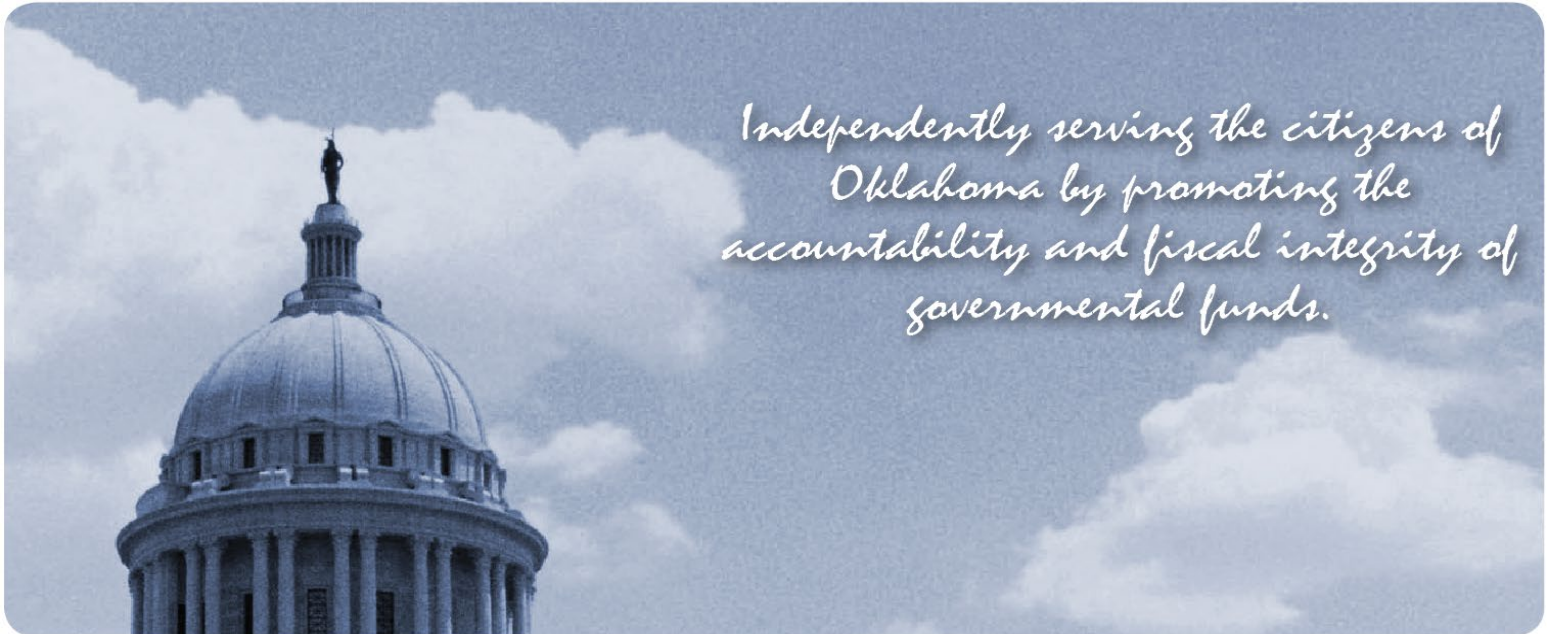


OPERATIONAL AUDIT

# CRAIG COUNTY

For the fiscal year ended June 30, 2016



*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, 2016**

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This publication, issued by the Oklahoma State Auditor and Inspector's Office as authorized by 19 O.S. § 171, has not been printed, but is available on the agency's website ([www.sai.ok.gov](http://www.sai.ok.gov)) and in the Oklahoma Department of Libraries Publications Clearinghouse Digital Prairie Collection (<http://digitalprairie.ok.gov/cdm/search/collection/audits/>) pursuant to 65 O.S. § 3-114.



# 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, 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.

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

**CRAIG COUNTY, OKLAHOMA  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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**ITEM OF INTEREST**

