

OPERATIONAL AUDIT

ELLIS COUNTY

For the fiscal year ended June 30, 2014



*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

**ELLIS COUNTY OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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Oklahoma State Auditor & Inspector

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

December 21, 2017

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

Transmitted herewith is the audit report of Ellis County for the fiscal year ended June 30, 2014.

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

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

Sincerely,

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

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

**ELLIS COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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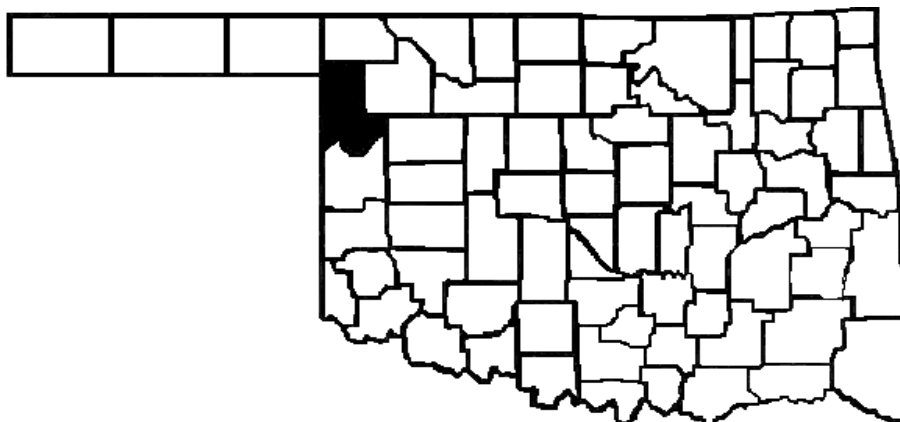
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PRESENTED FOR INFORMATIONAL PURPOSES ONLY**

**ELLIS COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**



Located in western Oklahoma and created at statehood from portions of Roger Mills and Woodward counties, Ellis County was named for Albert H. Ellis, vice president of the Oklahoma Constitutional Convention.

The site of several Indian battles including the Battle of Little Robe and the Battle of Wolf Creek, Ellis County was crossed by the Fort Elliott-Fort Supply Military Crossing, a major thoroughfare to military camps and posts in the Indian Territory and the Great Western Cattle Trail.

Once a leading dairy and oil producer, Ellis County now hosts primarily an agricultural and ranching industry. With the exception of Arnett, the county seat, the major communities of Ellis County – Shattuck, Fargo, and Gage – are located on or very near the old Atchison, Topeka, and Santa Fe Railroad, now the Burlington Northern Santa Fe Railroad.

Ellis County Heritage Volumes I and II, *A Pioneer History of Shattuck, Oklahoma*; *The 1910 Ellis County Plat Book*, and others offer historical information about the area. Call the county clerk's office at 580-855-7301 for more information.

County Seat – Arnett

Area – 1,231.84 Square Miles

County Population – 4,104
(2012 est.)

Farms – 766

Land in Farms – 718,058 Acres

Primary Source: Oklahoma Almanac 2013-2014

Board of County Commissioners

District 1 – Terry Fagala
District 2 – Frankie Stevens
District 3 – Blake Suthers

County Assessor

Karen Perkins

County Clerk

Lynn Smith

County Sheriff

DeWayne Miller

County Treasurer

Kathy Holloway

Court Clerk

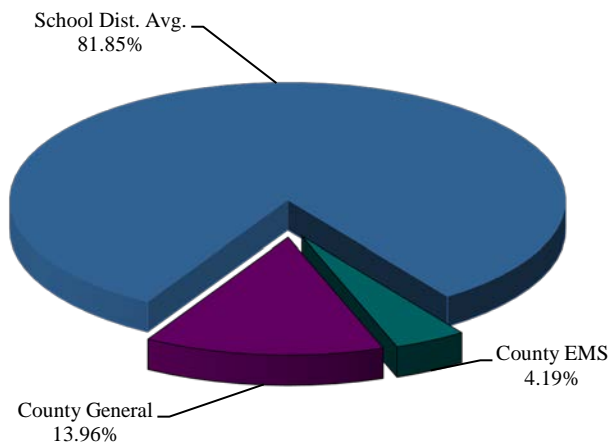
Sally Wayland

District Attorney

Dennis Smith

**ELLIS COUNTY, OKLAHOMA
AD VALOREM TAX DISTRIBUTION
SHARE OF THE AVERAGE MILLAGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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.	Career Tech.	Common	Total
County General	10.62								
EMS	3.19	Fargo	I-2	37.19	5.31	-	13.01	4.25	59.76
		Arnett	I-3	37.59	5.37	4.21	-	4.25	51.42
		Gage	I-39	38.64	5.52	6.77	13.01	4.25	68.19
		Shattuck	I-42	36.61	5.23	25.98	-	4.25	72.07
		Vici, Dewey County	JT I-5	37.89	5.41	9.52	12.00	4.25	69.07
		Laveme, Harper County	JT I-1	35.78	5.11	-	-	4.25	45.14
		Ft. Supply Woodward County	JT J-5	37.30	5.33	10.20	13.01	4.25	70.09

**ELLIS COUNTY, OKLAHOMA
SALES TAX DISTRIBUTION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Sales Tax

Sales Tax of August 27, 2002

On August 27, 2002, Ellis County voters approved a 1% sales tax effective on and after November 2, 2002, and shall have perpetual life. The 1% sales tax will be divided as follows:

- Arnett Fire Department: 2.67%
- Fargo Fire Department: 2.67%
- Gage Fire Department: 2.67%
- Shattuck Fire Department: 2.67%
- Catesby Fire Department: 2.66%
- Harmon Fire Department: 2.66%
- The remaining 84% is for the general operation and capital improvements for the Ellis County Free Fair, OSU Extension, General Fund, Restoration and Maintenance of Ellis County Courthouse, and Senior Citizens Transportation Bus.

These funds are accounted for in cash funds as reported on the County's Financial Statement as Senior Citizens Transport Sales Tax, Newman Memorial Hospital Sales Tax, Catesby Fire Department Sales Tax, Harmon Fire Department Sales Tax, Arnett Fire Department Sales Tax, Fargo Fire Department Sales Tax, Gage Fire Department Sales Tax, Shattuck Fire Department Sales Tax, Extension Sales Tax, Free Fair Sales Tax, Restoration Sales Tax, and EMS 2 Sales Tax.

The General Fund type county sales tax is accounted for in the general government account of the County General Fund in a subaccount entitled "Contingency."

