



DELAWARE COUNTY

Operational Audit

For the fiscal year ended June 30, 2016

Cindy Byrd, CPA
State Auditor & Inspector

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

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Cindy Byrd, CPA | State Auditor & Inspector

2300 N. Lincoln Blvd., Room 123, Oklahoma City, OK 73105 | 405.521.3495 | www.sai.ok.gov

May 3, 2019

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

Transmitted herewith is the audit report of Delaware 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 "Cindy Byrd".

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR



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

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**DELAWARE COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Board of County Commissioners

District 1 – Doug Smith
District 2 – Tom Sanders
District 3 – Martin Kirk

County Assessor

Larena Ellis Cook

County Clerk

Barbara Barnes

County Sheriff

Harlan Moore

County Treasurer

Susan Duncan

Court Clerk

Caroline Weaver

District Attorney

Kenny Wright

**DELAWARE COUNTY, OKLAHOMA
SALES TAX DISTRIBUTION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Sales Tax

Sales Tax of March 8, 1988

The voters of Delaware County approved a permanent one-half of one percent (1/2%) sales tax on March 8, 1988. This sales tax was established to provide revenue to be used only for the acquisition, establishment, and operation of solid waste services for the people of Delaware County. These funds are accounted for in the ½ Cent Solid Waste Sales Tax fund.

Sales Tax of May 8, 2001

The voters of Delaware County approved a four-tenths of one percent (0.4%) sales tax on May 8, 2001. This sales tax was established for the purpose of constructing or improving fire stations, purchase of equipment, training, education, and general maintenance and operation of nineteen (19) fire departments in Delaware County, Oklahoma. The monthly income of the sales tax was to be divided equally between the following nineteen (19) fire departments:

- | | |
|----------------------------------|---|
| 1. Bernice Fire Department | 11. Kenwood Fire Department |
| 2. Cleora Fire Department | 12. Lakemont Shores Fire Department |
| 3. Colcord Fire Department | 13. Leach Fire Department |
| 4. Cowskin Fire Department | 14. Monkey Island Fire Department |
| 5. Eucha Fire Department | 15. Oaks Fire Department |
| 6. Flint Ridge Fire Department | 16. Tia Juana Fire Department |
| 7. Grove Fire Department | 17. Tiff City Fire Department |
| 8. Hickory Grove Fire Department | 18. West Siloam Springs Fire Department |
| 9. Jay Fire Department | 19. Zena Fire Department |
| 10. Kansas Fire Department | |

On October 28, 2002 the Board of County Commissioners (BOCC) voted to allow Butler Fire Department to receive an equal share of the sales tax revenue. These funds are accounted for in the Fire Department Sales Tax fund.

Sales Tax TIF District of June 30, 2008

On June 30, 2008, Grand Lake Economic Development Authority and Delaware County adopted a TIF (Tax Increment Financing) District for the purpose of “reversing the conditions of arrested economic development which occurred as a consequence of the failure and bankruptcy of the former Shangri-La Resort on Grand Lake” and to restore and enhance the property back to its previous status by a “Redeveloper”. The project costs authorized by this plan shall not exceed twenty-five (25) years.

**DELAWARE COUNTY, OKLAHOMA
SALES TAX DISTRIBUTION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Sales Tax - Continued

The project area comprises approximately 415 acres and is known as Increment District Number 1 where the increment will be generated. Increment District Number 1 is an ad valorem, use, and sales tax increment district. These funds are accounted for in the Delaware County Economic Authority TIF District Sales Tax fund.

Sales Tax of April 3, 2012

The voters of Delaware County approved a permanent one-half of one percent (1/2%) sales tax on April 3, 2012. This sales tax was established to satisfy a judgment entered against Delaware County. This sales tax remains in effect for 17 years or until debt issued by the County for this purpose, whichever comes sooner, has been satisfied. These funds are accounted for in the ½ Cent Justice Authority Sales Tax fund.

During the fiscal year the County collected \$4,652,207 in total sales tax.

**DELAWARE COUNTY
DESCRIPTION OF COUNTY FUNDS AND TRANSFERS
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				Ending	
	Cash Balances July 1, 2015	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Cash Balances June 30, 2016
Combing Information:						
County Funds:						
County General Fund	\$ 538,778	\$ 4,749,183	\$ 1,200,022	\$ 1,200,000	\$ 4,703,040	\$ 584,943
County Highway Cash	1,167,929	2,836,212	422,742	355,670	3,019,264	1,051,949
County Health	810,199	727,708	-	-	755,816	782,091
1/2 Cent Solid Waste Sales Tax	-	1,648,334	-	-	1,648,334	-
Fire Departments Sales Tax	2,092,476	1,331,748	-	-	1,001,192	2,423,032
1/2 Cent Courthouse Sales Tax	40,081	950	440,000	-	400,610	80,421
1/2 Cent Courthouse Sales Tax Investment	440,000	-	-	440,000	-	-
1/2 Cent Justice Authority Sales Tax	1,282,084	1,662,607	-	-	2,354,562	590,129
County Bridge and Road Improvement Fund (CBRI 105)	481,355	461,623	346,458	356,186	536,661	396,589
Sheriff Service Fee	157,212	382,493	-	-	420,855	118,850
Trash Cop Fine	-	473	-	-	473	-
Sheriff Courthouse Security	5,598	29,028	-	-	12,930	21,696
Resale Property	525,711	430,899	300,000	300,000	407,111	549,499
Resale Property Investment	80,000	-	-	-	-	80,000
Sheriff Jail Fund	12	-	-	-	12	-
County Clerk Lien Fee	27,596	23,682	-	-	22,070	29,208
Treasurer Mortgage Tax Certification Fee	63,738	8,245	45,000	45,000	6,133	65,850
Assessor Revolving	22,575	1,809	-	-	445	23,939
Sheriff Department of Corrections	2,568	62,270	-	-	58,445	6,393
County Clerk Records Management and Preservation	91,372	51,632	65,000	65,000	39,647	103,357
Use Tax	605,032	326,500	533,000	533,000	156,151	775,381
Emergency Management Operations Plan Grant (EOP)	7	-	-	7	-	-
Sheriff Special Forfeiture	6,182	-	-	-	2,048	4,134
Sheriff Training	7,919	7,945	7,000	7,000	6,612	9,252
Community Center	1,243	12,300	-	-	12,528	1,015
Emergency Management Performance Grant (EMPG)	4,144	17,500	-	-	18,964	2,680
Courthouse Renovation Donations	3,348	-	-	-	1,500	1,848
Flint Ridge 11819 Community Development Block Grant 05	623	-	-	-	623	-
Sheriff K-9	2,739	7,500	-	-	6,653	3,586
Circuit Engineering District (CED 1-3-08)	17,225	-	-	9,200	3,768	4,257
Civil Emergency Management	7,706	54,502	10,500	-	66,866	5,842
Delaware County Flood Planning	2,281	230	-	-	1,481	1,030
Rural Economic Action Plan (REAP) Grant - West Siloam Springs	10,492	-	-	10,492	-	-
Courthouse Maintenance and Operation	259	-	-	-	-	259
Sheriff Commissary Profit	964	24,162	-	-	19,972	5,154
Alternative to Detention of Juveniles	9,075	668	-	-	668	9,075
Serena Bradley Property	4,916	-	-	-	-	4,916
State Disaster 2013-2660	52,173	-	-	-	-	52,173
Rural Economic Action Plan (REAP) Grant - Cleora	8,500	500	-	-	9,000	-
Rural Water District 10 Community Development Block Grant	-	49,700	-	-	22,800	26,900
Delaware County Economic TIF District Authority Sales Tax	-	15,127	-	-	-	15,127
Court Clerk Special	8,022	264,658	-	-	261,975	10,705
Local Emergency Planning Commission	-	1,000	-	-	-	1,000
Combined Total - All County Funds	\$ 8,582,134	\$ 15,191,188	\$ 3,369,722	\$ 3,321,555	\$ 15,979,209	\$ 7,842,280

