	Amount
Visual Inspection	County Assessor	Mapping Service	13	\$4,500
General	County Clerk	Excise Board Travel	26	\$31
DOC BOP	County Sheriff	Food for Jail	39	\$1,174
County Health	Health Department	Color Copies	379	\$139
General-Hwy ST-2	District 2	Wheel Loader	1947	\$50,000
CBRIF	District 3	Asphalt	11	\$30,134
CBRIF	District 3	Asphalt	14	\$15,332
General-Hwy ST-3	District 3	Crusher Run	1810	\$2,743
General-Hwy ST-3	District 3	Diesel	1586	\$880
General-Hwy ST-3	District 3	Fuel	1806	\$5,215
General-Hwy ST-3	District 3	Radiator	474	\$650
Drug Court User Fees	Drug Court	Compliance Visits	54	\$1,000
Drug Court User Fees	Drug Court	Compliance Visits	1	\$1,000
Drug Court User Fees	Drug Court	Compliance Visits	7	\$1,000
Drug Court User Fees	Drug Court	Compliance Visits	12	\$1,000
Drug Court User Fees	Drug Court	Compliance Visits	15	\$1,000
Drug Court User Fees	Drug Court	Compliance Visits	18	\$1,200
Drug Court User Fees	Drug Court	Compliance Visits	20	\$1,200
Drug Court User Fees	Drug Court	Compliance Visits	21	\$1,200
Drug Court User Fees	Drug Court	Compliance Visits	26	\$1,200
Drug Court User Fees	Drug Court	Compliance Visits	30	\$1,200
Drug Court User Fees	Drug Court	Compliance Visits	34	\$1,200
Drug Court User Fees	Drug Court	Compliance Visits	39	\$1,000
Drug Court User Fees	Drug Court	Coordinator Fees	19	\$4,100
Drug Court User Fees	Drug Court	Coordinator Fees	31	\$4,100
Drug Court User Fees	Drug Court	Drug Testing	28	\$540
Drug Court User Fees	Drug Court	Gift Card	23	\$200
Drug Court User Fees	Drug Court	Travel Reimbursement	53	\$623

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Fund	Responsible Office	Purpose	Warrant	Amount
Drug Court User Fees	Drug Court	Travel Reimbursement	55	\$707
Drug Court User Fees	Drug Court	Travel Reimbursement	3	\$990
Drug Court User Fees	Drug Court	Travel Reimbursement	10	\$491
Drug Court User Fees	Drug Court	Travel Reimbursement	11	\$491
Drug Court User Fees	Drug Court	Travel Reimbursement	13	\$255
Drug Court User Fees	Drug Court	Travel Reimbursement	35	\$30
Drug Court User Fees	Drug Court	Travel Reimbursement	36	\$5

- Five (5) contractual expenditures totaling \$20,500 that were not supported by a contract.

Fund	Responsible Office	Purpose	Warrant	Amount
Drug Court User Fees	Drug Court	Coordinator Fee	2	\$4,100
Drug Court User Fees	Drug Court	Coordinator Fee	9	\$4,100
Drug Court User Fees	Drug Court	Coordinator Fee	19	\$4,100
Drug Court User Fees	Drug Court	Coordinator Fee	24	\$4,100
Drug Court User Fees	Drug Court	Coordinator Fee	31	\$4,100

- Six (6) travel reimbursement expenditures totaling \$3,557 that were not supported by adequate documentation.

Fund	Responsible Office	Purpose	Warrant	Amount
Drug Court User Fees	Drug Court	Travel Reimbursement	53	\$623
Drug Court User Fees	Drug Court	Travel Reimbursement	55	\$707
Drug Court User Fees	Drug Court	Travel Reimbursement	3	\$990
Drug Court User Fees	Drug Court	Travel Reimbursement	10	\$491
Drug Court User Fees	Drug Court	Travel Reimbursement	11	\$491
Drug Court User Fees	Drug Court	Travel Reimbursement	13	\$255

Additionally, it appears that the County overpaid travel reimbursement for warrant 55 in the amount of \$212.