Sales Tax of April 6, 2010

On April 6, 2010, Ellis County voters approved a 1% sales tax commencing on October 1, 2010 for five (5) years. The 1% will be divided as follows:

- .50% to be used for the funding of Shattuck Hospital Authority, a Municipal Trust, to be used for the operations and maintenance of the Newman Memorial Hospital.
- .25% to be used for funding of Ellis County Emergency Medical Service, to be used for wages and maintenance and operations of the Ellis County Emergency Medical Service.
- .25% to be used for funding of General Fund type operations of Ellis County.

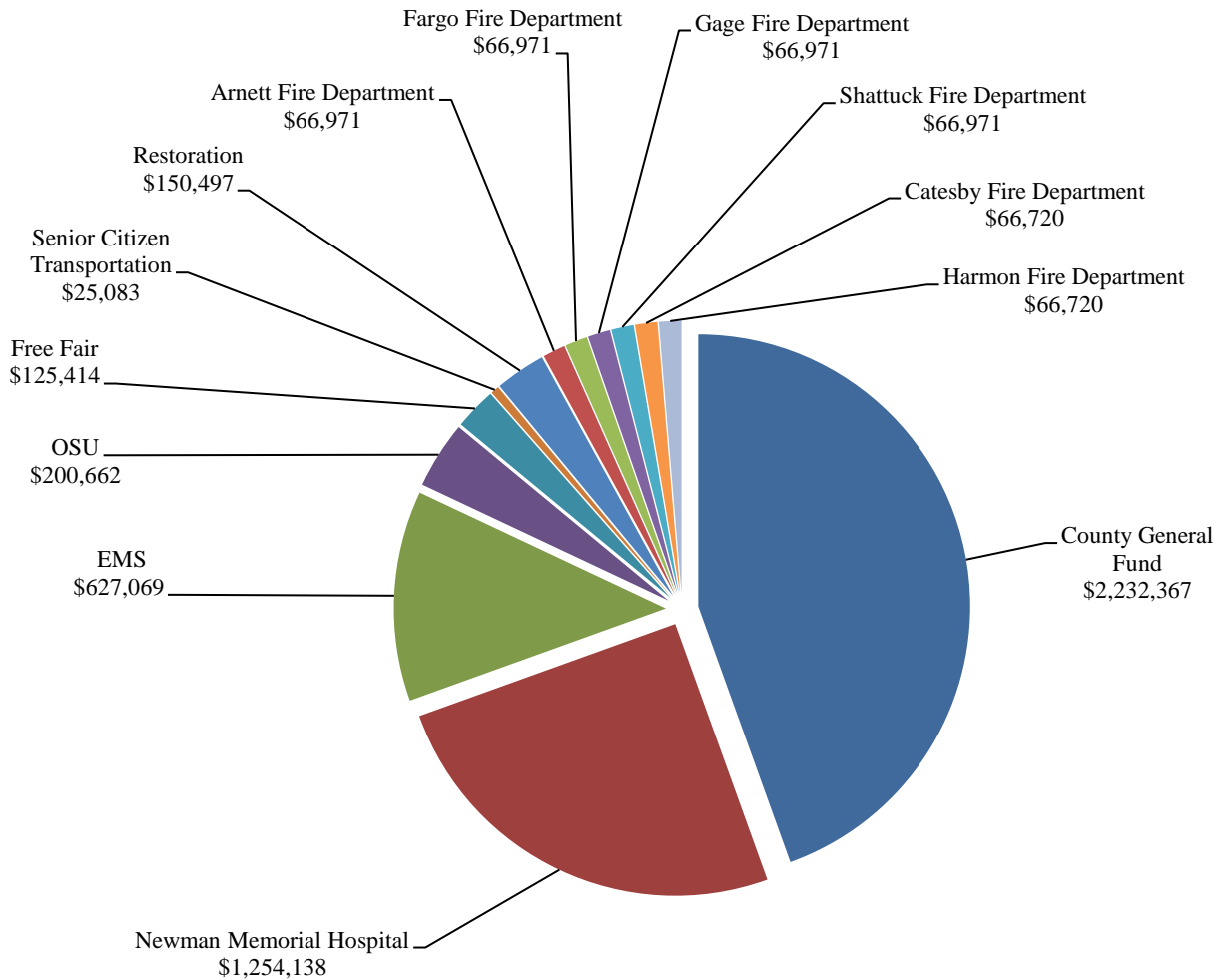
These funds are accounted for in cash funds as reported on the County's Financial Statement as Newman Memorial Hospital Sales Tax, and EMS 2 Sales Tax.

**ELLIS COUNTY, OKLAHOMA
SALES TAX DISTRIBUTION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Sales Tax - Continued

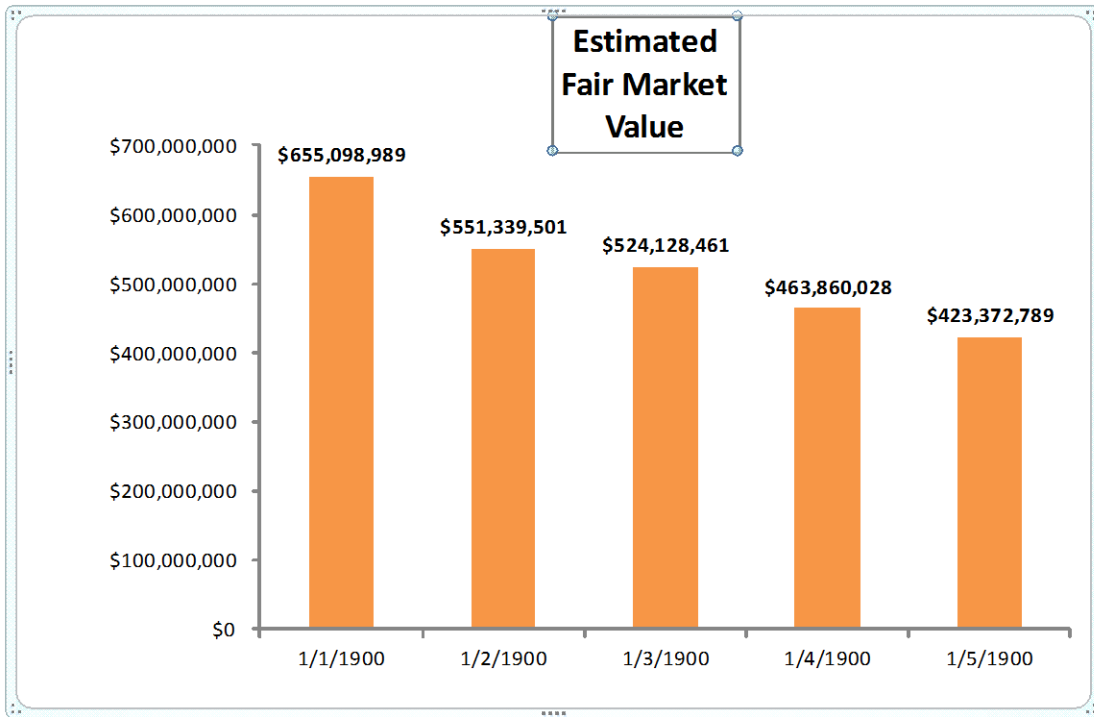
The General Fund type county sales tax is accounted for in the general government account of the County General Fund in a subaccount entitled "Contingency."

