



ELLIS COUNTY

Operational Audit

For the fiscal year ended June 30, 2016

Cindy Byrd, CPA
State Auditor & Inspector

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

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



Cindy Byrd, CPA | State Auditor & Inspector

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

June 6, 2019

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

Transmitted herewith is the audit report of Ellis 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". The signature is written in a cursive, flowing style.

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR



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

TABLE OF CONTENTS

OPERATIONAL AUDIT REPORT

Introductory Section (Unaudited)

County Officials.....	ii
Sales Tax Distribution.....	iii

Presentation of Apportionments, Disbursements, and Cash Balances of County Funds for the Fiscal Year Ended June 30, 2016.....	1
--	---

Description of County Funds and Transfers	2
---	---

Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis—County General Fund.....	5
--	---

Purpose, Scope, and Sample Methodology.....	6
---	---

Objectives and Results of Operational Audit.....	7
--	---

REPORT ON STATUTORY COMPLIANCE - OTHER MATTERS

Statutory Report.....	11
-----------------------	----

Schedule of Findings and Responses.....	12
---	----

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

Board of County Commissioners

District 1 – Michael W. Latta
District 2 – Frankie Stevens
District 3 – Blake Suthers

County Assessor

Karen Perkins

County Clerk

Lynn Smith

County Sheriff

Shane Booth

County Treasurer

Jeannie Strick

Court Clerk

Sally Wayland

District Attorney

Angela Marsee

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

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, County 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, and Restoration Sales Tax.

The County General Fund portion of the county sales tax is comingled with other funds in the County General Fund. Any sales tax dollars not needed to balance the County General Fund budget were accounted for in the general government account of the County General Fund in a subaccount entitled "Contingency." This subaccount was changed in fiscal year 2017 to County General Fund Sales Tax Account.

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, 2016**

The County General Fund portion of the county sales tax is comingled with other funds in the County General Fund. Any sales tax dollars not needed to balance the County General Fund budget were accounted for in the general government account of the County General Fund in a subaccount entitled "Contingency." This subaccount was changed in fiscal year 2017 to County General Fund Sales Tax Account.

Sales Tax of February 10, 2015

On February 10, 2015, Ellis County voters approved a renewal of the 1% sales tax commencing on October 1, 2015 for five (5) years. The 1% will be divided as follows:

- .66% until October 1, 2018 and then becoming .50% for two years 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.
- .22% until October 1, 2018 and then becoming .25% for two years 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.
- .12% until October 1, 2018 and then becoming .25% for two years 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.

The General Fund portion of the county sales tax is comingled with other funds in the General Fund. Any sales tax dollars not needed to balance the General Fund budget were accounted for in the general government account of the County General Fund in a subaccount entitled "Contingency." This subaccount was changed in fiscal year 2017 to County General Fund Sales Tax Account.

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

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

	Beginning Cash Balances July 1, 2015	Receipts Apportioned	Transfer Out	Disbursements	Ending Cash Balances June 30, 2016
Combining Information:					
County Funds:					
County General Fund	\$ 13,044,742	\$ 2,540,636	\$ -	\$ 3,430,210	\$ 12,155,168
County Highway Cash	7,647,287	5,292,942	500,000	6,105,576	6,334,653
Board of Prisoners	23,836	3,997	-	1,427	26,406
Resale Property	189,428	31,346	-	24,834	195,940
Treasurer Mortgage Tax Cetification Fee	10,600	770	-	1,905	9,465
Assessor Visual Inspection	195	-	-	-	195
Sheriff Service Fee	29,058	41,492	-	20,515	50,035
County Clerk Lien Fee	115,282	43,423	-	19,202	139,503
Sheriff Forfeiture	500	13,000	-	10,270	3,230
Assessor Revolving	32,317	4,563	-	2,213	34,667
Sheriff Dare	131	-	-	-	131
RM&P Cash Account	88,915	15,045	-	10,648	93,312
Senior Citizens Transport Sales Tax	21,662	28,530	-	8,469	41,723
Newman Memorial Hospital Sales Tax	57,143	651,436	-	655,024	53,555
Catesby Fire Department Sales Tax	264,021	30,895	-	61,689	233,227
Harmon Fire Department Sales Tax	157,720	48,993	-	14,298	192,415
Arnett Fire Department Sales Tax	19,633	30,776	-	23,966	26,443
Fargo Fire Department Sales Tax	279,495	31,028	-	18,781	291,742
Gage Fire Department Sales Tax	176,715	30,933	-	20,889	186,759
Shattuck Fire Department Sales Tax	408,119	31,130	-	91,998	347,251
Extension Sales Tax	1,264,202	92,122	-	63,396	1,292,928
Free Fair Sales Tax	422,441	57,576	-	37,071	442,946
Restoration Sales Tax	640,463	69,091	-	14,486	695,068
PL911	338,915	53,222	-	71,606	320,531
PC911	144,246	23,710	-	-	167,956
EMS 2 Sales Tax	1,011,116	274,589	-	623,560	662,145
OBA-2	-	4,525	-	4,416	109
Combined Total - All County Funds	\$ 26,388,182	\$ 9,445,770	\$ 500,000	\$ 11,336,449	\$ 23,997,503