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

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

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Recommendation: OSAI recommends management be aware of these conditions and determine if duties can be properly segregated. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risk 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 approve accounting functions.

Further, the duties of encumbering funds and posting to the ledgers should be separated from the printing and distribution of payments.

OSAI recommends that the County adhere to state purchasing and documentation retention guidelines.

- Purchase orders should be encumbered before goods or services are ordered.
- Expenditures should be supported by adequate documentation.
- Expenditures should only be made for the legal operations of the County.

Management Response:

Chairman of the Board of County Commissioners/District 3 Commissioner: I will discuss with all elected officials the importance of encumbering properly and will try to do a much better job myself. With regards to the Drug Court User Fees expenditures, we will seek the advice of our District Attorney on the County's responsibility for this fund and the expenses of this fund.

District 1 Commissioner: With regards to the Drug Court User Fees expenditures, we will seek the advice of our District Attorney on the County's responsibility for this fund and the expenses of this fund. We will also speak to the Drug Court Administrator directly.

County Clerk: This office is diligent in following the proper procedure for payment of any claim, including but not limited to reimbursements or travel. We will review these claims to determine if further documentation is needed from the Drug Court administrator. This is currently being reviewed by the District Attorney for the possibility of creating a Trust Authority to oversee the program.

As for the segregation of duties issue over disbursements our process now is as follows: The purchasing agent encumbers funds at the request of the requisitioning officer.

- The requisitioning officer reviews printed purchase order and verifies with signature.
- Support documents (invoice, billing and receiving report) are provided to the purchasing agent by the requisitioning officer.
- Purchase order is presented to the BOCC for approval of payment.
- Warrants are generated thru the printer in the office of the payroll clerk.
- Warrants are sent to the Treasurer to be registered.
- Registered warrants are taken to the County Clerk for approval signature.
- Warrants are then put in envelopes by County Clerk employees to be mailed.
- When warrants are picked up in the County Clerk's office, the individual must sign the warrant register.

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District 2 Commissioner: Although I was not in office during this fiscal year, I will discuss with my employees the importance of encumbering properly.

County Sheriff: I was not in office during the time of this audit. Going forward, my administration and I will work toward following the recommendations of the OSAI.

County Assessor: Our District Attorney advised me to seek other mapping services due to issues the office was having at that time with the mapping vendor. The new mapping company's invoice was dated after initial contract was signed. The contract had to be amended at a different date, possibly causing discrepancy in the dating of the documents.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. Internal controls should be designated to analyze and check accuracy, completeness, and authorization of disbursement calculations and/or transactions. To help ensure a proper accounting of funds, the duties of processing, authorizing, and distribution should be segregated. Effective internal controls require that management implement procedures to ensure that purchases are made in compliance with 19 O.S. § 1505.

Finding 2015-005 – Inadequate Internal Controls Over Payroll Process (Repeat Finding)

Condition: Upon inquiry and observation, and testing of the County's payroll process we noted the following:

- One employee enrolls new hires; reviews payroll claims; inputs payroll information into the system; calculates withholdings and prepares withholding reports; prepares, prints, and distributes payroll warrants; maintains warrant registers; removes terminated employees from payroll system; and maintains personnel files.

The audit of six (6) payroll claims which included the review of fifty-three (53) timesheets resulted in the following exception:

- Nine (9) timesheets from the County Sheriff's office had no indication of being reviewed and approved by the employee or a supervisor.

Cause of Condition: Policies and procedures have not been designed and implemented with regard to segregation of duties and/or compensating controls of the payroll process. Additionally, procedures have not been designed and implemented to ensure time records are maintained in a manner to support payroll expenditures.

Effect of Condition: These conditions could result in unrecorded transactions, misstated financial records, undetected errors, and misappropriation of funds.

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Recommendation: OSAI recommends that management be aware of these conditions and determine if duties can be properly segregated. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risks involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office and having management review and approval of account functions.