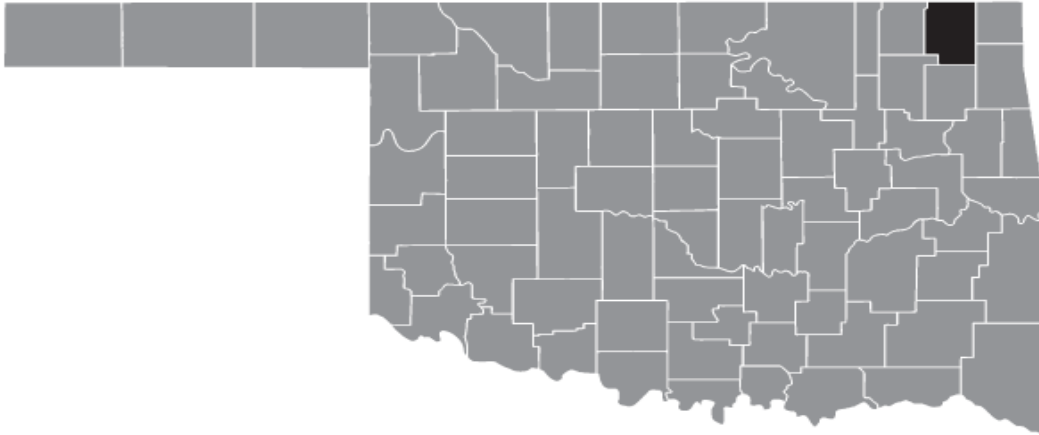
On May 11, 2010, the voters of Craig County approved to extend and renew the three-fourths of one percent (3/4 %) sales tax set to expire on January 1, 2023 until July 1, 2040. The purpose of the extended sales tax is to pay for acquiring, constructing, equipping, repairing, renovating, operating, and 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 OFFICIALS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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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**

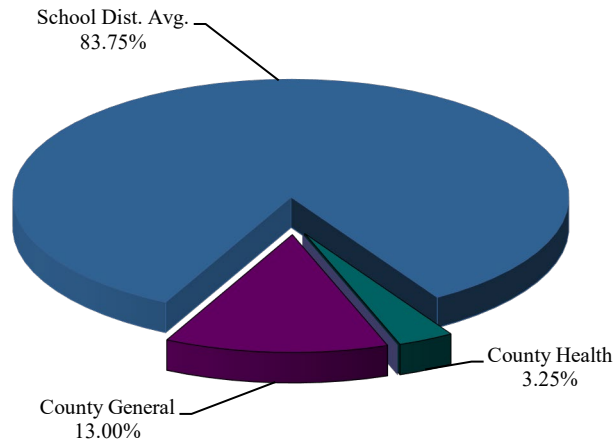
Debbie Mason

**District Attorney**

Matt Ballard

**CRAIG COUNTY, OKLAHOMA  
AD VALOREM TAX DISTRIBUTION  
SHARE OF THE AVERAGE MILLAGE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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
		Chelsea (Rogers)	I-3	37.14	5.31	17.25	-	11.37	4.15	75.22
		Ketchum	I-6	36.01	5.14	8.48	-	11.37	4.15	65.15
		Welch	I-17	35.66	5.09	17.28	-	11.37	4.15	73.55
		Bluejacket	I-20	36.99	5.28	12.44	-	11.37	4.15	70.23
		Afton (Ottawa)	I-26	36.82	5.26	-	-	11.37	4.15	57.60
		Vinita	I-65	36.08	5.15	17.26	-	11.37	4.15	74.01
		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, 2016**

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## **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.

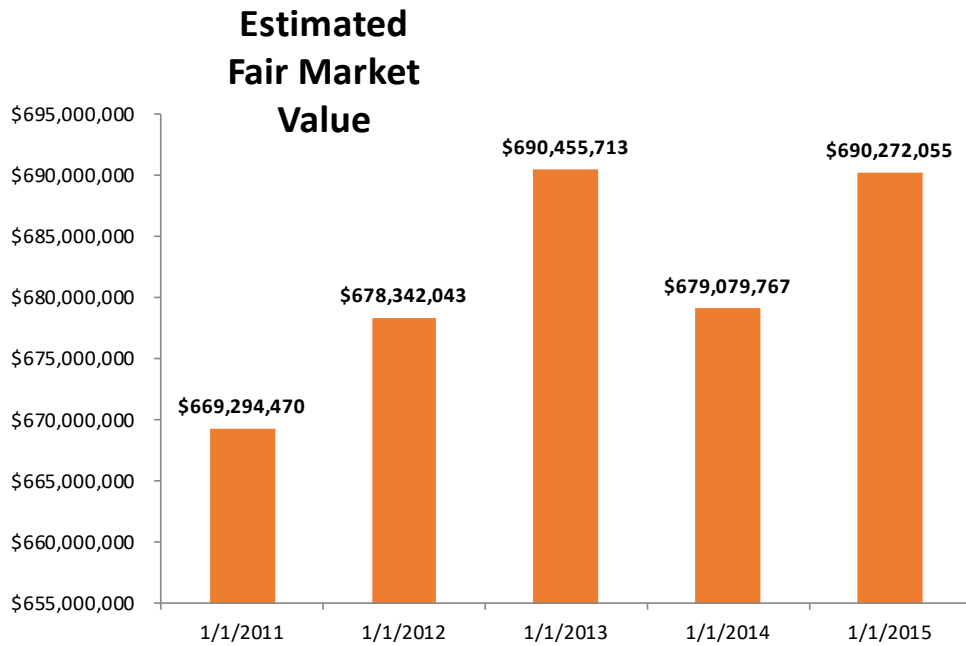
### **Sales Tax of May 14, 2013**

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 \$2,792,131 in total sales tax.

