



GARVIN COUNTY

Operational Audit

For the fiscal year ended June 30, 2017

Cindy Byrd, CPA
State Auditor & Inspector

**GARVIN COUNTY OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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Cindy Byrd, CPA | State Auditor & Inspector

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June 24, 2019

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

Transmitted herewith is the audit report of Garvin County for the fiscal year ended June 30, 2017.

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 fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR



**GARVIN COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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, 2017.....	1
--	---

Description of County Funds and Transfer	2
--	---

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

Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis—County Health Department Fund.....	6
--	---

Purpose, Scope, and General Methodology	7
---	---

Objectives and Results of Operational Audit.....	8
--	---

REPORT ON STATUTORY COMPLIANCE - OTHER MATTERS

Statutory Report.....	17
-----------------------	----

Schedule of Findings and Responses.....	18
---	----

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

Board of County Commissioners

District 1 – Stan Spivey
District 2 – Gary Ayres
District 3 – Johnny Mann

County Assessor

Beverly Stickland

County Clerk

Lori Fulks

County Sheriff

Larry Rhodes

County Treasurer

Sandy Goggans

Court Clerk

Cindy Roberts

District Attorney

Greg Mashburn

**GARVIN COUNTY, OKLAHOMA
SALES TAX DISTRIBUTION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Sales Tax

Sales Tax of March 6, 2012

The voters of Garvin County approved a one-fourth (1/4%) of one percent sales tax through an election on March 6, 2012, that went into effect March 6, 2012, or as soon thereafter as provided by law. This sales tax has an unlimited duration. This sales tax was established for the purpose of maintaining and operating the twelve (12) fire departments of Garvin County and maintaining and operating the Emergency Management Department of Garvin County; providing that the first four (4) percent of the proceeds shall be provided to the Garvin County Emergency management Department and the remainder to be divided equally among the twelve (12) fire departments and volunteer fire departments in Garvin County including Elmore City, Hennepin, Katie, Lindsay, Maysville, Paoli, Pauls Valley, Pernell, Rush Creek, Stratford, Walker, and Wynnewood. These funds are accounted for in the Sales Tax Fund.

Sales Tax of March 4, 2014

The voters of Garvin County approved a one-half percent (1/2%) sales tax through an election of March 4, 2014, that went into effect on July 1, 2014. This sales tax has a limited duration of seven (7) years and terminates on June 30, 2021. This sales tax was established for the following purposes: twenty-five percent (25%) for the maintenance and operation of the Garvin County Sheriff's Department and jail, twenty-five percent (25%) for the maintenance of county roads and bridges, twelve and one-half percent (12.5%) for Garvin County 911 service, thirty-seven and one-half percent (37.5%) for general maintenance and operation of Garvin County. These funds are accounted for in the Sales Tax Fund.

During the fiscal year the County collected \$2,642,879 in total sales tax.

**GARVIN COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Presentation of Apportionments, Disbursements, and Cash Balances of County Funds for the Fiscal Year Ended June 30, 2017

	Beginning Cash Balances July 1, 2016	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2017
Combining Information:						
County Funds:						
County General Fund	\$ 1,852,869	\$ 3,285,893	\$ -	\$ -	\$ 3,345,965	\$ 1,792,797
Sales Tax	6,263,920	2,642,904	-	-	4,017,729	4,889,095
Use Tax	1,788,433	261,786	-	-	34,202	2,016,017
RT-105	1,591,685	307,421	-	-	263,529	1,635,577
RT-103	17,402	113	-	-	-	17,515
Emergency Manager	4,387	1,000	-	-	43	5,344
County Health Department Grant	3,556	-	-	-	1,194	2,362
Reward Fund	400	-	-	-	-	400
County Highway Fund	2,691,058	5,375,542	-	-	5,024,408	3,042,192
Resale Property	542,291	132,213	73,969	-	57,892	690,581
Civil Defense	19	-	-	-	-	19
County Health Department	454,179	645,283	-	-	655,064	444,398
Sheriff Service Fee	151,688	518,642	-	-	533,543	136,787
County Clerk Lien Fee	481,877	131,642	-	-	61,511	552,008
County Treasurer Mortgage Certification Fee	104,525	3,835	-	-	1,344	107,016
County Assessor Revolving Fund	17,781	6,934	-	-	2,961	21,754
County Assessor Hardware	160	-	-	-	-	160
Community Service Sentencing Program	1,302	-	-	-	-	1,302
Sheriff Drug Enforcement	2,291	1,019	-	-	1,096	2,214
CDBG-B Architect	-	6,814	-	-	6,813	1
Fair Barn	2,460	3,800	-	-	2,951	3,309
911 County-Wide	206,589	242,299	-	-	288,904	159,984
911 Wireless	84,078	155,648	-	-	154,405	85,321
Sheriff Training	1,267	2,829	-	-	2,950	1,146
County Sinking	42,953	760	-	-	-	43,713
GOLTB 96	368,543	1,460	-	-	-	370,003
GOLTB 97	693	-	-	-	-	693
Hazard Mitigation Grant	2,785	-	-	-	-	2,785
Sheriff Drug Task force	75	-	-	-	-	75
Court Fund Payroll	17,364	199,762	-	-	198,919	18,207
Combined Total - All County Funds, as Restated	\$ 16,696,630	\$ 13,927,599	\$ 73,969	\$ -	\$ 14,655,423	\$ 16,042,775

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

**GARVIN COUNTY
DESCRIPTION OF COUNTY FUNDS AND TRANSFER
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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 obligations of the government.