The following key accounting functions of the payroll process should be adequately segregated:

- Enrolling new employees and maintaining personnel files.
- Reviewing time records and preparing payroll.
- Distributing payroll warrants to individuals.

Additionally, OSAI recommends timesheet and hours worked and leave used each day, be signed by the employee, be signed by the Supervisor/County Official certifying the validity of the hours worked and/or leave used, and be filed in the County Clerk's office.

Management Response:

County Clerk: The current policy for payroll preparation now as follows:

- Employees are paid a monthly salary. That salary is the same every month unless the payroll clerk receives written notification from the department official.
- At the time, the payroll verification is generated and each department official and employee review it for accuracy. If no changes are warranted, the verification is signed by both the department official and employee.
- Upon receipt of signed verification, the payroll clerk then generates payroll.
- Time sheets are filed with the County Clerk's office monthly from each department, with signature of both the official and employee.

These steps indicate monthly payroll is now reviewed adequately.

Additionally, generally payroll checks for the Sheriff's Office, Jail, and District Barn employees are picked up from the County Clerk's office by a designated employee and distributed to employees. Most of the Courthouse employees come individually to the County Clerk's Office to receive their payroll checks. Whomever receives the payroll check signs for the check. Safeguarding from someone claiming to have not received their monthly paycheck.

County Sheriff: I was not in office during the period covered in this audit. My administration and I have changed our timekeeping system to better ensure more accurate recordkeeping. We have implemented a system ensuring time cards are signed by the employee and a supervisor.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. Internal controls should be designed to analyze and check accuracy, completeness, and authorization of payroll calculations and/or transactions. To help ensure a proper accounting of funds, the duties of processing, authorizing, and payroll distribution should be segregated; time records should be signed by both the employee and a Supervisor/County Official and should be filed in the County Clerk's office.

All Objectives:

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

Finding 2015-001 - Inadequate County-Wide Controls and Lack of Disaster Recovery Plans (Repeat Finding)

Condition: County-wide controls regarding Risk Assessment and Monitoring have not been designed. Additionally, the County Sheriff had not designed a Disaster Recovery Plan.

Cause of Condition: Policies and procedures have not been designed and implemented to address County-wide controls or ensure all officials have prepared a formal Disaster Recovery Plan.

Effect of Condition: These conditions could result in unrecorded transactions, undetected errors, or misappropriation of funds. Further, the lack of a Disaster Recovery Plan could also result in the loss of data, the unreliability of data, and increase the risk that the County may not recover from an emergency and/or disaster.

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

OSAI further recommends that the County Sheriff prepare a Disaster Recovery Plan in order to maintain operations in the event of a disaster.

Management Response:

Chairman of the Board of County Commissioners: I will talk to the County Sheriff to ensure he has a Disaster Recovery Plan in place. Additionally, I will discuss with the other County Officers the need for meeting to discuss the risks of the County and designing procedures to address those risks.

County Sheriff: I was not in office during the period covered in this audit. My administration and I are working to get a Disaster Recovery Plan in place for the County Sheriff's office. We will refer to ACCO for guidance for the plan.

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

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first line of defense in safeguarding assets and preventing and detecting errors and fraud. County management is responsible for designing a county-wide internal control system comprised of Risk Assessment and Monitoring for the achievement of these goals.

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

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

An important aspect of internal controls is the safeguarding of assets which includes adequate Disaster Recovery Plans. 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 in a County being unable to function in the event of a disaster. Disaster Recovery Plan(s) are an integral part of county operations to ensure that business can be continued as usual in the event of a disaster. Each office or the county as a whole should have a current, detailed Disaster Recovery Plan on file and should be aware of its content.

According to the standards of the Information Systems Audit and Control Association (CobiT, Deliver and Support 4), information services function management should ensure that a written Disaster Recovery Plan is documented and contains guidelines and instructions for the County to follow in the event of a disaster.