**CRAIG COUNTY, OKLAHOMA  
 ASSESSED VALUE OF PROPERTY  
 TREND ANALYSIS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2015	\$10,218,368	\$13,476,838	\$62,806,030	\$4,085,330	\$82,415,906	\$690,272,055
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

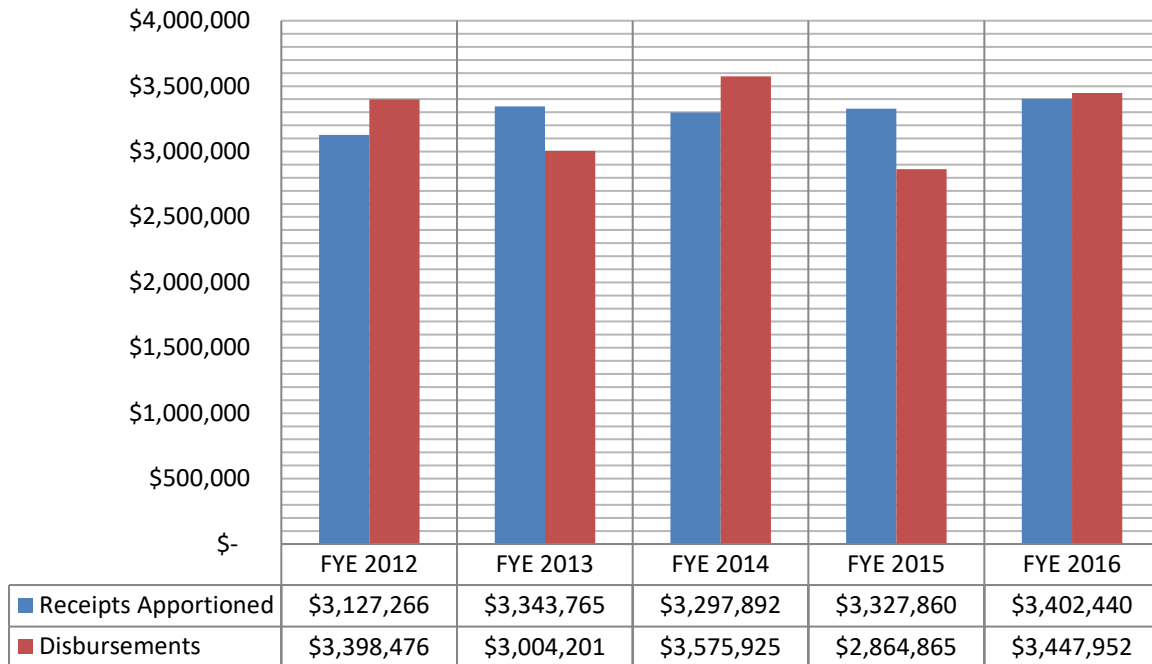


**CRAIG COUNTY, OKLAHOMA  
COUNTY GENERAL FUND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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## 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.