During the fiscal year the County collected \$5,016,554 in total sales tax.



**ELLIS COUNTY, OKLAHOMA
 ASSESSED VALUE OF PROPERTY
 TREND ANALYSIS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Valuation Date	Personal	Public Service	Real Estate	Total Exemptions	Net Value	Estimated Fair Market Value
1/1/2013	\$47,237,412	\$10,113,834	\$26,063,044	\$1,218,492	\$82,195,798	\$655,098,989
1/1/2012*	\$35,694,532	\$10,202,929	\$25,107,996	\$1,230,004	\$69,775,453	\$551,339,501
1/1/2011*	\$34,024,166	\$9,389,970	\$23,939,974	\$1,230,069	\$66,124,041	\$524,128,461
1/1/2010*	\$27,420,789	\$9,376,224	\$23,318,358	\$1,233,435	\$58,881,936	\$463,860,028
1/1/2009*	\$23,498,438	\$9,019,597	\$22,569,528	\$1,256,563	\$53,831,000	\$423,372,789

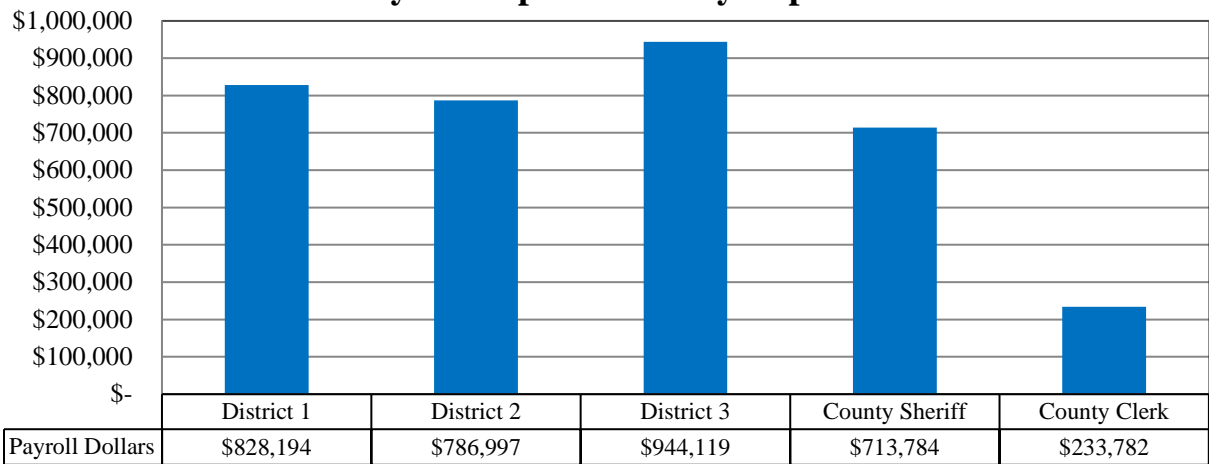


*The estimated fair value was corrected from the prior year report based on changes to the Certified Assessor's Report to the Excise Board.

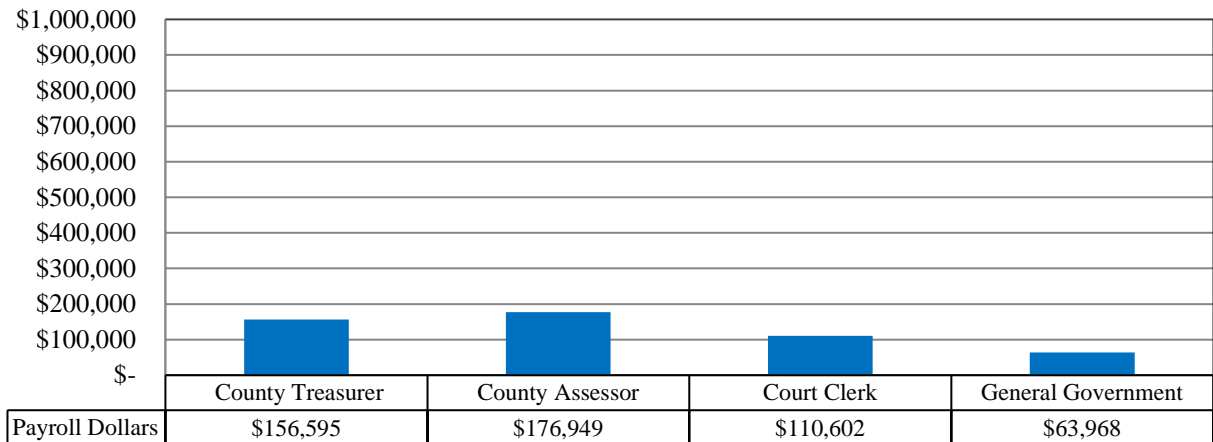
**ELLIS COUNTY, OKLAHOMA
COUNTY PAYROLL EXPENDITURES ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

County officers' salaries are based upon the assessed valuation and population of the counties. State statutes provide guidelines for establishing elected officers' salaries. The Board of County Commissioners sets the salaries for all elected county officials within the limits set by the statutes. The designated deputy or assistant's salary cannot exceed the principal officer's salary. Salaries for other deputies or assistants cannot exceed the principal officer's salary. The information presented below is for the fiscal year ended June 30, 2014.