Finding 2015-002 – Inadequate Internal Controls Over Information System Security – County Clerk (Repeat Finding)

Condition: Upon review of the computer systems within the County Clerk's office, it was noted that there does not appear to be adequate controls in place to safeguard data from unauthorized modification, loss or disclosure. The specifics of the condition have been sanitized to protect the County pursuant to the provision of 51 O.S. § 24A.28.

Cause of Condition: Policies and procedures have not been designed and implemented to prevent unauthorized access to data.

Effect of Condition: These conditions could result in compromised security for the computers, computer programs, and data.

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

Management Response:

County Clerk: Each computer station is password protected; however, we will attempt to make it a practice to change passwords periodically.

Criteria: According to the standards of the Information Systems Audit and Control Association (CobiT, Deliver and Support Ds5), the need to maintain the integrity of information and protect IT assets requires a security management process. This process includes establishing and maintaining IT security roles and responsibilities, policies, standards, and procedures. Security management also includes performing security monitoring and periodic testing and implementing corrective actions for identified security weaknesses or incidents. Effective security management protects all IT assets to minimize the business impact of security vulnerabilities and incidents.

Other Item(s) Noted:

Although not considered significant to the audit objectives, we feel the following issues should be communicated to management.

Finding 2015-008 – Inadequate Internal Controls and Noncompliance with State Statutes Regarding Sales Tax Appropriations (Repeat Finding)

Condition: The proceeds from the one cent sales tax of May 14, 2013 are budgeted in General Fund. However, \$189,296 in excess sales tax collections at June 30, 2014 were not properly appropriated in fiscal year 2015 as follows:

- County Roads received \$124,685 less,
- Emergency Medical (ambulance) received \$59,978 less,
- Law enforcement received \$2,500 less, and
- General county operations received \$2,133 less.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure sales tax funds were appropriated in accordance with state statute.

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

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Recommendation: OSAI recommends the County design and implement procedures to ensure compliance with 68 O.S. § 1370(I) and 68 O.S. § 3018.

Further, OSAI recommends the County review the Estimate of Needs prior to approval to ensure that all funds are accounted for and accurately presented.

Management Response:

Chairman of the Board of County Commissioners: I will get with the County Clerk to make sure unencumbered sales tax balances at June 30th are carried forward correctly. Additionally, I will contact the budget maker to determine how we can remedy this situation.

County Clerk: I do not agree that \$189,296 was not properly appropriated but will be going over this issue with the budget maker.

Auditor Response: Per review and recalculations of the budgeted one cent sales tax \$189,296 was not properly appropriated to sales tax maintained in the General Fund.

Criteria: The adopted budget is an expression of public policy and financial intent and is a method of providing controls over that intent. Effective internal controls as they relate to government entities financial reporting should assist in fulfilling government's duty to be publicly accountable and should enable users' access to that accountability by demonstrating whether resources were obtained and used in accordance with the entity's adopted budget.

Title 68 O.S. § 3018 states in part... "If and when an actual cash fund balance shall accrue in any fund for any prior fiscal year, such balance shall forthwith be transferred to the same fund for the year next succeeding the year for which the taxes were originally levied.... The term "actual cash fund balance", as used herein, is hereby defined to mean an excess of actual cash actually on hand over and above all legal obligations. Taxes in process of collection shall not be considered in determining the actual cash fund balance for any fund for any fiscal year or years."

According to Attorney General's opinion 2005 OK AG 23,

"Proceeds of a county sales tax voted for a specific purpose but placed in the county's general fund must be accounted for as a discrete fund, and any surplus not needed for the stated purpose during one fiscal year must be transferred to the county budget for the next fiscal year, for the same specified purpose."