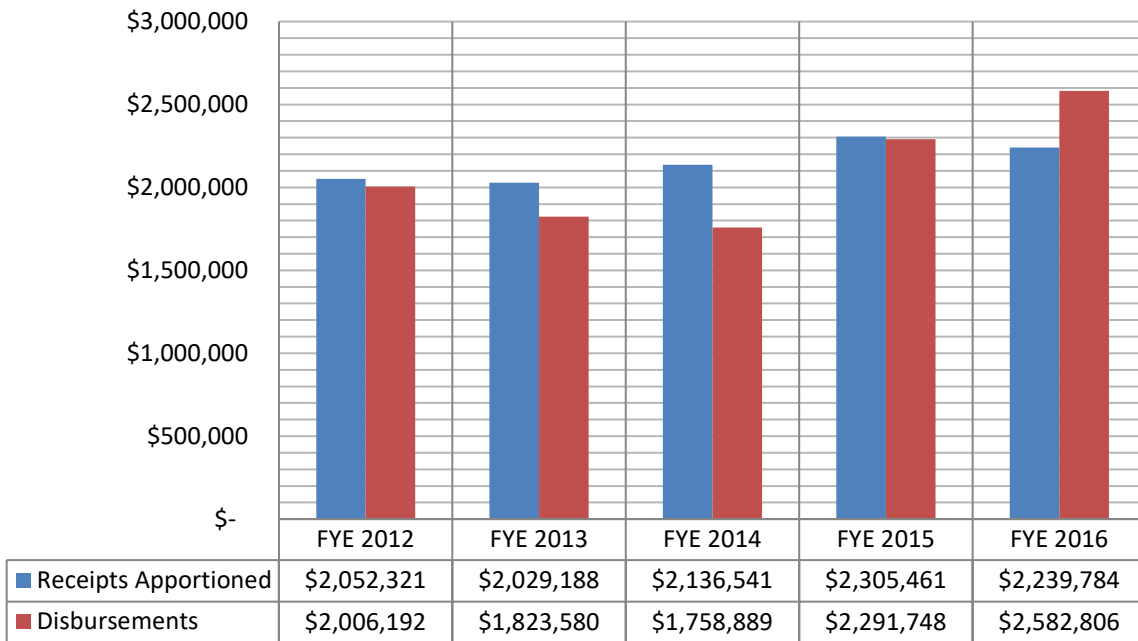


**CRAIG COUNTY, OKLAHOMA  
COUNTY HIGHWAY FUND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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## 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, 2016**

**Presentation of Apportionments, Disbursements, and Cash Balances of County Funds for the Fiscal Year Ended June 30, 2016**

	Beginning Cash Balances July 1, 2015	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2016
Combing Information:						
County Funds:						
County General Fund	\$ 1,409,060	\$ 3,402,440	\$ 565	\$ -	\$ 3,447,952	\$ 1,364,113
County Highway Fund	1,365,485	2,239,784	542,695	-	2,582,806	1,565,158
Sheriff Drug Enforcement	112	12,023	-	-	7,429	4,706
County Health	522,756	487,997	-	-	613,594	397,159
County Sinking	347	484	-	565	252	14
Sales Tax Building Cash Account	208,935	1,395,787	-	-	1,482,667	122,055
Sheriff Service Fee	40,861	205,875	-	-	226,691	20,045
Resale Property	193,787	66,532	3,849	-	44,147	220,021
Assessor Revolving	21,496	2,530	-	-	1,086	22,940
County Clerk Lien Fee	3,975	4,562	-	-	2,221	6,316
Assessor Visual Inspection	3,972	-	-	-	1,230	2,742
Treasurer Mortgage Tax Certification Fee	12,637	2,265	-	-	1,736	13,166
Juvenile Transport	3,525	3,422	-	-	4,703	2,244
Juvenile Detention Authority	3,175	-	-	-	3,175	-
County Clerk Records Management and Preservation	12,998	13,180	-	-	15,298	10,880
Department of Corrections Board of Prisoners	32,192	500,528	-	-	466,886	65,834
Sheriff Drug Buy	2,069	-	-	-	-	2,069
Sheriff Jail Commissary Profit	19,654	84,778	-	-	90,012	14,420
Flood Plain Board	222	-	-	-	138	84
Drug Dog	26	-	-	-	26	-
County Bridge and Road Improvement Fund	1,036,989	437,255	-	-	426,458	1,047,786
911 Fees Charged	2,693	17,284	-	-	18,558	1,419
Sheriff Communications	5	-	-	-	5	-
Craig County Emergency Management-2	7,409	63,544	-	-	48,731	22,222
Sheriff Littering Reward	311	498	-	-	-	809
Local Emergency Planning Committee (LEPC)	200	1,000	-	-	410	790
Drug Court User Fees	38,517	44,276	-	-	61,795	20,998
<b>Combined Total - All County Funds</b>	<b>\$ 4,943,408</b>	<b>\$ 8,986,044</b>	<b>\$ 547,109</b>	<b>\$ 565</b>	<b>\$ 9,548,006</b>	<b>\$ 4,927,990</b>

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, 2016**

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**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, 2016**

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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.

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

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

**CRAIG COUNTY  
DESCRIPTION OF COUNTY FUNDS AND TRANSFERS  
OPERATIONAL AUDIT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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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.