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

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

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 Cash – accounts for state, local, and miscellaneous receipts and disbursements for the purpose of constructing and maintaining county roads and bridges.

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 operation of the county health department.

½ Cent Solid Waste Sales Tax – accounts for the collection of sales tax revenues for the purpose of providing solid waste services for the County as restricted by the sales tax resolution.

Fire Departments Sales Tax – accounts for the collection of sales tax and miscellaneous revenue for the use of the Bernice, Cleora, Colcord, Cowskin, Eucha, Flint Ridge, Grove, Hickory Grove, Jay, Kansas, Kenwood, Lakemont Shores, Leach, Monkey Island, Oaks, Tia Juana, Tiff City, West Siloam Springs, and Zena rural fire districts as restricted by the sales tax resolution.

½ Cent Courthouse Sales Tax – accounts for monies held from an expired county sales tax and disbursed for improvements of the courthouse.

½ Cent Courthouse Sales Tax Investment – accounts for the investment of collection from the five (5) year sales tax revenue for the renovation of the courthouse as restricted by the sales tax resolution.

½ Cent Justice Authority Sales Tax – accounts for the collection of sales tax revenues for the purpose of paying for a judgment against the County.

County Bridge and Road Improvement Fund (CBRI 105) – accounts for state funds to be used for the construction of roads and bridges throughout the County.

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

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

Trash Cop Fine – accounts for a percentage of the fees collected from littering tickets and disbursements are for the operation of the trash cop program.

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

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

Resale Property Investment – accounts for invested resale property funds.

Sheriff Jail Fund – accounts for revenues generated from bondsman fees. Disbursements are for the general operations of the jail.

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

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

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

Sheriff Department of Corrections – accounts for the monies received from the State of Oklahoma for the boarding and feeding of Department of Corrections and for service fees received for transportation of inmates and juveniles.

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 as restricted by state statute.

Use Tax – accounts for revenues from sales tax charged to out-of-county vendors on in-county sales tax. Disbursements are for the legal expenses of the County.

Emergency Management Operations Plan Grant (EOP) – accounts for grant funds received from the Federal Emergency Management Agency. Disbursements are for emergency management services.

Sheriff Special Forfeiture – accounts for collections from the sale of property forfeited in drug related cases. Disbursements are for drug enforcement expenses.

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

Sheriff Training – accounts for collections from seized monies forfeited in drug cases. Disbursements are for lodging and travel expenses incurred during officer training.

Community Center – accounts for donations from the City of Jay and Delaware County. Disbursements are for the general operations of the Jay Community Center.

Emergency Management Performance Grant (EMPG) – accounts for the receipt and disbursement of funds from state and local governments for the operations of the Emergency Management office.

Courthouse Renovation Donations – accounts for public donations to be used for improvements to the courthouse.

Flint Ridge 11819 Community Development Block Grant 05 – accounts for collections and disbursements of Community Development Block Grant monies used for rural water improvements in the Flint Ridge Area.

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

Circuit Engineering District (CED-1-3-08) – accounts for collections from a pool of funds available from the Circuit Engineering District Board, funded through state/county funds. Disbursements are for road and bridge projects.

Civil Emergency Management – accounts for the receipt and disbursement of funds from federal, state, and local governments for the operations of the Emergency Management office.

Delaware County Flood Planning – accounts for revenues from fees collected from flood plain permits and map charges. Disbursements are for flood planning operations.

Rural Economic Action Plan (REAP) Grant – West Siloam Springs – accounts for monies received from state grants and disbursed as restricted by the grant requirements.

Courthouse Maintenance and Operation – accounts for funds for the maintenance and operation of the courthouse.

Sheriff Commissary Profit – accounts for collections from commissary sales to inmates in the County jail. Disbursements are for the operation of the jail as restricted by state statute.

Alternative to Detention of Juveniles – accounts for travel reimbursements from the State of Oklahoma for the transport of juvenile offenders.

Serena Bradley Property – accounts for the revenues the County collected from the sale of a foreclosed property that was donated to the County. Disbursements were for closing costs incurred by the County.

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

State Disaster 2013-2660 – accounts for federal funding for Federal Emergency Management Agency declared disasters. Disbursements are for costs incurred for repairing damages caused by the disasters.

Rural Economic Action Plan (REAP) Grant – Cleora - accounts for monies received from state grants and disbursed as restricted by the grant requirements.

Rural Water District 10 Community Development Block Grant – accounts for the receipt of federal funds to be expended in accordance with grant guidelines and contract for construction/repair of Rural Water District 10.

Delaware County Economic TIF District Authority Sales Tax – accounts for sales tax revenue to be paid to the Shangri-La Resort/TIF District.

Court Clerk Special – accounts for funds deposited to be used for payroll for the Court Clerk's office.

Local Emergency Planning Commission – 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.

Transfers

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

- \$300,000 was transferred from the Resale Property fund to the County General Fund to meet the requirements of appropriations in accordance with 68 O.S. § 3021.
- \$300,000 was transferred from County General Fund to the Resale Property fund for the repayment of the loan in accordance with 68 O.S. § 3021.
- \$533,000 was transferred from Use Tax fund to the County General Fund to meet with the requirements of appropriations in accordance with 68 O.S. § 3021.
- \$533,000 was transferred from the County General Fund to the Use Tax fund for the repayment of the loan in accordance with 68 O.S. § 3021.
- \$210,000 was transferred from the County Highway Cash fund to the County General Fund to meet with the requirements of appropriations in accordance with 68 O.S. § 3021.
- \$210,000 was transferred from the County General Fund to the County Highway Cash fund for the repayment of the loan in accordance with 68 O.S. § 3021.