Finding 2015-011 - Schedule of Expenditures of Federal Awards (Repeat Finding)

Condition: During our audit we identified federal programs that were not listed accurately on the County's Schedule of Expenditures of Federal Awards (SEFA). Federal expenditures were overstated by \$116,192. The following misstatements in expenditures were noted:

**CRAIG COUNTY
OPERATIONAL AUDIT
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- The actual expenditures for the National Criminal History Improvement Programs (NCHIP), CFDA 16.554 were \$0 and the County reported \$24,000, which overstated expenditures by \$24,000.
- The actual expenditures for the Unemployment Insurance, CFDA 17.225 were \$0 and the County reported \$52, which overstated expenditures by \$52.
- The actual expenditures for the National Priority Safety Programs, CFDA 20.616 were \$0 and the County reported \$4,500, which overstated expenditures by \$4,500.
- The actual expenditures for Disaster Grants – Public Assistance (Presidentially Declared Disasters), CFDA 97.036 were \$0 and the County reported \$10,601, which overstated expenditures by \$10,601.
- The actual expenditures for Emergency Management Performance Grants, CFDA 97.042 were \$18,750 and the County reported \$95,349, which overstated expenditures by \$76,599.

Reported Total Expenditures of Federal Award	\$309,342
Less: National Criminal History Improvement Programs (NCHIP)(CFDA #16.554)	\$ 24,440
Less: Unemployment Insurance (CFDA # 17.225)	52
Less: National Priority Safety Program (CFDA # 20.616)	4,500
Less: Disaster Grants – Public Assistance (Presidentially Declared Disasters) (CFDA # 97.036)	10,601
Less: Emergency Management Performance Grants (CFDA #97.042)	<u>76,599</u>
 Actual Federal Expenditures of Federal Awards	 <u>\$193,150</u>
 Original SEFA Overstated by	 <u>\$116,192</u>

Cause of Condition: Policies and procedures have not been designed and implemented to ensure accurate reporting of expenditures and revenues for all federal awards.

Effect of Condition: This condition resulted in the erroneous reporting and/or a material misstatement of the County’s SEFA and increases the potential for material noncompliance.

Recommendation: OSAI recommends county officials and department heads gain an understanding of federal programs awarded to Craig County. Internal control procedures should be designed and implemented to ensure accurate reporting of expenditures and revenues on the SEFA and to ensure compliance with federal requirements.

Management Response:

Chairman of the Board of County Commissioners: We have all been working on this to make sure the SEFA is reported accurately and we will continue to work together to provide a accurate report.

District 1 Commissioner: I will work with the County Clerk’s office to ensure the accuracy of the SEFA.

**CRAIG COUNTY
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District 2 Commissioner: Although I was not in office during the period under audit, I will work with the County Clerk's office to ensure the accuracy of the SEFA.

County Clerk: I am working with all involved in Schedule of Federal Awards preparation to ensure proper reporting.

County Sheriff: I was not in office during the period covered in this audit. My administration and I will work to follow the recommendations stated by the OSAI in this audit.

County Treasurer: We will work with the County Clerk to resolve the issue with the reporting of federal revenues.

Criteria: *OMB A-133, Subpart C, §___.300 (b)(d)* reads as follows:

Subpart C—Auditees

§___.300 Auditee responsibilities.

The auditee shall:

(b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

(d) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with §___.310.

Further, accountability and stewardship should be the overall goals of management in the accounting of federal funds. To help ensure a proper accounting of funds, an accurate record of federal expenditures should be maintained.

REPORT ON STATUTORY COMPLIANCE – OTHER MATTERS



Oklahoma State Auditor & Inspector

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Craig County
Board of County Commissioners
Craig County Courthouse
Vinita, Oklahoma 74301

Dear Chairman:

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

- All County Offices - Fixed Assets procedures (19 O.S. § 178.1, 19 O.S. § 178.2, and 69 O.S. § 645).
- All County Offices - Consumable Inventories procedures (19 O.S. § 1502 and 19 O.S. § 1504).
- Court Clerk procedures (20 O.S. § 1304 and 19 O.S. § 220).
- Inmate Trust Fund procedures (19 O.S. § 531 and 19 O.S. § 180.43).

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

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

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

A handwritten signature in blue ink that reads "Gary A. Jones". The signature is written in a cursive style.