Payroll Expenditures by Department



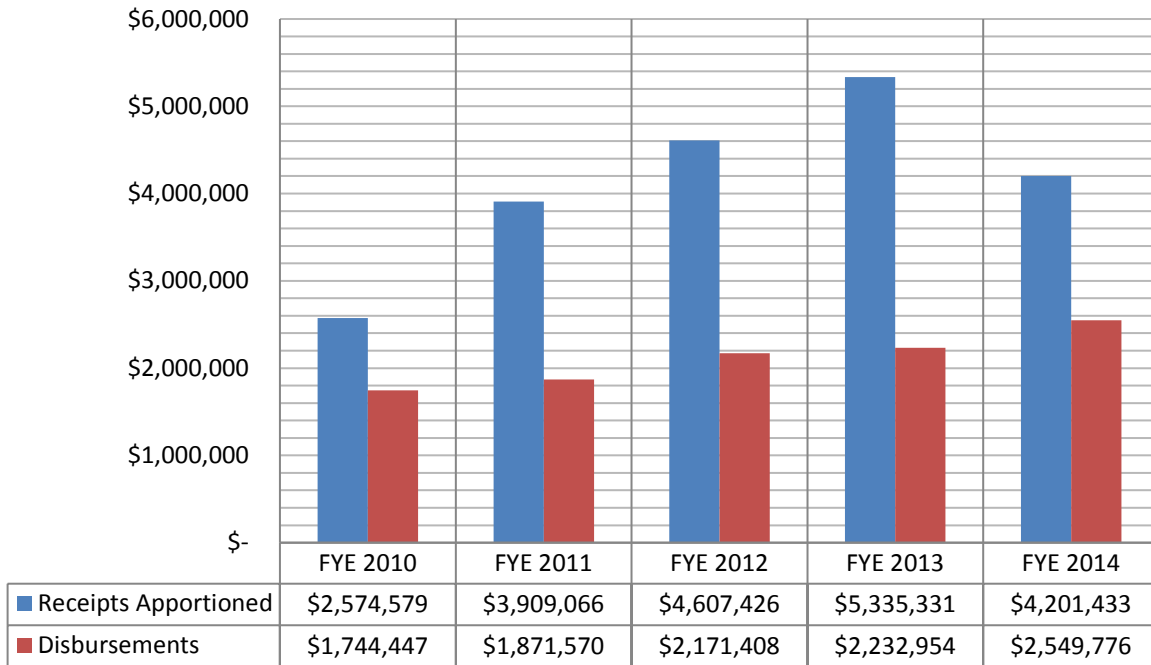
Payroll Expenditures by Department



**ELLIS COUNTY, OKLAHOMA
COUNTY GENERAL FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

County General Fund

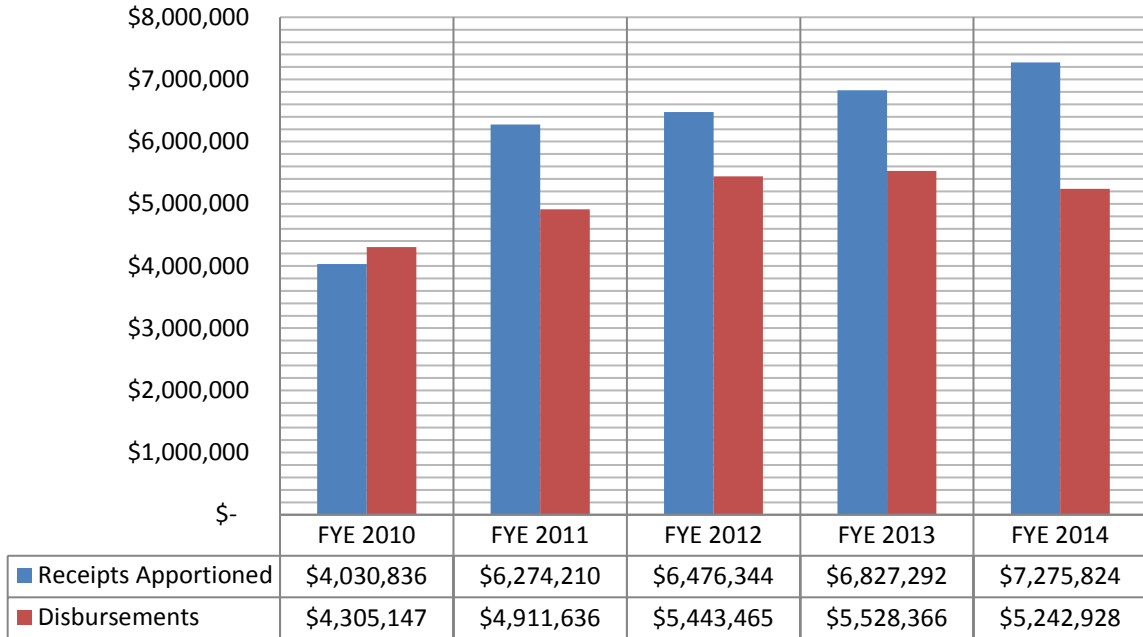
The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the county's primary source of operating revenue. The County General Fund is typically used for county employees' salaries plus many expenses for county maintenance and operation. It also 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.



**ELLIS COUNTY, OKLAHOMA
COUNTY HIGHWAY FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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.



**ELLIS COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Presentation of Apportionments, Disbursements, and Cash Balances of County Funds for Fiscal Year Ended June 30, 2014

	Beginning					Ending
	Cash Balances	Receipts	Transfers	Transfers	Disbursements	Cash Balances
	July 1, 2013	Apportioned	In	Out		June 30, 2014
Combining Information:						
County Funds:						
County General Fund	\$ 9,861,123	\$ 4,201,433	\$ -	\$ 12,195	\$ 2,549,776	\$ 11,500,585
County Highway Cash	6,632,884	7,275,824	-	43,433	5,242,928	8,622,347
Board of Prisoners	24,263	9,474	-	-	6,529	27,208
Resale Property	154,138	47,791	-	-	36,306	165,623
Treasurer Mortgage Tax Certification Fee	10,394	905	-	-	732	10,567
Assessor Visual Inspection	195	-	-	-	-	195
Sheriff Service Fee	31,929	21,596	-	-	22,167	31,358
County Clerk Lien Fee	102,831	39,035	-	-	22,349	119,517
Sheriff Forfeiture	2,222	181	-	-	1,903	500
Assessor Revolving	38,629	6,281	-	-	1,914	42,996
Sheriff Dare	131	-	-	-	-	131
RM&P Cash Account	97,978	18,127	-	-	38,645	77,460
Senior Citizens Transport Sales Tax	28,052	25,126	-	-	10,953	42,225
Newman Memorial Hospital Sales Tax	165,251	1,254,327	-	-	1,282,570	137,008
Catesby Fire Department Sales Tax	153,965	66,962	-	-	7,727	213,200
Harmon Fire Department Sales Tax	148,582	66,931	-	-	41,830	173,683
Arnett Fire Department Sales Tax	64,953	71,201	-	-	64,623	71,531
Fargo Fire Department Sales Tax	228,729	67,301	-	-	43,990	252,040
Gage Fire Department Sales Tax	120,004	67,161	-	-	36,800	150,365
Shattuck Fire Department Sales Tax	326,676	67,409	-	-	45,863	348,222
Extension Sales Tax	971,361	200,662	-	-	52,243	1,119,780
Free Fair Sales Tax	228,955	125,414	-	-	34,761	319,608
Restoration Sales Tax	365,840	150,497	-	-	4,037	512,300
PL911	343,825	70,049	-	-	13,799	400,075
PC911	96,499	24,021	-	-	-	120,520
EMS 2 Sales Tax	1,018,087	628,473	-	-	680,403	966,157
Combined Total - All County Funds, as Restated	\$ 21,217,496	\$ 14,506,182	\$ -	\$ 55,628	\$ 10,242,848	\$ 25,425,202