**Transfers**

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

- \$565 was transferred from the County Sinking fund to the County General Fund as authorized by 62 O.S. § 445.
- \$542,695 was transferred from the Emergency and Transportation Revolving (ETR), a trust and agency fund, to the Highway Cash fund to reimburse the Highway Cash fund for road and bridge projects.
- \$3,849 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, 2016**

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 1,409,334	\$ 1,409,060	\$ (274)
Less: Prior Year Outstanding Warrants	(86,501)	(86,501)	-
Less: Prior Year Encumbrances	(57,168)	(53,963)	3,205
Beginning Cash Balances, Budgetary Basis	<u>1,265,665</u>	<u>1,268,596</u>	<u>2,931</u>
Residual Transfer	-	565	565
Receipts:			
Ad Valorem Taxes	776,957	822,291	45,334
Charges for Services	99,239	94,488	(4,751)
Sales Tax	1,242,565	1,396,065	153,500
Intergovernmental Revenues	481,148	573,010	91,862
Miscellaneous Revenues	439,986	516,586	76,600
Total Receipts, Budgetary Basis	<u>3,039,895</u>	<u>3,402,440</u>	<u>362,545</u>
Expenditures:			
County Sheriff	351,798	351,666	132
County Treasurer	116,140	116,133	7
County Commissioners	108,400	106,033	2,367
OSU Extension	42,000	29,306	12,694
County Clerk	140,640	139,136	1,504
Court Clerk	117,640	117,052	588
County Assessor	51,400	50,908	492
Revaluation of Real Property	236,008	179,529	56,479
Juvenile Shelter Bureau	12,000	10,096	1,904
General Government	418,291	389,191	29,100
Excise-Equalization Expense	4,000	2,474	1,526
County Election Board	75,814	73,478	2,336
Insurance - Benefits	361,437	332,458	28,979
Charity	1,000	73	927
Recording Account	3,000	2,995	5
Civil Defense: Emergency Management	67,340	62,490	4,850
Highway Budget Account	1,636,291	1,114,222	522,069
County Hospital	20,604	20,604	-
Ambulance	475,977	290,228	185,749
County Audit Budget Account	30,780	30,780	-
Free Fair Improvement Account	35,000	35,000	-
Provision for interest on Warrants	-	-	-
Total Expenditures, Budgetary Basis	<u>4,305,560</u>	<u>3,453,852</u>	<u>851,708</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, 2016**

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	General Fund		
	Budget	Actual	Variance
Continued from previous page			
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	1,217,749	\$ 1,217,749
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Cancelled Warrants		39	
Add: Current Year Outstanding Warrants		33,258	
Add: Current Year Encumbrances		113,067	
Ending Cash Balance		\$ 1,364,113	

*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, 2016**

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	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 523,006	\$ 522,756	\$ (250)
Less: Prior Year Outstanding Warrants	(30,003)	(30,003)	-
Less: Prior Year Encumbrances	(2,132)	(694)	1,438
Beginning Cash Balances, Budgetary Basis	490,871	492,059	1,188
Receipts:			
Ad Valorem Taxes	194,052	212,777	18,725
Charges for Services	105,765	105,765	-
Intergovernmental Revenues	169,366	169,455	89
Total Receipts, Budgetary Basis	469,183	487,997	18,814
Expenditures:			
County Health Budget Account	726,570	419,204	307,366
Senior Companion	233,484	227,873	5,611
Total Expenditures, Budgetary Basis	960,054	647,077	312,977
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	332,979	\$ 332,979
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		61,700	
Add: Current Year Outstanding Warrants		2,480	
Ending Cash Balance		\$ 397,159	

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

**CRAIG COUNTY  
OPERATIONAL AUDIT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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**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, 2016. 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 2016.

**Conclusion:** With respect to the items reconciled and reviewed; the receipts apportioned, disbursements, and cash balances are not accurately presented on the County Treasurer's monthly reports. Additionally, we noted some deficiencies in internal controls regarding the financial reporting process.

### FINDINGS AND RECOMMENDATIONS

**Finding 2016-006 – 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.

**Finding 2016-007 – Inadequate Internal Controls Over the Monthly Report Presentation**

**Condition:** During the review and reconciliation of the monthly reports, OSAI determined Highway Cash disbursements were understated by \$524,695. The understatement was due to county expenditures related to a county road project being disbursed from the trust and agency fund Circuit Engineering District #1 Easement, which is funded by the Emergency and Transportation Revolving (ETR) fund program, instead of being disbursed from the county fund, Highway Cash.

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure the receipts apportioned, disbursements, and cash balances are accurately presented on the County Treasurer’s monthly reports.