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

- \$110,000 was transferred from the Emergency and Transportation Revolving-Whitewater fund, a trust and agency fund, to the County Highway Cash fund to reimburse the County Highway Cash fund for road and bridge projects.
- \$70,670 was transferred from the County Highway Cash fund to the Emergency and Transportation Revolving-Whitewater fund, a trust and agency fund, to repay a loan used for road and bridge projects in the County.
- \$8,500 was transferred from the Emergency and Transportation Revolving-CR524 fund, a trust and agency fund, to the County Highway Cash fund to reimburse the County Highway Cash fund for road and bridge projects.
- \$66,500 was transferred from the Emergency and Transportation Revolving-CR524 fund, a trust and agency fund, to the County Highway Cash fund to reimburse the County Highway Cash fund for road and bridge projects.
- \$75,000 was transferred from County Highway Cash fund to the Emergency and Transportation Revolving-CR524 fund, a trust and agency fund, to repay a loan used for road and bridge projects in the County.
- \$40,000 was transferred from County Bridge and Road Improvement Fund (CBRI 105) to the County General Fund to meet with the requirements of appropriations in accordance with 68 O.S. § 3021.
- \$40,000 was transferred from the County General Fund to the County Bridge and Road Improvement Fund (CBRI 105) fund for the repayment of the loan in accordance with 68 O.S. § 3021.
- \$23,713 was transferred from the Emergency and Transportation Revolving-Fox Run fund, a trust and agency fund, to the County Highway Cash fund to reimburse the County Highway Cash fund for road and bridge projects.
- \$50,000 was transferred from the County Bridge and Road Improvement Fund (CBRI 105) fund to the Emergency and Transportation Revolving-Fox Run fund, a trust and agency fund, to repay a loan used for bridge and road projects in the County.
- \$125,000 was transferred from the Emergency and Transportation Revolving-Colcord Keithly fund, a trust and agency fund, to the County Bridge and Road Improvement Fund (CBRI 105) fund to reimburse the County Bridge and Road Improvement Fund (CBRI 105) fund for road and bridge projects.
- \$125,000 was transferred from the County Bridge and Road Improvement Fund (CBRI 105) fund to the Emergency and Transportation Revolving-Colcord Keithly fund, a trust and agency fund, to repay a loan used for bridge and road projects in the County.

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

- \$26,287 was transferred from the Emergency and Transportation Revolving-Fox Run fund, a trust and agency fund, to the County Bridge and Road Improvement Fund (CBRI 105) fund to reimburse the County Bridge and Road Improvement Fund (CBRI 105) fund for road and bridge projects.
- \$141,186 was transferred from County Bridge and Road Improvement Fund (CBRI 105) fund to the Emergency and Transportation Revolving-700 Rd fund, a trust and agency fund, to repay a loan used for road and bridge projects in the County.
- \$150,000 was transferred from the Emergency and Transportation Revolving-700 Rd. fund, a trust and agency fund, to the County Bridge and Road Improvement Fund (CBRI 105) fund to reimburse the County Bridge and Road Improvement Fund (CBRI 105) fund for road and bridge projects.
- \$5,171 was transferred from Circuit Engineering District (CED 1-3-08) fund to County Bridge and Road Improvement Fund (CBRI 105) fund to close out the Circuit Engineering District (CED 1-3-08) project.
- \$45,000 was transferred from Treasurer Mortgage Certification Fee to the County General Fund to meet with the requirements of appropriations in accordance with 68 O.S. § 3021.
- \$45,000 was transferred from the County General Fund to the Treasurer's Mortgage Certification Fee fund for the repayment of the loan in accordance with 68 O.S. § 3021.
- \$65,000 was transferred from County Clerk Records Management and Preservation fund to the County General Fund to meet with the requirements of appropriations in accordance with 68 O.S. § 3021.
- \$65,000 was transferred from the County General Fund to the County Clerk Records Management and Preservation fund for the repayment of the loan in accordance with 68 O.S. § 3021.
- \$7,000 was transferred from Sheriff Training fund to the County General Fund to meet with the requirements of appropriations in accordance with 68 O.S. § 3021.
- \$7,000 was transferred from the County General Fund to the Sheriff Training fund for the repayment of the loan in accordance with 68 O.S. § 3021.
- \$22 was transferred from the DECCA Juvenile Detention fund, trust and agency fund, to the County General Fund to close out the DECCA Juvenile Detention fund.
- \$4,029 was transferred from Circuit Engineering District (CED1-3-08) to Highway Cash fund to close out Circuit Engineering District (CED 1-3-08) project.

DELAWARE COUNTY
DESCRIPTION OF COUNTY FUNDS AND TRANSFERS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

- \$440,000 was transferred from ½ Cent Courthouse Sales Tax Investment fund to ½ Cent Courthouse Sales Tax fund to close out the ½ Cent Courthouse Sales Tax Investment fund.

- \$7 was transferred out of the Emergency Management Operations Plan Grant (EOP) fund to the Civil Emergency Management fund to close out the Emergency Management Operations Plan Grant (EOP) fund.

- \$10,492 was transferred out of the Rural Economic Action Plan (REAP) Grant - West Siloam Springs fund to the Civil Emergency Management fund to close out the Rural Economic Action Plan (REAP) Grant – West Siloam Springs fund.

DELAWARE COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
COUNTY GENERAL FUND - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 538,778	\$ 538,778	\$ -
Less: Prior Year Outstanding Warrants	(153,715)	(153,715)	-
Less: Prior Year Encumbrances	(20,869)	(12,599)	8,270
Beginning Cash Balances, Budgetary Basis	<u>364,194</u>	<u>372,464</u>	<u>8,270</u>
Residual Transfer	-	22	22
Receipts:			
Ad Valorem Taxes	3,571,160	3,621,455	50,295
Charges for Services	227,799	245,439	17,640
Intergovernmental Revenues	782,842	751,399	(31,443)
Sales Tax	-	-	-
Miscellaneous Revenues	75,259	130,890	55,631
Total Receipts, Budgetary Basis	<u>4,657,060</u>	<u>4,749,183</u>	<u>92,123</u>
Expenditures:			
District Attorney - County	4,000	4,000	-
County Sheriff	1,029,203	955,095	74,108
County Treasurer	194,712	195,609	(897)
County Commissioners	228,117	226,978	1,139
County Commissioners OSU Extension	67,800	63,430	4,370
County Clerk	312,323	311,811	512
Court Clerk	154,352	156,601	(2,249)
County Assessor	193,007	190,850	2,157
Revaluation	549,927	499,217	50,710
General Government	1,627,531	1,566,528	61,003
Excise Equalization Board	1,489	2,460	(971)
County Election Expense	106,742	108,030	(1,288)
Charity	1,000	200	800
Emergency Management	28,343	28,328	15
Maintenance	80,785	32,888	47,897
Human Resources	27,836	27,034	802
County Audit Budget Account	158,322	108,831	49,491
Free Fair Budget Account	16,249	16,190	59
E-911	239,516	226,073	13,443
Total Expenditures, Budgetary Basis	<u>5,021,254</u>	<u>4,720,153</u>	<u>301,101</u>