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

**ELLIS COUNTY
DESCRIPTION OF COUNTY FUNDS AND TRANSFERS
OPERATIONAL AUDIT
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 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 jail.

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 and disbursements as 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 and disbursements as restricted by state statute.

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

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 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 AND TRANSFERS
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

OBA-2 – accounts for a grant for the Oklahoma Bar Foundation for the purchase of digital recording equipment to be used in the courtroom.

Transfer

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

- \$500,000 was transferred from the County Highway Cash fund to the ETR Loan fund, a trust and agency fund, for loan repayment for road projects of the County.

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

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 13,044,742	\$ 13,044,742	\$ -
Less: Prior Year Outstanding Warrants	(162,860)	(162,860)	-
Beginning Cash Balances, Budgetary Basis	<u>12,881,882</u>	<u>12,881,882</u>	<u>-</u>
Receipts:			
Ad Valorem Taxes	920,070	907,199	(12,871)
Charges for Services	-	64,770	64,770
Intergovernmental Revenues	-	497,399	497,399
Sales Tax	-	963,420	963,420
Miscellaneous Revenues	4,097	107,848	103,751
Total Receipts, Budgetary Basis	<u>924,167</u>	<u>2,540,636</u>	<u>1,616,469</u>
Expenditures:			
District Attorney	5,000	3,377	1,623
County Sheriff	1,046,131	973,594	72,537
County Treasurer	255,261	204,814	50,447
County Commissioners	158,666	132,222	26,444
County Clerk	227,261	190,709	36,552
Court Clerk	125,510	119,304	6,206
County Assessor	140,630	119,604	21,026
Revaluation of Real Property	130,180	113,958	16,222
General Government	11,455,774	1,521,463	9,934,311
Excise-Equalization Board	3,700	3,137	563
County Election Expense	86,230	79,452	6,778
Charity	1	-	1
Recording Account	155,000	40,000	115,000
County Audit Budget Account	16,705	16,705	-
Total Expenditures, Budgetary Basis	<u>13,806,049</u>	<u>3,518,339</u>	<u>10,287,710</u>
Excess of Receipts and Beginning Cash			
Balances Over Expenditures, Budgetary Basis	<u>-</u>	11,904,179	<u>11,904,179</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Outstanding Warrants		250,989	
Ending Cash Balance		<u>\$ 12,155,168</u>	

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

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

PURPOSE, SCOPE, AND SAMPLE METHODOLOGY

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

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

In planning and conducting our audit, we focused on the major financial related areas of operations based on assessment of materiality and risk for the fiscal year ended June 30, 2016. Our audit procedures included:

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

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

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

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

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

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 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 2016-007 – Inadequate Internal Controls and Noncompliance Over Discrete Presentation of Sales Tax Activity (Repeat Finding)

Condition: The county sales tax appropriations and expenditures are not discretely presented within the County General Fund:

- Sales tax collections within the County General Fund were comingled with other revenue and used to balance the budget. Any excess sales tax collections were placed into the Contingency sub-account within General Government account. Therefore, sales tax revenues and expenditures made with the sales tax funds could not be fully identified.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure compliance with state statute and Attorney General (AG) opinions.

Effect of Condition: This condition resulted in noncompliance with state statutes and nonconformity with AG opinions concerning the county sales tax statute.