**Effect of Condition:** This condition resulted in monthly reports not being presented accurately as the Highway Cash disbursements were materially understated.

**Recommendation:** OSAI recommends the County design and implement policies and procedures to ensure receipts apportioned, disbursements, and cash balances are accurately presented on the County Treasurer’s monthly reports.

**Management Response:**

**Chairman of the Board of County Commissioners:** I will get with the County Clerk and County Treasurer to see how we can resolve this issue.

**County Clerk:** There were not adequate funds available in the Highway Cash account for the highway project; therefore, ETR funding was expended and documented. In the future, transfers will be made from the ETR fund to a County fund for highway projects as recommended by OSAI.

**County Treasurer:** We will work with the County Clerk to resolve this issue.

**Criteria:** Effective internal controls are essential to provide reasonable assurance about the achievement of the entity’s objectives with regard to reliability of financial reporting, and compliance with applicable laws and regulations. The County’s management is responsible for establishing internal control procedures to prevent or detect misstatements in a timely manner.

**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.

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**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 2016-003 – Inadequate Internal Controls and Noncompliance Over 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 signed warrants, maintains warrant register, posts warrants as paid in the system, and maintains appropriation ledger.

The audit of one hundred and five (105) purchase orders reflected the following noncompliance with regard to purchasing statutes:

- Thirty-seven (37) purchase orders totaling \$272,137 were not encumbered properly.

Fund	Responsible Office	Purpose	Warrant	Amount
General	County Clerk	Prior Retirement Contributions	1327	\$9,628

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<b>Fund</b>	<b>Responsible Office</b>	<b>Purpose</b>	<b>Warrant</b>	<b>Amount</b>
County Health	County Health Department	Stipend	658	\$132
DOC-BOP	County Sheriff	Food for Jail	241	\$1,613
General	County Sheriff	Fuel	135	\$3,001
Highway	District 1	Engineering	11	\$3,782
General-Hwy ST-1	District 1	Parts	189	\$2,873
Highway	District 1	Title Searches	6	\$48,407
Highway	District 1	Title Searches	9	\$51,597
Highway	District 1	Title Searches	31	\$78,796
Highway	District 1	Title Searches	50	\$25,310
Drug Court User Fees	Drug Court	Compliance Visit	3	\$1,000
Drug Court User Fees	Drug Court	Compliance Visit	10	\$1,000
Drug Court User Fees	Drug Court	Compliance Visit	15	\$1,000
Drug Court User Fees	Drug Court	Compliance Visit	16	\$1,000
Drug Court User Fees	Drug Court	Compliance Visit	25	\$1,000
Drug Court User Fees	Drug Court	Compliance Visit	26	\$1,000
Drug Court User Fees	Drug Court	Compliance Visits	40	\$1,000
Drug Court User Fees	Drug Court	Compliance Visits	13	\$1,000
Drug Court User Fees	Drug Court	Compliance Visits	31	\$1,000
Drug Court User Fees	Drug Court	Compliance Visits	34	\$1,000
Drug Court User Fees	Drug Court	Compliance Visits	37	\$1,000
Drug Court User Fees	Drug Court	Compliance Visits	41	\$1,000
Drug Court User Fees	Drug Court	Coordinator Fee	41	\$4,100
Drug Court User Fees	Drug Court	Coordinator Fee	7	\$4,100
Drug Court User Fees	Drug Court	Coordinator Fee	14	\$4,100
Drug Court User Fees	Drug Court	Coordinator Fee	22	\$4,100
Drug Court User Fees	Drug Court	Coordinator Fee	32	\$4,100
Drug Court User Fees	Drug Court	Coordinator Fee	36	\$4,100
Drug Court User Fees	Drug Court	Hair Follicle Analysis	6	\$95
Drug Court User Fees	Drug Court	Hair Follicle Analysis	27	\$265
Drug Court User Fees	Drug Court	Travel Reimbursement	9	\$1,792
Drug Court User Fees	Drug Court	Travel Reimbursement	11	\$2,636
Drug Court User Fees	Drug Court	Travel Reimbursement	38	\$1,497
Drug Court User Fees	Drug Court	Travel Reimbursement	42	\$1,961
Drug Court User Fees	Drug Court	Travel Reimbursement	43	\$1,474
Drug Court User Fees	Drug Court	Travel Reimbursement	44	\$622
Drug Court User Fees	Drug Court	UPS Fees	30	\$56



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- Six (6) contractual expenditures totaling \$24,600 that were not supported by a contract.