Continued on next page

DELAWARE COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
COUNTY GENERAL FUND - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	General Fund		
	Budget	Actual	Variance
Continued from previous page			
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	401,516	\$ 401,516
Interfund Transfers			
Interfund Transfer In		1,200,000	
Interfund Transfer Out		(1,200,000)	
Net Interfund Transfers		-	
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Outstanding Warrants		165,553	
Add: Current Year Encumbrances		17,874	
Ending Cash Balance		\$ 584,943	

DELAWARE 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

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 810,199	\$ 810,199	\$ -
Less: Prior Year Outstanding Warrants	(94,870)	(94,870)	-
Less: Prior Year Encumbrances	(2,891)	(2,419)	472
Beginning Cash Balances, Budgetary Basis	712,438	712,910	472
Receipts:			
Ad Valorem Taxes	660,767	724,291	63,524
Charges for Services	-	3,066	3,066
Intergovernmental Revenues	-	351	351
Miscellaneous Revenues	-	-	-
Total Receipts, Budgetary Basis	660,767	727,708	66,941
Expenditures:			
County Health Budget Account	1,373,205	825,942	547,263
Total Expenditures, Budgetary Basis	1,373,205	825,942	547,263
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	614,676	\$ 614,676
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		67,143	
Add: Current Year Outstanding Warrants		100,272	
Ending Cash Balance		\$ 782,091	

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

PURPOSE, SCOPE, AND GENERAL 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, and observations of the County's operations. Further details regarding our methodology are included under each objective.

We utilized sampling of transactions to achieve our objectives. To ensure the samples were representative of the population and provided sufficient, appropriate evidence, the random 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.

Objective 1 Methodology: To accomplish objective 1, we performed the following:

- Evaluated significant internal controls related to preparing the County Treasurer's Monthly Reports, which included:
 - Reviewing all County Treasurer's monthly report for the fiscal year to ensure the monthly reports were signed and approved by someone other than the preparer, reconciled to the general ledger, and reconciled to the bank statement.
 - Reviewing a judgmentally selected sample of nine (9) bank statements and related bank reconciliations (25% of the total bank statements in the population tested) to ensure bank reconciliations were signed and approved by someone other than the preparer and correctly reconciled to the bank statement.
- Reconciled total collections from the monthly reports to the apportionment ledger for each month and to the annual summary of the County Treasurer's reports.
- Confirmed \$12,967,367 in cash receipts (85% of total cash receipts) received from the Oklahoma Tax Commission, Federal grantor agencies, and the State Treasurer's Office, and determined that these receipts were apportioned to the proper fund in the proper amount.
- Prepared a general ledger schedule of cash and investments at June 30 to ensure the schedule reconciled to the annual summary of the County Treasurer's reports.
- Confirmed all cash and investment balances.
- Re-performed the June 30 bank reconciliation and confirmed reconciling items.
- Reviewed bank balances of all accounts at June 30 on the County Treasurer's general ledger to ensure that investments were adequately secured as required by 62 O.S. § 517.4.
- Examined the County Treasurer's total cash disbursements and compared it to the County Clerk's total checks and cash vouchers issued to ensure the totals reconciled.

FINDINGS AND RECOMMENDATIONS

Finding 2016-003 – Inadequate Internal Controls Over Treasurer Operations (Repeat Finding)

Condition: Upon inquiry of the County Treasurer's staff and observation of records, we determined that there are inadequate internal controls within the office of the County Treasurer as follows:

- Cash drawers are not secured as to restrict access.

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- Documentation is not retained to indicate apportionments are reviewed and approved by someone other than the preparer.
- Electronic transfers for County Clerk tax lien fees process:
 - The Treasurer obtains a cashier's check written on the EFTPS bank account,
 - Deposits the cashier's check into the official depository account,
 - Issues a Treasurer's check to the County Clerk.
 - Additionally, the processes of determining the account of tax liens deposited into the EFTPS account, obtaining the cashier's check, depositing the cashier's check into the official depository, issuing a Treasurer's check to the County Clerk, and reconciling the EFTPS bank account were all performed by one person.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure receipts apportioned, disbursements, and cash balances are accurately presented on the monthly reports, to accurately record electronic transfers, and indication that apportionments are reviewed and approved by someone other than the preparer.

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

Recommendation: The Oklahoma State Auditor & Inspector's Office (OSAI) recommends that the County Treasurer implement a system of internal controls to provide reasonable assurance that receipts apportioned, disbursements, and cash balances are accurately presented on the County Treasurer's monthly reports. To improve controls over the County Treasurer's monthly reports, we recommend the following:

- Cash drawers should be secured when employees are away from their station.
- Apportionments should be reviewed by someone other than the preparer and show indication of review.
- Receipts should be issued for all collections including electronic transfers and the practice of obtaining cashier's checks in order to account for/and move collections should be discontinued immediately.
- Segregating key processes and/or critical functions of the office and having management review and approve accounting functions.

Management Response:

County Treasurer: Cash drawers are now locked and placed in the safe when the staff leaves. I now prepare the apportionment report and it is reviewed and verified by a deputy. The County Clerk tax liens are no longer deposited into the EFTPS account; the EFTPS account is strictly for payroll taxes. Tax liens are now deposited into the general bank account and receipted into the appropriate accounts.

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

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transactions, and safeguarding assets from misappropriation. To help ensure a proper accounting of funds, cash drawers should be secured at all time, the duties associated with key processes and/or critical functions should be segregated, and receipts should be issued for all collections.

Finding 2016-013 – Inadequate Internal Controls Over the Reconciliation of Appropriation Ledger to General Ledger (Repeat Finding)

Condition: The reconciliation performed between the County Clerk’s appropriation ledger and the County Treasurer’s general ledger is only performed on an annual basis. Additionally, there is no indication the annual reconciliation is reviewed and approved by someone other than the preparer.

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: These conditions could result in unrecorded transactions, misstated financial reports, undetected errors, or misappropriation of assets.

Recommendation: OSAI recommends 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 now reconcile the County Treasurer’s general ledger to the County Clerk’s appropriation ledger monthly and I sign off on the reconciliation after reviewing it for accuracy.

County Clerk: We have changed our process and now reconcile our ledger with the County Treasurer’s ledger each month.

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, reconciliations should be performed on a monthly basis and denoted indication of being reviewed and approved by someone other than the preparer.

Finding 2016-015 – Inadequate Internal Controls and Noncompliance Over the Monthly Report Presentation

Condition: The County has not designed and implemented internal controls to ensure the accurate presentation of the County’s monthly reports. During the review and reconciliation of the monthly reports as prepared by the County, we determined that the disbursements were understated by \$1,250,000. The

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understatement was due to a surplus redemption of sales tax being wire transferred from the County's general bank account without following purchasing procedures and rules promulgated by OSAI.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure all disbursements of the County are made in a manner to comply with state statute and are recorded on the County's monthly reports accurately.