Recommendation: The Oklahoma State Auditor and Inspector's office (OSAI) recommends that the County establish policies and procedures that would allow for the sales tax balances and activity to be

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

distinguished from other revenue sources activity within the County General Fund as required by state statute and AG Opinions.

Management Response:

District 3, Chairman of the BOCC: We will work with the other offices and our budget maker to make sure we can resolve this issue.

County Treasurer: I have addressed the issues with the County Clerk and our budget maker.

Criteria: Title 68 O.S. § 1370E, requires the sales tax collections 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.

AG opinion 2005 OK AG 23 dated 07/13/2005 (14) 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.”

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.

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

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.

The County's financial operations complied with 19 O.S. § 1505, which requires that disbursements be timely encumbered, supported by proper documentation, and charged to the appropriate fund and account.

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 Disaster Recovery Plans (Repeat Finding)

Condition: County-wide controls regarding Risk Assessment, Information and Communication, and Monitoring have not been designed.

Cause of Condition: Policies and procedures have not been designed and implemented to address county-wide controls and disaster recovery plans.

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

Recommendation: OSAI recommends that the County design and implement procedures to document their internal control framework. This documentation should outline the importance of internal controls, the risk that the County has identified, the control activities established to address the risk, the steps to take to properly communicate pertinent information in a timely manner and the methodology to monitor the quality of performance over time. These procedures should be written policies and procedures and could be included in the County's policies and procedures handbook. Every office should prepare a Disaster Recovery Plan in order to maintain operations in the event of a disaster.

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

Management Response:

District 3: We will meet quarterly to discuss county-wide controls and will make sure our financial statements are reviewed and approved. We will make sure each office has a Disaster Recovery Plan and each employee will have signed acknowledgment of the county handbook.

County Treasurer: I will make sure the financial statements are on the agenda for review and approval. During our quarterly meetings, we will review over the checklist provided by the State Auditor and Inspector's Office and discuss and record ways to reduce and address risk.

County Clerk: We have already started a more routine quarterly meetings schedule and we will address the new findings. We have also used the SAI form 500, County-Wide Internal Control Checklist, to assist in the meetings.

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, Information and Communication, and Monitoring achievement of these goals.

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

Information and Communication is a component of internal control which should allow for effective communication of relevant, accurate, and timely information that is required to meet the County's objectives, including reliable financial reporting, efficient and effective operations, 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. Proper monitoring will ensure that controls continue to be adequate and function properly.

Further, according to the standards of the Information Systems Audit and Control Association (CobIT Delivery and Support 4), information services function management should ensure that a written Disaster Recovery Plan is documented.

REPORT ON STATUTORY COMPLIANCE – OTHER MATTERS

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, 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 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.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

June 5, 2019



SCHEDULE OF FINDINGS AND RESPONSES

Finding 2016-009 – Inadequate Internal Controls and Noncompliance Over Inmate Funds (Repeat Finding)

Condition: Upon inquiry and observation of inmate funds maintained by the County Sheriff, it was determined the County Sheriff has not established an Inmate Trust Fund Checking Account. Inmate cash is retained in the Sheriff's Office to be used for the purchase of phone cards. The following conditions were noted in relation to the safeguarding of inmate funds:

- Inmate cash that is on the inmate at time of the arrest or brought in by family and friends is put in an envelope and placed in a lockbox. Cash remains in this envelope the duration of the inmate's stay unless the inmate buys a phone card.
- The key to the lockbox is accessible by all employees of the office.
- County Sheriff employees remove cash from the inmate's envelope for the purchase of telephone cards.

Cause of Condition: The County Sheriff has not designed and implanted policies and procedures with regard to internal controls over inmate funds.

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

Recommendation: OSAI recommends the County Sheriff establish a checking account, to be designated the "Inmate Trust Fund Checking Account" as provided in 19 O.S. § 531A. Further, 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.

Management Response:

County Sheriff: We have transferred jail facilities and these processes have been addressed. We have implemented some mitigating controls with documentation, accessibility, and cameras to reduce risk.

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

Title 19 O.S. § 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

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

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.”

O·K·L·A·H·O·M·A
S·A·I
STATE AUDITOR & INSPECTOR



Cindy Byrd, CPA | State Auditor & Inspector

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