<b>Fund</b>	<b>Responsible Office</b>	<b>Purpose</b>	<b>Warrant</b>	<b>Amount</b>
Drug Court User Fees	Drug Court	Coordinator Fee	41	\$4,100
Drug Court User Fees	Drug Court	Coordinator Fee	7	\$4,100
Drug Court User Fees	Drug Court	Coordinator Fee	14	\$4,100
Drug Court User Fees	Drug Court	Coordinator Fee	22	\$4,100
Drug Court User Fees	Drug Court	Coordinator Fee	32	\$4,100
Drug Court User Fees	Drug Court	Coordinator Fee	36	\$4,100

- Six (6) travel reimbursement expenditures totaling \$9,982 that were not supported by adequate documentation.

<b>Fund</b>	<b>Responsible Office</b>	<b>Purpose</b>	<b>Warrant</b>	<b>Amount</b>
Drug Court User Fees	Drug Court	Travel Reimbursement	9	\$1,792
Drug Court User Fees	Drug Court	Travel Reimbursement	11	\$2,636
Drug Court User Fees	Drug Court	Travel Reimbursement	38	\$1,497
Drug Court User Fees	Drug Court	Travel Reimbursement	42	\$1,961
Drug Court User Fees	Drug Court	Travel Reimbursement	43	\$1,474
Drug Court User Fees	Drug Court	Travel Reimbursement	44	\$622

**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.

**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 guidelines.

- Purchase orders should be encumbered before goods or services are ordered.
- Expenditures should be supported by adequate documentation.

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**Management Response:**

**Chairman of the Board of County Commissioners/District 3 Commissioner:** I will discuss with all elected officials the importance of encumbering properly. 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.

**County Commissioner District 1:** We will try to do a better job of encumbering funds.

**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.

**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.

**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 2016-004 - Inadequate Internal Controls Over Payroll Process (Repeat Finding)**

**Condition:** Upon inquiry, 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

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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 twenty-five (25) timesheets resulted in the following exceptions:

- Fifteen (15) timesheets from the County Sheriff's office had no indication of being reviewed and approved by both the employee and a supervisor.
- One (1) timesheet for an emergency management employee was not signed by 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.

**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 timesheets include 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:**

**Chairman of the Board of County Commissioners:** The emergency management employee is now bringing his timesheet directly to the BOCC Chairman for review and approval.

**County Clerk:** The current policy for payroll preparation is 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.

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- 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 2016-001 - 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.

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**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 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.

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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 2016-002 – 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.

**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.

**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, 2016:

- 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.

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

September 20, 2018



**CRAIG COUNTY, OKLAHOMA  
STATUTORY REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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**SCHEDULE OF FINDINGS AND RESPONSES**

**Finding 2016-008 - 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.

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Sheriff Commissary Fund:

- Seven (7) expenditures totaling \$9,600 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  
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**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's Service Fee Account. Additionally, we will make sure an annual commissary report is completed and filed with the BOCC by January 15<sup>th</sup> 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..."

**Finding 2016-012 - Inadequate Internal Controls and Noncompliance Over Fixed Assets (Repeat Finding)**

**Condition:** Upon inquiry and observation of fixed assets inventory records, we noted the following offices are not maintaining a fixed assets inventory listing on file with the County Clerk:

- County Commissioner District 1
- County Commissioner District 2
- County Commissioner District 3

**CRAIG COUNTY, OKLAHOMA  
STATUTORY REPORT  
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Additionally, OSAI noted the following control deficiencies over fixed assets:

District 1:

- One employee is responsible for receiving fixed assets, maintaining fixed asset records, and performing physical inventory of fixed assets.

District 2:

- One employee is responsible for receiving fixed assets, maintaining fixed asset records, and performing physical inventory of fixed assets.
- Documentation of an annual physical inventory was not maintained.

**Cause of Condition:** Policies and procedures have not been designed and implemented with regard to effective internal controls over safeguarding of fixed assets by ensuring adequate segregation of duties over fixed assets, performing an annual physical inventory count, and maintaining records of annual physical inventory counts.

**Effect of Condition:** These conditions resulted in noncompliance with state statute. Opportunities for loss and misappropriation of county assets may be more likely to occur when the County does not have procedures in place to account for fixed assets.

**Recommendation:** OSAI recommends management implement internal controls to ensure compliance with 19 O.S. § 178.1 and 19 O.S. § 178.2 by maintaining inventory records and filing inventory records with the County Clerk. Additionally, OSAI recommends the performing and documenting a periodic inventory of fixed assets, and the segregation of the key functions of receiving duties and inventory control duties.