Effect of Condition: This condition resulted in noncompliance with state statute and misstated financial reports and could have resulted in an unrecorded transaction, undetected errors, or misappropriation of funds.

Recommendation: OSAI recommends the County design and implement policies and procedures to ensure adherence to state purchasing guidelines.

- Purchase orders should be encumbered before goods or services are ordered and encumbrances should be certified by the County Clerk or Deputy.
- Expenditures should be supported by adequate documentation and approvals.

Management Response:

Chairman of the Board of County Commissioners: The County Clerk's office reports that they are now aware that in regard to the Justice Authority Sales Tax, a purchase order must be encumbered, and a warrant must be issued as supporting documentation when and if a wire transfer is to be sent.

County Clerk: We are now aware, that in regard to the Justice Authority Sales Tax, a purchase order must be encumbered and a warrant must be issued as supporting documentation when and if a wire transfer is to be sent.

County Treasurer: Going forward we will treat this as an ACH payment and encumber a purchase order and a warrant. An electronic transfer will still be performed due to the bank requiring the payment be done this way.

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

Effective internal controls require that management properly implement procedures to ensure that purchases are made in compliance with 19 O.S. § 1505.

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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 did not comply 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 2 Methodology: To accomplish objective 2, we performed the following:

- Evaluated significant internal controls related to sales tax, which included:
 - Reviewing sales tax collections to ensure the collection was apportioned and appropriated in accordance with the sales tax ballot and that the apportionment and appropriation were reviewed and approved.
 - Reviewing a random sample of sales tax disbursements totaling \$3,107,536 (75% of sales tax disbursements in the population tested) to ensure the expenditure was approved and made for the purposes designated in the sales tax ballot.
- Confirmed all sales tax receipts received from the Oklahoma Tax Commission.

FINDINGS AND RECOMMENDATIONS

Finding 2016-004 -- Inadequate Internal Controls Over County Sales Tax Collections (Repeat Finding)

Condition: During our review of the procedures involved in the receipt and apportionment of sales tax collections, the following was noted:

- The calculation of sales tax collections prepared and apportioned by the County Treasurer is not reviewed or approved by someone other than the preparer.

Cause of Condition: Policies and procedures have not been designed and implemented to oversee and review sales tax collections to ensure collections are apportioned in accordance with sales tax ballots.

Effect of Condition: This condition could result in unrecorded transactions, misstated financial reports, undetected errors, or misappropriations of funds.

Recommendation: OSAI recommends management be aware of these conditions and realize that concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. The most effective controls lie in management's overseeing of office operations and a periodic review of operations. OSAI recommends management provide segregation of duties so that no one

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employee is able to perform all accounting functions. 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's review and approval of accounting functions.

Management Response:

County Treasurer: I receive and calculate the break-out of sales tax miscellaneous receipts. Going forward, a deputy will review my calculations for accuracy and initial the miscellaneous receipts.

Criteria: Accountability and stewardship are overall goals in evaluating management's accounting of funds. Effective internal controls require management to design procedures to ensure sales tax revenue is correctly recorded for the purpose it was intended and to be reviewed and approved by someone other than the preparer.

Finding 2016-005 – Unallowable Fire Department Sales Tax Appropriations and Noncompliance with State Statute (Repeat Finding)

Condition: In a special election on May 8, 2001, the voters of Delaware County passed a four tenths of one percent (0.4%) sales tax specifically to be divided equally between the following nineteen (19) fire departments:

- | | |
|----------------------------------|---|
| 1. Bernice Fire Department | 11. Kenwood Fire Department |
| 2. Cleora Fire Department | 12. Lakemont Shores Fire Department |
| 3. Colcord Fire Department | 13. Leach Fire Department |
| 4. Cowskin Fire Department | 14. Monkey Island Fire Department |
| 5. Eucha Fire Department | 15. Oaks Fire Department |
| 6. Flint Ridge Fire Department | 16. Tia Juana Fire Department |
| 7. Grove Fire Department | 17. Tiff City Fire Department |
| 8. Hickory Grove Fire Department | 18. West Siloam Springs Fire Department |
| 9. Jay Fire Department | 19. Zena Fire Department |
| 10. Kansas Fire Department | |

On October 28, 2002, the Board of County Commissioners voted to allow Butler Fire Department to receive an equal share of revenues derived from the sales tax without another special election being held. In fiscal year 2016, this resulted in Butler Fire Department receiving \$65,933.31 in sales tax collections and each of the nineteen (19) fire departments defined in the sales tax ballot receiving \$3,470.17 less than mandatory.

Cause of Condition: Policies and procedures have not been designed and implemented to oversee and review County sales tax collections to ensure they are apportioned and expended in accordance with the sales tax ballot.

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Effect of Condition: These conditions resulted in noncompliance with state statute and the sales tax ballot and the sales tax revenue being apportioned to a fire department not included on the sales tax ballot.

Recommendation: OSAI recommends management design and implement policies and procedures to ensure sales tax apportionments and expenditures are made in accordance with the state statute and sales tax ballot that was approved by the citizens of the County. OSAI also recommends the County cease apportioning and appropriating sales tax collections to the Butler Fire Department.

Management Response:

Chairman of the Board of County Commissioners: The BOCC will seek the District Attorney's opinion and follow the recommendations.

County Clerk: In our last audit for fiscal year ended June 30, 2014, I responded in part that our District Attorney's office is of the opinion that the addition of the Butler Fire Department as a recipient of the sales tax was allowable. We are responding again to the same audit finding and have reached out to the District Attorney's office again for guidance. My office must continue to follow the advice of our District Attorney as we did in the last audit, until they advise us to the contrary.

County Treasurer: I am responsible for apportioning all Fire Department sales tax collections into the Fire Department Sales Tax revolving fund. This issue is under review by our District Attorney.

Auditor Response: The sales tax ballot approved by the majority of the voters on May 8, 2001, specifically states that the four-tenths of one percent (0.4%) sales tax shall be divided equally between the nineteen (19) fire departments in Delaware County, Oklahoma: Bernice, Cleora, Colcord, Cowskin, Eucha, Flint Ridge, Grove, Hickory Grove, Jay, Kansas, Kenwood, Lakemont Shores, Leach, Monkey Island, Oaks, Tia Juana, Tiff City, West Siloam Springs, and Zena.

Criteria: Title 68 O.S. § 1370.E states in part, "... the proceeds of any sales tax levied by a county shall be deposited in the general revenue or sales tax revolving fund of the county and shall 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. However, we noted some deficiencies in internal controls regarding ad valorem tax levies.

Objective 3 Methodology: To accomplish objective 3, we performed the following:

- Evaluated significant internal controls related to ad valorem tax collections, which included comparing the certified levies to the approved levies entered into the computer system to ensure levies were entered correctly.
- Recalculated the apportionment of ad valorem tax collections to determine collections were accurately apportioned to the taxing entities.