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

September 20, 2018

SCHEDULE OF FINDINGS AND RESPONSES

Finding 2015-010 - Inadequate Internal Controls and Noncompliance Over Inmate Trust Fund Checking Account, Sheriff Commissary, and Sheriff Commissary Fund (Repeat Finding)

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

Inmate Trust Fund Checking Account:

- One employee is responsible for receiving/receipting monies, accessing and balancing the drop box collections, and preparing deposit slips, with no review.
- The duties of the employee responsible for the inmate trust bookkeeping were not monitored by another employee to ensure completeness and accuracy.
- Bank reconciliations were not performed.
- Individual inmate fund balances maintained in ODIS system cannot be reconciled back to the bank statements.

Receipts:

- Multiple receipt books were used at one time, all receipt books could not be accounted for, original receipts were missing, voided receipts were not always retained, and the receipt books were not always used in sequential order.
- Handwritten receipts were not reconciled back to receipts issued within the accounting system (ODIS).
- Receipts were not clearly marked for the purpose of the Inmate Trust Fund Checking Account.

Expenditures:

- All jailors have access to writing checks from the Inmate Trust Fund Checking Account.
- Due to the County not requiring copies of checks issued from the Inmate Trust Fund Checking Account be retained, OSAI was unable to determine if expenditures were made in accordance with Title 19 O.S. § 531 (A) and were signed by two authorized signers.
- There is no log for tracking unclaimed money. The Sheriff's office retains all checks that have not been picked up, however; the total amount including checks that have been picked up but not cashed could not be determined.

Sheriff Commissary:

- One employee is responsible for ordering or purchasing goods for the commissary, deducting order amounts from inmate balances, receiving items ordered, maintaining and updating inventory records, maintaining inventory items on hand, and performing physical inventory count for commissary items.
- Inventory records were not kept for commissary items on hand.

**CRAIG COUNTY, OKLAHOMA
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Sheriff Commissary Fund:

- Five (5) expenditures totaling \$9,360 for phone cards were made from the Sheriff Commissary Fund.
- The County Sheriff's office does not file an annual report for the Sheriff Commissary Fund with the Board of County Commissioners by January 15th, of each year.

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

Effect of Condition: These conditions resulted in noncompliance with state statutes, laws, and regulations. 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 that management be aware of these conditions and determine if duties can be properly segregated. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risks involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office, and having management review and approval of accounting functions.

OSAI further recommends the County Sheriff implement procedures to ensure:

- Bank reconciliations are performed on a monthly basis and reviewed and approved by someone other than the preparer.
- Inmate Trust Fund Checking Account monies are 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.
- Receipts can be accounted for and are issued for all collections.
- Receipts are reconciled to collections received.
- Receipts are clearly marked for the purpose of the Inmate Trust Fund.
- Access to the Inmate Trust Fund Checking Account checks is limited.
- Copies of the Inmate Trust Fund Checking Account checks are maintained.
- Expenditures are made from the Inmate Trust Fund Checking Account in accordance with 19 O.S. § 531 (A).
- A log for unclaimed property is maintained.
- Inventory records are maintained for commissary items kept on hand.
- Expenditures are made from the Sheriff's Commissary Fund in accordance with 19 O.S. § 180.43(D).
- The County Sheriff files a report of the commissary with the County Commissioners by January 15th, of each year in accordance with 19 O.S. § 180.43 (A).

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

Management Response:

County Sheriff: I was not in office during the period covered in this audit. My administration and I have changed all the systems that were in place prior to my term. These changes include a new Inmate Trust Fund Bank Account, a new commissary and accounting software provider, debit card issued upon release to inmates, and phone cards revenues and expenditures being accounted for in the Sheriff Service Fees Account. Additionally, we will make sure an annual commissary report is completed and filed with the BOCC by January 15th of each year.

Criteria: Effective accounting procedures and internal controls are necessary to ensure stewardship and accountability of public funds. Safeguarding controls are an 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 segregating duties or implementing compensating reviews, performing bank reconciliation accurately and timely, and maintaining records in a manner to ensure compliance with state statutes and/or to minimize the risk of misappropriation, are deficiencies in internal control.

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, 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..."



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