**Management Response:**

**County Commissioner District 1:** I will have someone other than the person who receives fixed asset items and maintains the fixed asset records perform the physical inventory counts on fixed asset inventory items. Documentation of the physical inventory will be maintained and sent to the Courthouse. Because the drive to the shop and office buildings run across private property, a gate and fence cannot be installed.

**County Commissioner District 2:** We will work to resolve these issues and ensure that our fixed asset inventory list is up to date and on file with the County Clerk and a physical count of fixed assets items is being performed by someone other than receiving officer and documentation of the count is retained.

**County Commissioner District 3:** We will work to resolve this problem and ensure that our fixed assets inventory list is up to date and on file with the County Clerk and a physical count of fixed assets items is being performed.

**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,

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designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from misappropriation.

Title 19 O.S. § 178.1 requires the board of county commissioners in each county of this state to take or cause to be taken, an annual inventory of all working tools, apparatus, machinery and equipment.

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

**Finding 2016-013 - Inadequate Internal Controls and Noncompliance Over Consumable Inventories (Repeat Finding)**

**Condition:** Upon inquiry of County personnel, observation, and review of documents regarding consumable inventories, the following weaknesses were noted:

District 1:

- One employee is responsible for receiving consumable inventory items, maintaining consumable inventory records, and performing physical inventory of consumable items.
- Consumable inventories are not adequately safeguarded as there is no fence around the shop.
- Documentation was not retained indicating when the last periodic review was performed.
- Fuel on hand is not reconciled to fuel logs.
- Fuel logs are not maintained for portable and satellite tanks.
- Fuel tanks located at the barn or in the satellite locations are not measured before and after the delivery of fuel.

District 2:

- Documentation was not retained indicating when the last periodic review was performed.
- Fuel tanks located at the barn or in the satellite locations are not measured before and after the delivery of fuel.
- Satellite fuel tank reconciliations do not indicate a gallon usage reconciliation but only indicate fuel usage.
- Diesel fuel records indicate a reduction of 737.2 gallon in order to reconcile to fuel on hand. Support documents for the reduction only support a reduction of 319 gallons; leaving 418.2 gallons unaccounted for.
- Consumable records were not maintained on WIX 51197 Filters, DEF (Diesel Engine Fuel), and Starter Fluid.

District 3:

- One employee is responsible for receiving consumable inventory items, maintaining consumable inventory records, and performing physical inventory of consumable items.
- Documentation was not retained indicating when the last periodic review was performed.
- Inventory records are not maintained on all consumable inventory items.

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**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure compliance with the state statutes regarding consumable inventories and accurate consumable inventory records.

**Effect of Condition:** These conditions resulted in noncompliance with state statutes. Failure to maintain accurate records of consumable inventories and to perform a periodic physical inventory of consumable inventories could result in inaccurate records, unauthorized use of consumable inventories, or misappropriation of consumable inventories.

**Recommendation:** OSAI recommends management implement internal controls to ensure compliance with 19 O.S. § 1502(A)(1), 19 O.S. § 1502(B)(1), and 19 O.S. § 1504 by maintaining consumable inventory records. OSAI also recommends that a fuel record with a balance be maintained and reconciliations to the actual fuel on hand be performed and documented.

**Management Response:**

**County Commissioner District 1:** I will have someone other than the person who receives consumable items and maintains consumable records perform the physical inventory counts on consumable items. Documentation of the physical inventory will be maintained and sent to the Courthouse. We will start maintaining fuel logs, measuring tanks accurately, and keeping satellite tanks locked.

**County Commissioner District 2:** I will have someone other than the person who receives consumables items and maintains consumable records perform the physical inventory counts on consumable items. Record of this physical count will be maintained. Additionally, we will work on making sure inventory records are maintained on all consumable items and fuel logs are maintained on all fuel tanks and reconciled to actual amounts in the tanks regularly including before and after fuel delivery.

**County Commissioner District 3:** I will have someone other than the person who receives consumables items and maintains consumable records perform the physical inventory counts on consumable items. Record of this physical count will be maintained. Additionally, we will work on making sure inventory records are maintained on all consumable items.

**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. § 1502(A)(1) requires a prescribed uniform identification system for all supplies, materials, and equipment of a county used for maintenance for roads and bridges.

Title 19 O.S. § 1502(B)(1) requires a prescribed uniform identification system for all supplies, materials, and equipment of a county not used in the construction and maintenance for roads and bridges.

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Title 19 O.S. § 1504 requires the receiving officer to maintain a record of all items received, disbursed, stored and consumed by the department.



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