FINDINGS AND RECOMMENDATIONS

Finding 2016-006 – Inadequate Internal Controls Over Ad Valorem Tax Levies (Repeat Finding)

Condition: Upon inquiry and observation of the recordkeeping process of apportioning ad valorem collections, the following was noted:

- There was no evidence that certified levies input into the ad valorem system were reviewed for accuracy by someone other than the person who input the data.

Cause of Condition: Policies and procedures have not been designed and implemented to document and retain evidence of procedures performed to ensure ad valorem tax levies are accurately entered into the ad valorem system.

Effect of Condition: This condition could result in ad valorem tax collections being incorrectly apportioned and remitted.

Recommendation: OSAI recommends that the County Treasurer implement a system of internal controls to provide reasonable assurance that the levies are entered into the County Treasurer’s system accurately and to maintain evidence of these controls.

Management Response:

County Treasurer: I now input the data, print the report and two other deputies proof the data entry for accuracy.

Criteria: Accountability and stewardship are overall goals in evaluating management’s accounting of funds. Internal controls should be designed to analyze and check accuracy and completeness. To help ensure proper accounting of funds, the duties of allocating, and apportioning ad valorem tax should be segregated or reviewed by an independent party.

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 complied with 19 O.S. § 1505, which requires that disbursements be properly supported and charged to the appropriate fund and account.

Objective 4 Methodology: To accomplish objective 4, we performed the following:

- Evaluated significant internal controls related to the expending of County funds through purchase orders, which included reviewing a random sample of purchase orders totaling \$1,806,908 (29% of purchase orders in the population tested) to ensure:
 - The purchase order was requisitioned and signed by an approved Requisition County Official,
 - The encumbrance was made or funds were available prior to ordering goods or services and the encumbrance was approved by the County Clerk/Deputy,
 - The disbursement was reviewed and authorized and supported by adequate documentation, and
 - The BOCC reviewed and approved the disbursement and the disbursement was made for the appropriate amount.
- Evaluated significant internal controls related to payroll expenditures, which included reviewing a random sample of forty (40) payroll disbursements (0.4% of payroll disbursements in the population tested) to ensure:
 - Timesheets are accurate and are signed by the employee and supervisor,
 - The payroll claim was reviewed and approved, and
 - The payroll claim was supported by adequate documentation, and
 - Ensuring that the total payroll paid was compared and agreed to the payroll claim.

FINDINGS AND RECOMMENDATIONS

Finding 2016-008 – 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 employees, inputs and updates payroll in the system, prepares, prints and issues payroll warrants, calculates and pays all withholdings, prepares and sends direct deposit

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information to the bank, is the direct contact for the banks for direct deposit, and removes terminated employees from the payroll system.

The audit of forty (40) payroll disbursements resulted in the following exceptions:

- Three (3) timesheets for the employees of the County Sheriff did not denote a signature of a Supervisor/County Official certifying that validity of the hours worked and/or leave used.

Cause of Condition: Policies and procedures have not been designed with regards to segregation of duties and/or compensating controls over 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, or 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 all timesheets be signed and approved by the Supervisor/County Official certifying the validity of the hours worked and/or leave used.

Management Response:

County Clerk: We have not had adequate staffing to allow for an additional person to separate duties in our payroll department, but now have a backup employee for payroll functions that can assist in the separation of these duties. My first deputy and I will become the direct contacts for the bank for direct deposit.

County Sheriff: Timesheets will be sent back to the appropriate division supervisors for signatures or corrections before being submitted to the County Clerk's office to process payroll. Additionally, the Sheriff's office will enforce a county policy of not paying any employee until that employee has turned in their timesheets for that time period and signed by their 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 disbursements and/or transactions. To help ensure a proper accounting of funds, the duties of processing,

authorizing, and payroll distribution should be segregated, and all payroll expenditures should be supported by timesheets signed by both the employee and a Supervisor/County Official.

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 has not designed a Disaster Recovery Plan for this office and the BOCC has not designed a County-Wide 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 a formal Disaster Recovery Plan.

Effect of Condition: These conditions could result in unrecorded transactions, undetected errors, or misappropriation of funds. These conditions could also result in the loss of data, the unreliability of data, and increase the risk that county business could continue uninterrupted in the event of a disaster.

Recommendation: OSAI recommends that the County design 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.

Further, a County-wide Disaster Recovery Plan should be designed and implemented with the inclusion of all information systems used by individual offices in order to maintain operations in the event of an emergency situation and/or disaster.

Management Response:

Chairman of the Board of County Commissioners: I was not in office at this time, but I shall formulate a plan in conjunction with the other elected officials and Emergency Management using the A.C.C.O. template to develop a County-Wide Disaster Plan.

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County Sheriff: The County Sheriff's department has a Disaster Recovery Plan that was designed in 2011. We are in the process of reviewing our current plan with the SA&I template provided and intend to revise and update our current plan and then implement with training and practice drills in the coming year.

Auditor Response: The County Sheriff could not provide OSAI with a Disaster Recovery Plan during the audit. When this document was produced after the finding was presented, it appears to have been only recently updated. Disaster Recovery Plans should be readily available to all employees and updated and tested on a regular basis.

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.

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.

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 must formulate an approach for risk management and decide upon the internal control activities required to mitigate those risks and achieve the internal control objectives of efficient and effective operations, reliable financial reporting, and compliance with laws and regulations.

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.

Other Item(s) Noted:

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

Finding 2016-002 – Inadequate Internal Controls Over the Schedule of Expenditures of Federal Awards (SEFA)

Condition: During our audit, we identified federal programs that were not listed accurately on the County’s Schedule of Expenditures of Federal Awards (SEFA).

The following misstatements were noted:

- Unemployment Insurance, CDFA 17.225 was not reported on the SEFA. The actual expenditures for this grant were \$221, resulting in an understatement of expenditures of \$221.
- The actual expenditures for the Disaster Grants – Public Assistance (Presidentially Declared Disasters), CFDA 97.036 were \$115,237 and the County reported \$118,621, resulting in an overstatement of the expenditures of \$3,384.

Additionally, the County could not provide documentation, including contracts, to support \$81,525 in federal expenditures reported on the County’s SEFA:

- \$49,700 for Community Development Block Grants/State’s program and Non-Entitlement Grants in Hawaii, CFDA 14.228 and
- \$31,825 for Public Safety Partnership and Community Policing Grants, CFDA 16.710

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

Effect of Condition: These conditions resulted in the actual federal expenditures for fiscal year 2016 being undeterminable and could result in erroneous reporting and/or a material misstatement of the County’s SEFA and increases the potential for material noncompliance with federal requirements.

Recommendation: OSAI recommends county officials and department heads gain an understanding of federal programs awarded to Delaware 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.

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Management Response:

Chairman of the Board of County Commissioners: I will reach out to Districts 2 and 3, the Sheriff's Office, and the Emergency Management Director to stress the vital importance of keeping track of all federal funds received and providing this information in a timely manner to the County Clerk's office so that an accurate SEFA can be prepared.