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

**ELLIS COUNTY
DESCRIPTION OF COUNTY FUNDS
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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 are for the purpose of constructing and maintaining county roads and bridges.

Board of Prisoners – accounts for the collection of monies from the Oklahoma Department of Corrections and disbursements are used for the operations of the Sheriff’s department.

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

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

Assessor Visual Inspection – accounts for collection and disbursements of monies by the Assessor as restricted by state statute for the visual inspection program.

Sheriff Service Fee – accounts for the collection and disbursements of Sheriff Process service fees as restricted by state statute.

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

Sheriff Forfeiture – accounts for money forfeited or money earned from the sale of items forfeited to the Sheriff and disbursements are for drug related programs.

Assessor Revolving – accounts for the collection of fees for copies restricted by state statute.

Sheriff Dare – grant money expended to educate children on drug awareness.

RM&P Cash Account – accounts for records management and preservation fees collected for instruments filed with the County Clerk as restricted by state statute.

**ELLIS COUNTY
DESCRIPTION OF COUNTY FUNDS
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Senior Citizens Transport Sales Tax – accounts for sales tax collected and disbursed on behalf of the account as specified in the sales tax ballot.

Newman Memorial Hospital Sales Tax – accounts for sales tax collected and disbursed on behalf of the account as specified in the sales tax ballot.

Catesby Fire Department Sales Tax – accounts for sales tax collected and disbursed on behalf of the account as specified in the sales tax ballot.

Harmon Fire Department Sales Tax – accounts for sales tax collected and disbursed on behalf of the account as specified in the sales tax ballot.

Arnett Fire Department Sales Tax – accounts for sales tax collected and disbursed on behalf of the account as specified in the sales tax ballot.

Fargo Fire Department Sales Tax – accounts for sales tax collected and disbursed on behalf of the account as specified in the sales tax ballot.

Gage Fire Department Sales Tax – accounts for sales tax collected and disbursed on behalf of the account as specified in the sales tax ballot.

Shattuck Fire Department Sales Tax – accounts for sales tax collected and disbursed on behalf of the account as specified in the sales tax ballot.

Extension Sales Tax – accounts for sales tax collected and disbursed on behalf of the account as specified in the sales tax ballot.

Free Fair Sales Tax – accounts for sales tax collected and disbursed on behalf of the account as specified in the sales tax ballot.

Restoration Sales Tax – accounts for sales tax collected and disbursed on behalf of this account as specified in the sales tax ballot.

PL911 – On February 5, 2008, the Ellis County voters approved an E911 be established and that an emergency telephone fee not exceeding 15% or maximum allowed by the state be collected by the local service provider from all telephone customers located within the County for the purpose of funding the operations of the Ellis County E911 system.

PC911 – On February 5, 2008, the Ellis County voters approved a 911 wireless emergency telephone fee of the maximum amount required by law (currently \$0.50 per month, per wireless connection) be imposed upon each wireless connection in Ellis County as determined by the zip code of the subscriber, for the purpose of providing revenue to fund the costs of processing 911 emergency wireless calls.

**ELLIS COUNTY
DESCRIPTION OF COUNTY FUNDS
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

EMS 2 Sales Tax – accounts for sales tax collected and disbursed on behalf of the account as specified in the sales tax ballot.

Restatement of Beginning Fund Balance

The Combined Total - All County Funds, as Restated has been adjusted in the Beginning Cash Balances to reflect an adjustment to the County Highway Cash fund of \$(23,561) which represents the Emergency Transportation Revolving fund loan proceeds accounted for incorrectly in this fund.

Interfund Transfers

The transfer in the amount of \$12,195 is to move the Educational Facility Authority account from the County General Fund and establish a Trust and Agency Fund for this fund.

The transfer in the amount of \$43,433 is to move the Emergency Transportation Revolving expenditure amount from the County Highway Cash fund and establish and a Trust and Agency Fund for the Emergency Transportation Revolving fund.

ELLIS COUNTY, OKLAHOMA
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
COUNTY GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 9,861,123	\$ 9,861,123	\$ -
Less: Prior Year Outstanding Warrants	(164,843)	(164,843)	-
Beginning Cash Balances, Budgetary Basis	<u>9,696,280</u>	<u>9,696,280</u>	<u>-</u>
Receipts:			
Ad Valorem Taxes	793,563	849,891	56,328
Charges for Services	-	69,155	69,155
Intergovernmental Revenues	-	936,184	936,184
Sales Tax	-	2,232,366	2,232,366
Miscellaneous Revenues	-	113,837	113,837
Total Receipts, Budgetary Basis	<u>793,563</u>	<u>4,201,433</u>	<u>3,407,870</u>
Expenditures:			
District Attorney	4,500	4,261	239
County Sheriff	939,962	889,717	50,245
County Treasurer	171,645	167,138	4,507
County Clerk	269,069	238,582	30,487
Court Clerk	116,837	109,667	7,170
County Assessor	128,642	127,146	1,496
Revaluation of Real Property	107,312	106,217	1,095
General Government	8,591,096	825,988	7,765,108
Excise-Equalization Board	3,700	2,114	1,586
County Election Board	90,295	78,233	12,062
Charity	1	-	1
Recording Account	40,000	-	40,000
County Audit Budget Account	14,589	14,589	-
Total Expenditures, Budgetary Basis	<u>10,477,648</u>	<u>2,563,652</u>	<u>7,913,996</u>
Transfer Education Facility out of General	(12,195)	(12,195)	-
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	11,321,866	<u>\$ 11,321,866</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Outstanding Warrants		178,719	
Ending Cash Balance		<u>\$ 11,500,585</u>	

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

**ELLIS COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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, 2014. 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.