County Clerk: The County Clerk's office is the collector for federal monies that come into the county via FEMA or CDBG grants, etc. We make every effort to ensure the departments provide us with accurate and timely information, but we can only report the figures we are given. The county is going to start having quarterly officers' meetings to assure that policies and procedures are in place, understood, and followed which will hopefully ensure that our SEFA report is accurate going forward.

County Sheriff: Response specifically regarding the County not providing documentation to support federal expenditures reported on the County's SEFA: (\$31,825 for Public Safety Partnership and Community Policing Grants, CFDA 16.710) awarded to the Sheriff's office. The documentation was provided on November 2, 2015 to support the expenditures reported for this grant to the County Clerk's office. A 2nd copy of this documentation was provided to the County Clerk after the presentation of this finding on March 3, 2019 along with documentation that all reconciles. Additionally, financial requirements have been met and marked final by the U.S. Department of Justice as of January 28, 2019.

Auditor Response: The information noted on the records provided to OSAI for Public Safety Partnership and Community Policing Grants, CFDA 16.710 did not reconcile to the expenditures the County recorded on the SEFA.

County Treasurer: I will continue to work with the County Clerk to provide revenue information. The implementation of the new Chart of Accounts in July 2019 will eliminate most issues noted.

Criteria: *Title 2 CFR 200.302(b)(1)* reads as follows:

- (1) Identification, in its accounts, of all Federal awards received and expended and the Federal programs under which they were received. Federal program and Federal award identification must include, as applicable, the CFDA title and number, Federal award identification number and year, name of the Federal agency, and name of the pass-through entity, if any.

Title 2 CFR 200.510, Financial Statements, reads as follows:

- (b) *Schedule of expenditures of Federal awards.* The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with §200.502 Basis for determining Federal awards expended. [...]

Further, accountability and stewardship should be overall goals in management's accounting of federal funds. Internal controls should be designed to monitor compliance with laws and regulations pertaining to grant contracts. To help ensure a proper accounting of funds, an accurate record of federal expenditures should be maintained.

REPORT ON STATUTORY COMPLIANCE – OTHER MATTERS



Cindy Byrd, CPA | State Auditor & Inspector

2300 N. Lincoln Blvd., Room 123, Oklahoma City, OK 73105 | 405.521.3495 | www.sai.ok.gov

Delaware County
Board of County Commissioners
Delaware County Courthouse
Jay, Oklahoma 74346

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 Delaware 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.

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

April 30, 2019



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

SCHEDULE OF FINDINGS AND RESPONSES

Finding 2016-009 - Inadequate Internal Controls and Noncompliance Over Inmate Trust Fund Checking Account and Sheriff Commissary Fund (Repeat Finding)

Condition: Upon inquiry and observation of the Inmate Trust Fund Checking Account and Sheriff Commissary Fund, the following exceptions were noted:

Inmate Trust Fund Checking Account:

- One employee is responsible for accessing and balancing collections in the locked safe, posting collections and disbursements to inmates' accounts in system, issuing receipts, preparing deposits, issuing and signing checks on the Inmate Trust Fund Checking Account, and performing bank reconciliations.
- Bank reconciliations are not reviewed and approved by someone other than the preparer.
- From July 1, 2015 through March 31, 2016, receipts for inmate collections were not issued in sequential order by the software program, therefore not ensuring that all collections received have been deposited.
- Deposits are not reviewed and approved by someone other than the preparer.
- Collections are not deposited on a daily basis.
- The County cannot access the vendor software and records were not maintained/available for the time period of July 1, 2015 through March 31, 2016. Therefore, inmate ledger balances could not be reconciled to bank balances.
- Individual inmate balances were not reconciled to the ledger balances from April 1, 2016 through June 30, 2016 in the new bookkeeping system.
- Expenditures are made from the Inmate Trust Fund Checking Account for purposes other than statutorily allowed.

Sheriff Commissary Fund:

- One person is responsible for making deposits into the Sheriff Commissary Fund and reconciling the fund to the County Treasurer. Additionally, there is no indication that these deposits or reconciliations are reviewed and approved by someone other than the preparer.
- An annual report for the Sheriff Commissary Fund is not filed with the BOCC by January 15th of each year in accordance with state statute.
- Inmate telephone commissions were deposited into the Commissary Fund.

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

Effect of Condition: These conditions resulted in noncompliance with state statutes. In addition, without proper accounting and safeguarding of the Inmate Trust Fund Checking Account and the Sheriff Commissary Fund, there is an increased risk of 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 approve accounting functions.

OSAI further recommends the County Sheriff implement procedures to ensure:

- 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.
- Bank reconciliations are performed on a monthly basis and reviewed and approved by someone other than the preparer.
- Financial records are maintained and made accessible for auditing purposes.
- The inmates' trust fund balances are reconciled to the bank statements each month.
- Expenditures are made from the Inmate Trust Fund Checking Account in accordance with 19 O.S. § 531 (A).
- 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).
- Inmate telephone commissions are deposited into the Sheriff Service Fee account in accordance with 19 O.S. § 180.43 (E).

Management Response:

County Sheriff Response: In regard to Inmate Trust Fund Checking Account, currently:

- The Delaware County Sheriff's Office (DCSO) has two employees overseeing the procedures of accessing and balancing collections in locked safe. The Jail Administrator pulls monies collected from safe daily and counts money in presence of an administrative assistant. The administrative assistant then reconciles the monies to the inmates account within banking software, issues receipts, and then prepares the bank deposit. The Jail Administrator or a shift sergeant then take the deposit to the bank daily. Daily reconciliations, collections to receipts, are reviewed by another administrative assistant on a monthly basis when she is performing the bank reconciliations.
- Receipts are issued in sequential order for all collections.
- Bank reconciliations are completed by an administration assistant and reconciled with inmate's balance and then reviewed and approved by another administration assistant.
- On July 1, 2018, the County entered into a contract for a new software system for the County Sheriff's office. This should remedy any issues we had with the old system.
- Expenditures from the Inmate Trust Fund Checking account are only made for the purpose of reimbursing the Sheriffs Commissary Fund for purchase orders paid to commissary vendor and phone vendor for commissary items and phone time purchased by inmates, profit from the sale of

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those commissary items, and to inmates upon release or transfer to another facility. When an inmate is released or transferred any remaining balance in their account is loaded on a prepaid/loaded debit card or a check is issued to the transferring facility's trust account with that inmate's name as the beneficiary.

In responses to the Sheriff Commissary fund, currently:

- A DCSO administrative assistant in the financial office is responsible for making deposits into the Sheriff Commissary fund and reconciling the fund back to the County Treasurer, then another administrative assistant reviews the transactions and the deposit.
- A monthly report for the Sheriffs Commissary Fund is filed with the BOCC by the 15th of each month, this procedure began in May of 2017.
- Inmate telephone commissions are deposited into the Sheriff Service Fee fund.