**ELLIS COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Objective 1: To determine the receipts apportioned, disbursements, and cash balances are accurately presented on the County Treasurer’s monthly reports for FY 2014.

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

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.

FINDINGS AND RECOMMENDATIONS

Finding 2014-8 – Inadequate Internal Controls and Noncompliance Over County General Fund County Sales Tax

Condition: Upon inquiry and observation of the recordkeeping process of collecting and expending county sales tax specified for general operations, the following weakness was noted:

- The county sales tax designated for the County General Fund was accounted for in the general government account as a subaccount entitled “Contingency” in the County’s Estimate of Needs. The “Contingency” subaccount includes other sources of revenue for the County General Fund in addition to county sales tax. Thus, the county sales tax designated for general operations has not been discretely presented.

Cause of Condition: Policies and procedures with regard to county sales tax collections and disbursements processes have not been designed and implemented in accordance with the state statute.

Effect of Condition: This condition could result in unrecorded transactions, misstated financials reports, undetected errors, and misappropriation of funds for county sales tax, and resulted in noncompliance with state statute and nonconformity with the AG opinion concerning the county sales tax statute.

**ELLIS COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Recommendation: OSAI recommends the County implement policies and procedures to properly monitor the appropriation and disbursement of the county sales tax for the County General Fund in accordance with Title 68 O.S. § 1370E to allow for the sales tax balances and activity to be distinguished from other revenue sources activity within the County General Fund.

Management Response:

County Clerk: We will move this sales tax money from the Contingency Account into its separate account with County General Fund and name it County General Fund-Sales Tax for the 2016-2017 Budget year.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. Internal controls should be designed to analyze and check accuracy, and completeness of sales tax calculations prior to being appropriated.

Title 68 O.S. § 1370E states in part, “Any sales tax which may be levied by a county shall be designated for a particular purpose...The county shall identify the purpose of the sales tax when it is presented to the voters pursuant to the provisions of subsection A of this section...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....”

Further, AG opinion 2005 OK AG 23 dated 07/13/2005 states:

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

Additionally, AG opinion 2014 OK AG 15 dated 10/31/2014 states:

4. C. As the fiscal agent responsible for superintending the funds of Canadian County, the board of county commissioners is responsible to ensure that the sales tax proceeds are not intermingled and are used exclusively for the purpose expressed in the ballot measure and resolution. The board can direct that the funds be deposited in a dedicated revolving fund and not intermingled with other revenues. Okla. Const. art. X, § 19; 68 O.S. 2011, § 1370; 19 O.S. Supp. 2013, § 339; 19 O.S. 2011, § 345; Cavin v. Bd. of County Comm’rs, 1934 OK 245 ¶ 11, 33 P.2d 477, 479.

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 provide reasonable assurance that expenditures, including payroll, were accurately reported in the accounting records and financial operations complied with significant laws and regulations. However, internal controls over timesheet reporting of certain employees should be strengthened.

FINDINGS AND RECOMMENDATIONS

Finding 2014-4 - Inadequate Internal Controls Over the Payroll Process and Timesheet Reporting

Condition: Upon inquiry and observation of the County's payroll disbursement process, we noted the duties of processing payroll are not adequately segregated. The Payroll Clerk makes payroll changes, maintains personnel files, prepares OPERS reports and state and federal tax reports, takes payroll warrants to the County Treasurer to be registered, and prints payroll checks.

Additionally, the Emergency Management Director and Safety Director did not submit timesheets to document hours worked, annual and sick leave accrued and used, and overtime worked or taken during the fiscal year.

Cause of Condition: Policies and procedures have not been designed and implemented with regards to segregation of duties and/or compensating controls over the payroll process. Additionally, the County has not designed and implemented internal controls with regard to time reporting for the Emergency Management Director or Safety Director.

Effect of Condition: These conditions could result in unrecorded transactions, undetected errors, inaccurate records, incomplete information, and misappropriation of funds.

Recommendation: OSAI recommends management be aware of this condition 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. Additionally, all timesheets should be signed by the employee and approved by the official or immediate supervisor.

Management Response:

District 1 Commissioner: I will look into the exempt and non-exempt policy to determine any statutes that apply and require them to fill out and turn in timesheets. Subsequently, I am now signing off on timesheets.

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District 2 Commissioner and District 3 Commissioner: We have turned the timesheet issue over to the District Attorney and are waiting on a response.

County Clerk: We have taken steps to do the best we can at properly segregating payroll duties with the payroll clerk and we will continue to look for ways to improve our segregation of duties from her forward.

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 and supporting documentation such as timesheets should be signed and approved by the appropriate personnel.

All Objectives:

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

Finding 2014-1 – Inadequate County-Wide Controls (Repeat Finding)

Condition: Documentation of County-Wide internal controls has not been prepared.

Cause of Condition: Management was not aware of the need to prepare a formal written documentation of county-wide controls.

Effect of Condition: Without written documentation of the County-Wide controls it is more difficult to retain organizational knowledge, communicate that knowledge to personnel, indicate what internal controls are present and monitor those controls.

Recommendation: We recommend that the county document the County-Wide-controls in a written format. We further recommend that the documentation address the principles that cover Control Environment, Risk Assessment, Control Activities, Information and Communication, Control Activities, and Monitoring.

Management Response:

County Clerk: The County officers will be reviewing the personnel policy and will address documentation of County-Wide controls when updating the personnel policy.

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Criteria: Management is responsible for the development and maintenance of its internal control system. The internal control system provides reasonable assurance that the objectives of effectiveness and efficiency of operations, reliability of financial reporting and compliance with laws and regulations are being satisfied. Internal controls also serve as the first line of defense in the safeguarding of assets and preventing and detecting errors and fraud.

Finding 2014-2 - Inadequate Internal Controls Over the Schedule of Expenditures of Federal Awards (Repeat Finding)

Condition: The County has not designed and implemented internal controls for the reporting of federal programs as required by OMB Circular A-133. During the review and reconciliation of the Schedule of Expenditures of Federal Awards (SEFA) as initially prepared by Ellis County officials, we determined the SEFA was not complete and accurate, and that the federal expenditure records were incomplete.

The cash receipts for CFDA 97.036, which included FEMA Disaster 4109, were reported as \$99,773.77. However, the total receipts per the Treasurer's receipt data reflected total federal money received for CFDA 97.036 to be \$112,054.55; an understatement of \$12,280.78.