Auditor Response: Best practices are to implement daily compensating controls over daily processes and monthly compensating controls over monthly processes.

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 transactions 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 should 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, "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 sheriff shall file an annual report on any said commissary under or her operation no later than January 15 of each year."

Title 19 O.S. § 180.43 (E) states in part, "Each county sheriff may operate, or contract the operation of, a telephone system...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 Service Fee Account."

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**Finding 2016-010 – Inadequate Internal Controls and Noncompliance Over Fixed Assets Inventory
(Repeat Finding)**

Upon inquiry of County personnel and observation of fixed assets inventory records, we noted the following:

District 1:

- One employee acting as both a requisitioning and receiving officer for fixed assets also maintains fixed asset records.
- Physical inventory is not performed annually.
- Updated inventory records were not filed with the County Clerk.
- Of the twenty (20) fixed asset items selected for inspection, three (3) items could not be located, one (1) item was not properly marked with “Property of Delaware County”, and one (1) item’s identification number was listed incorrectly on the asset.

District 2:

- One employee acting as both a requisitioning and receiving officer for fixed assets also maintains fixed asset records.
- Physical inventory is not performed annually.
- Updated inventory records were not filed with the County Clerk.
- Of the twenty (20) fixed asset items selected for inspection: three (3) items were not properly marked with “Property of Delaware County” and one (1) item could not be located.

District 3

- One employee acting as both a requisitioning and receiving officer for fixed assets also maintains fixed asset records.
- Physical inventory is not performed annually.
- Updated inventory records were not filed with the County Clerk.
- Rolling stock is not properly marked “Property of Delaware County”.
- Of the twenty (20) fixed asset items selected for inspection: two (2) items could not be located, two (2) items were not recorded on the District’s inventory records, and two (2) items did not contain an asset tag or identification number.

Cause of Condition: Policies and procedures have not been designed and implemented with regard to accounting for and safeguarding of fixed assets.

Effect of Condition: These conditions resulted in noncompliance with state statutes. 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, 178.2, and 69 O.S. § 645 by:

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- Maintaining up-to-date inventory records.
- Filing up-to-date inventory records with the County Clerk.
- Performing physical inventory on an annual basis and retaining documentation verifying physical inventories were performed.
- Clearly marking all rolling stock as property of the County.

Additionally, OSAI recommends the segregation of the key functions of receiving duties and inventory control duties.

Management Response:

County Commissioner District 1: While I was not in office at this time, we have worked to resolve these issues and ensure that our fixed asset inventory list is up-to-date, on file with the County Clerk, and a physical count of fixed asset items is being performed by someone other than the receiving officer and documentation of the count is retained. Currently, District 1 has brought their physical inventory list up to date and will continue to perform a physical inventory count on an annual basis. In addition, we will ensure that all fixed assets will be properly marked with “Property of Delaware County”. District 1 will assign the responsibilities of receiving and requisitioning officers to different employees.

County Commissioner District 2: I was not in office at the time of this audit. However, since taking office we now perform physical inventory 2-3 times a year and file updated inventory lists with the County Clerk. The appropriate steps will be taken to adequately segregate the duties of the requisitioning officer, the receiving officer, and the physical inventory officer by assigning those roles to separate employees. Lastly, we have addressed the assets not properly marked and missing by marking all equipment with “Property of Delaware County Dist. 2 and reconciling the inventory list to accurately reflect fixed assets at District 2.

County Commissioner District 3: I have now separated out the duties of requisitioning and receiving officers. Further, I will separate the duties related to fixed asset inventory and ensure that current inventory is filed with the County Clerk annually. Additionally, we now have all rolling stock marked appropriately. The barn is now secured by a fence and only a certain few employees have keys to the yard gate, while other employees have keys to the office. The issues with missing items and fixed asset items not marked with an identification number or asset tag has been corrected.

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. § 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.

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Title 69 O.S. § 645 requires the BOCC to conspicuously and legibly mark all rolling stock with Property of (name of county) County.

Finding 2016-011 – Inadequate Internal Controls and Noncompliance Over Consumable Inventories (Repeat Finding)

Condition: Upon inquiry of County personnel, observation of consumable inventory items, and review of consumable inventories records, the following was noted:

District 1:

- There are no records indicating when the last physical inventory of consumable inventory was taken.
- The off-site fuel tank is not locked.
- Consumable records and transfer documents are not being maintained.
- Fuel reconciliations are not performed.

District 2:

- There are no records indicating when the last physical inventory of consumable inventory was taken.
- Consumable records and transfer documents are not being maintained.

District 3:

- The temporary barn and yard are not secured by a fence.
- It is unknown who has keys to the barn and permanent yard gate.
- There are no records indicating when the last physical inventory of consumable inventory was taken.
- Consumable records and transfer documents are not being maintained.
- Fuel reconciliations are not being performed.

Cause of Condition: Policies and procedures have not been designed and implemented with regard to accounting for and safeguarding of consumable items.

Effect of Condition: These conditions resulted in noncompliance with state statute. Additionally, when consumable inventory items are not adequately accounted for and safeguarded there is an opportunity for misappropriation and undetected errors.

Recommendation: OSAI recommends management implement internal controls to ensure compliance with 19 O.S. § 1504A, which would provide assurance that the consumable items of the County are protected from loss and misuse. These controls would include:

- Maintaining consumable inventory cards or records denoting amounts purchased, used, and balances of actual consumables on hand.

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- Visually inspecting and maintaining documentation for periodic reviews of consumable inventory. Verification should be performed by an individual independent of the consumable recordkeeping process.
- Maintaining a fuel log with all pertinent information including a current balance.
- Reconciling fuel log periodically to fuel on hand and explaining any variance or adjustments.

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

Management Response:

County Commissioner District 1: While I was not in office at this time, 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. Additionally, off-site fuel tanks have been locked and I will have someone other than the person who receives consumables items and maintains consumable records perform the physical inventory counts on consumable items and record of this physical count will be maintained.

County Commissioner District 2: I was not in office at the time of this audit. While we do keep track of some materials, we were not aware of the need to track all consumable items in this manner. Going forward, the appropriate documentation such as stock cards and transfer documents will be utilized and retained for all consumable inventories. In addition, an annual inventory of all consumable inventory will be performed and maintained.

County Commissioner District 3: The barn is now secured by a fence. Only a certain few employees have keys to the yard gate and separate employees have keys to the office. I continually address the issues with consumable inventory, records being maintained accurately, and fuel reconciliations being performed with my staff in hopes of correcting these issues.

Criteria: An important aspect of internal controls is the safeguarding of assets. Internal controls constitute a process affected by an entity's governing body, management and other personnel designed to provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of consumable inventory.

Title 19 O.S. § 1504A provides guidance with regard to accounting for the consumable items.

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S·A·I
STATE AUDITOR & INSPECTOR



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