The cash disbursements for CFDA 97.036, which included FEMA Disaster 4109, were reported as \$133,031.69. Review of the records provided by the County determined that the records were incomplete.

Since the cash receipts and cash disbursements for the Federal Emergency Management Agency (FEMA) funds were incorrectly reported, the beginning and ending balances for this grant award were also incorrectly reported.

Cause of Condition: Internal controls have not been designed and implemented to ensure those responsible for compiling the information recorded on the SEFA is accurate and complete with regard to amounts reported for FEMA cash receipts and cash disbursements.

Effect of Condition: These conditions resulted in the inaccurate reporting of federal grant funds on the SEFA, and noncompliance with OMB A-133 Compliance supplement Subpart C, §__ .300 (b)(d).

Recommendation: OSAI recommends the County design and implement procedures to ensure all federal money is tracked and reported accurately on the Schedule of Expenditures of Federal Awards by the preparers of the report. We further recommend that the Schedule of Expenditures of Federal Awards be reconciled to accounting records, including miscellaneous receipts and project worksheets where applicable for FEMA cash receipts and cash disbursements.

Management Response:

County Clerk: I will ensure that I review all the required supporting documentation to verify the amounts reported on the SEFA.

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District 1 Commissioner, District 2 Commissioner and District 3 Commissioner: I will make sure that my District keeps accurate records for federal disasters and reporting purposes.

County Treasurer: I will make sure that the federal receipts reported on the SEFA are accurate amounts.

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

Subpart C – Auditees

§__.300 Auditee responsibilities.

The auditee shall:

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

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

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

Other Item(s) Noted:

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

Finding 2014-3 - Inadequate Controls and Noncompliance Over the Collections Process for Depository Accounts

Condition: As part of our audit of the collection process, we noted weaknesses in internal controls in the observation of official depository collections. These weaknesses were related to the officials in a nonreportable comment for fiscal year 2013 but have not been corrected.

- The County Assessor’s office maintains a “money bag” in an unlocked file cabinet where daily collections are kept until Friday of each week. Once a week, one employee posts the receipts to a ledger sheet, prepares the deposit, reconciles the money in the “moneybag” to the receipts and takes the deposit to the County Treasurer’s office. Additionally, the County Assessor’s office does not maintain a cash drawer for the purpose of making change. They request the County Treasurer’s office make change as necessary.

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- The County Clerk's office maintains the collections received in one lockbox. All employees work from the same lockbox. The County Clerk's office does not maintain a cash drawer for the purpose of making change. They request the County Treasurer's office make change as necessary.
- The Court Clerk's office maintains the collections received in an unlocked drawer under the front counter. All employees work from the same drawer. The County Court Clerk's office does not maintain a cash drawer for the purpose of making change. They request the County Treasurer's office make change as necessary.
- The County Sheriff's office does not review or document evidence of a reconciliation of receipts to deposits made with the County Treasurer. The County Sheriff's office does not maintain a cash drawer for the purpose of making change. They request the County Treasurer's office make change as necessary.

Cause of Condition: Policies and procedures have not been designed and internal controls have not been implemented over the official depository collection process within several offices.

Effect of Condition: Inadequate safeguarding of assets and a single person having responsibility for more than one area of recording, authorization, custody of assets, and execution of transactions could result in unrecorded transactions, clerical errors, or misappropriation of funds not being detected in a timely manner.

Recommendation: OSAI recommends management be aware of these conditions and determine how to implement controls over the collection process to safeguard assets and to properly segregate duties. OSAI further recommends implementing compensating procedures to mitigate the risks involved with a concentration of duties. Compensating procedures would include separating key processes and/or critical functions of the office, and having management review and approve the accounting functions.

OSAI further recommends that each office deposit daily in accordance with 19 O.S. § 682.

Management Response:

County Assessor: Everyone in the office will maintain the collections for the receipts they issue locked and secure. I do not want the liability of maintaining cash drawers in my office. We will continue to get change from the Treasurer's office. We deposit if the collections are substantial for the day, otherwise we deposit with the Treasurer on Fridays.

County Clerk: I will have two employees assigned to issue receipts and take collections. Each employee will have their own locked cash drawer or bag to keep collections. I do not want the liability of a cash drawer for making change so I will continue to get change from the Treasurer's office.

Court Clerk: I will get a lockbox for everyone in my office to keep secure the collections that they receipt.

County Sheriff: We will get two lock boxes and have two deputies responsible for issuing receipts and securing their collections for the receipts they issue. I do not want the liability of keeping a cash drawer for the purpose of making change. I will continue to get change through the Treasurer's office.

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Auditor Response: It is recommended by OSAI that each employee maintain a separate change fund and drawer from which to make change as a safeguard against unrecorded transactions, misstated financial reports, clerical errors, or misappropriation of funds not being detected in a timely manner. Further, the state statute mandates that funds be deposited daily. We strongly recommend the officials design and implement internal controls over the collection process within each office.

Criteria: Accountability and stewardship are overall goals of management in accounting of funds. To help ensure a proper accounting of funds, the duties of receiving, receipting, recording, depositing cash and checks, reconciliations, and transaction authorization should be segregated.

Title 19 O.S. § 682, states in part “It shall be the duty of each and every county officer, county board, county commission and all members and employees of either thereof, to deposit daily in the official depository designated in § 681 of this title, all monies, checks drafts, orders, vouchers, funds, rentals, penalties, costs, proceeds of sale of property, fees, fines, forfeitures and public charges of any kind received or collected by virtue or under color of office, except that each county officer, county board, and county commission is hereby authorized to keep in the office, from this deposit, no more than one thousand five hundred dollars (\$1,500.00) to be used for their change needs. The amount so retained shall not be cumulative so that after each such deposit there shall not be on hand more than authorized by this section. A notation of the retention of this money shall be made in the proper accounting records.”

REPORT ON STATUTORY COMPLIANCE – OTHER MATTERS



Oklahoma State Auditor & Inspector

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Ellis County
Board of County Commissioners
Ellis County Courthouse
100 S Washington
Arnett, Oklahoma 73832

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, 2014:

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

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

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

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

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

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

December 12, 2017

SCHEDULE OF FINDINGS AND RESPONSES

Finding 2014-5 - Inadequate Internal Controls Over Court Fund Disbursements (Repeat Finding)

Condition: Upon inquiry of the Court Clerk employees, we noted the several weaknesses with regard to internal controls related to the disbursement process over the Court Fund claims.

- One employee is responsible for:
 - Preparing the Court Fund claims,
 - Signing the claim for approval,
 - Entering the information into the OCIS system to prepare vouchers,
 - Printing and signing the Court Fund vouchers,
 - Taking vouchers to the County Treasurer to be registered, and
 - Distributing the vouchers to vendors.

- The receiving agent is not reviewing the goods/services for accuracy and is not signing the Court Fund claims as acknowledgment of goods/services.

Cause of Condition: Internal controls have not been designed and implemented over the Court Fund claims to safeguard the disbursement process.

Effect of Condition: A single person having responsibility for more than one area of recording, authorization, custody of assets, and execution of transactions could result in unrecorded transactions, undetected errors, or misappropriation of funds not being detected in a timely manner.

Recommendation: OSAI recommends the Court Clerk design and implement procedures to ensure proper internal controls over the Court Fund disbursement process.

Further, the following accounting functions of the disbursement process should be adequately segregated:

- Preparation of claims,
- Initiation of payment,
- Printing and signing of vouchers, and
- Monthly reconciliation with the County Treasurer.

Also, the receiving agent should review goods/services for accuracy and sign as acknowledgment of goods/services on Court Fund claims.

Management Response:

Court Clerk: I will have my deputy prepare the claim. The judge will review, approve and sign the claim. I will enter the claim into the system as I review it for accuracy and prompt the system to prepare and print the voucher. I will sign the claim and the voucher. My deputy will take the voucher to the Treasurer to be registered.

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Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, key duties and responsibilities should be segregated among different individuals to reduce the risk of error or fraud. No one individual should have the ability to authorize transactions, have physical custody of assets, and record transactions.

Finding 2014-6 – Inadequate Internal Controls and Noncompliance Over Inmate Funds for Telephone Cards

Condition: Upon inquiry and observation of inmate funds maintained by the County Sheriff, we learned the County Sheriff does not maintain a Sheriff Commissary, but does maintain inmate funds for the purchase of phone cards. The following conditions were noted in relation to the safeguarding of inmate funds:

- Inmate cash is put in an envelope and placed in a lockbox.
- The key to the lockbox is accessible by all employees of the office.
- Sheriff employees remove cash from the inmate’s envelopes for the purchase of telephone cards, without documenting the transaction.
- One of the Sheriff’s employees posts the transaction to the OTIS system.

Cause of Condition: The County Sheriff has not established policies and procedures with regard to implementing internal controls over inmate funds used to purchase telephone cards.

Effect of Condition: Inmate funds are not adequately safeguarded and could result in misappropriation of funds.

Recommendation: OSAI recommends the County Sheriff implement a system of internal controls to provide reasonable assurance that inmate money is adequately secured, accounted for, and transactions are processed and documented as provided in 19 O.S. § 531A and 19 O.S. § 180.43.

Management Response:

County Sheriff: We have a policy that allows an inmate to have \$50.00 on their account for the purpose of buying phone cards. We have three designated employees that can issue phone cards to inmates. I will have one employee remove the inmate’s money from the envelope for the purchase of a phone card and enter the transaction into the OTIS system and have a second employee verify and sign-off on the transaction. I will secure the key to the lockbox.

Criteria: Title 19 O.S. § 531A states,

“Notwithstanding any other provisions of law, the county sheriff may establish a checking account, to be designated the “Inmate Trust Fund Checking Account”, to be managed by the county sheriff and maintained separately from regular county funds. The checking account shall be subject to audit by the State Auditor and Inspector. The county sheriff shall deposit all monies collected from inmates incarcerated in the county jail into this checking account and may write checks to the Sheriff’s Service Fee Account for phone

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card purchases made by the inmate during his or her incarceration and to the inmate for unencumbered balances due the inmate upon his or her discharge.”

Additionally, Title 19 O.S. § 180.43E states,

“E. Each county sheriff may operate, or contract the operation of, a telephone system for the benefit of persons lawfully confined in the county jail under the custody of the county sheriff. Any funds received pursuant to said operations shall be the funds of the county where the persons are incarcerated and shall be deposited in the Sheriff's Service Fee Account. Such funds may be expended according to the guidelines previously established for expenditures from the general fund. The claims for expenses shall be filed with and allowed by the board of county commissioners in the same manner as other claims.”

Finding 2014-7 – Inadequate Internal Controls and Noncompliance Over Fixed Assets Inventory (Repeat Finding)

Condition: Upon inquiry of county officers and employees and observation of fixed asset inventory documentation, we noted the following weaknesses:

- The documentation provided to us by the Commissioner’s secretary did not provide audit evidence that a physical inspection of fixed assets was performed.
- The County Sheriff was unable to provide the auditor with audit evidence of a physical inventory being performed for the fiscal year.

Cause of Condition: Policies and procedures have not been designed and implemented for all county offices to ensure compliance with the state statutes regarding maintaining a fixed assets inventory.

Effect of Condition: These conditions resulted in noncompliance with the state statute. When fixed assets inventories are not monitored, opportunities for misuse or loss of equipment can occur.

Recommendation: OSAI recommends management implement internal controls to ensure compliance with 19 O.S. § 178.1, including the performing and documenting of an annual inventory of fixed assets.

Management Response:

District 1 Commissioner: I will perform an annual visual verification of inventory and maintain audit evidence.

District 2 Commissioner: Subsequently, I did perform an inventory verification and now maintain evidence.

District 3 Commissioner: I will provide audit evidence of annual fixed asset verification.

County Sheriff: I will perform an annual visual verification of inventory and maintain audit evidence.

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Criteria: 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 states, "The board of county commissioners in each county of this state shall take, or cause to be taken, an inventory of all working tools, apparatus, machinery and equipment belonging to the county or leased or otherwise let to it or to any department thereof, other than that which is affixed to and made a part of lands and buildings, the cost of which as to each complete working unit thereof is more than Five Hundred Dollars (\$500.00), and thereafter maintain or cause to be maintained a continuous inventory record thereof and of like tools, apparatus, machinery and equipment purchased, leased or otherwise coming into the custody of the county or of any office, board, department, commission or any or either thereof, and the disposition thereof whether sold, exchanged, leased or let where authorized by statute, junked, strayed or stolen, and annually thereafter, or oftener in event of death, resignation or removal of an elective officer with a term, to verify or cause to be verified by count and report of the same as of the end of a term of office and as part and parcel of the accounting required by law of a retiring or re-elected officer, and, as to appointive heads of departments amenable directly to the board of county commissioners and as to quasi-governmental boards and commissions such as free fair boards, hospital boards and the like, the same shall be as of the last business day immediately preceding the day certain commencing a new term of the board of county commissioners; all in the manner as provided by law.



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