Sales Tax – accounts for the sales tax collected and spent for the purpose of maintaining and operating the Garvin County Courthouse, Sheriff’s Department/Jail, county roads and bridges, Garvin County 911, the Emergency Management Department, and the 12 fire departments in Garvin County.

Use Tax – accounts for sales tax remitted to the County by the Oklahoma Tax Commission and disbursements are for the general operation of the County.

RT-105 – accounts for monies collected from Oklahoma Department of Transportation and disbursements are restricted for road and bridge projects.

RT-103 – accounts for monies collected from Oklahoma Department of Transportation and disbursements are restricted for bridge projects.

Emergency Manager – accounts for monies collected from State and Local Agreements (SLA) grants and disbursed for operations of the command center for the emergency manager.

County Health Department Grant – accounts for monies received for a National Association of County and City Health Officials (NACCHO) grant and disbursed for Medical Reserve Corps units.

Reward Fund – accounts for monies collected from fines for dumping/littering and disbursed for “No Dumping” signs.

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

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

Civil Defense – accounts for the receipt and disbursement of funds from state and local governments for civil defense purposes.

**GARVIN COUNTY
DESCRIPTION OF COUNTY FUNDS AND TRANSFER
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

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

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

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

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

County Assessor Hardware – accounts for the collection of funding through the state for computer equipment.

Community Service Sentencing Program – accounts for the collection of funding through the State Department of Corrections for administrative expenses and supervision of offenders.

Sheriff Drug Enforcement – accounts for proceeds from drug forfeitures and is used for payments for the purchase of illegal drugs in sting operations.

CDBG-B Architect – accounts for monies received and disbursed as restricted by grant agreement.

Fair Barn – accounts for the collection of revenue generated from building rent, booth rental, and other fees to be used for fair expenses.

911 County-Wide – accounts for revenues from various telecommunication companies and disbursements are provided for the operation of the emergency 911 system.

911 Wireless – accounts for monies received from the wireless telephone companies for operation of the emergency 911 services.

Sheriff Training – accounts for court ordered restitution and donations and disbursed for training purposes only.

County Sinking – accounts for debt service receipts derived generally from a special ad valorem tax levy and from interest earned on investments of cash not immediately required for debt service payments. Currently there is no long-term debt.

GOLTB 96 – accounts for collection of interest from invested general obligation limited tax bonds.

**GARVIN COUNTY
DESCRIPTION OF COUNTY FUNDS AND TRANSFER
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

GOLTB 97 – accounts for collection of interest from invested general obligation limited tax bonds.

Hazard Mitigation Grant – accounts for grant funds received from the Federal Emergency Management Agency and disbursements are made to individuals for safe room projects.

Sheriff Drug Task Force – accounts for proceeds from drug forfeitures and used to purchase equipment.

Court Fund Payroll – accounts for the monies disbursed for payroll of the Court Clerk’s employees.

Interfund Transfer

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

- \$73,969 was transferred from the Excess Resale fund (a trust and agency fund) to the Resale Property fund in accordance with 68 O.S. § 3131C.

Restatement of Beginning Fund Balance

During the fiscal year, the County had a reclassification of funds. Court Fund Payroll was reclassified as a county fund and represents payroll expenditures of County employees.

Prior Year Ending Fund Balance, as Reported	\$16,679,266
Funds reclassified to County Funds:	
Court Fund Payroll reclassified from a Trust and Agency Fund to a County Fund	<u>17,364</u>
Prior Year Ending Fund Balance, as Restated	<u>\$16,696,630</u>

GARVIN 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, 2017

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 1,852,869	\$ 1,852,869	\$ -
Less: Prior Year Outstanding Warrants	(125,510)	(125,510)	-
Less: Prior Year Encumbrances	(230,916)	(129,270)	101,646
Beginning Cash Balances, Budgetary Basis	1,496,443	1,598,089	101,646
Receipts:			
Total Receipts, Budgetary Basis	3,086,836	3,285,893	199,057
Expenditures:			
Total Expenditures, Budgetary Basis	4,583,279	3,305,884	1,277,395
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	1,578,098	\$ 1,578,098
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Outstanding Warrants		130,634	
Add: Current Year Encumbrances		84,065	
Ending Cash Balance		\$ 1,792,797	

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

**GARVIN 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, 2017**

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 454,177	\$ 454,179	\$ 2
Less: Prior Year Outstanding Warrants	(2,245)	(2,244)	1
Less: Prior Year Encumbrances	(92,933)	(92,933)	-
Beginning Cash Balances, Budgetary Basis	358,999	359,002	3
Receipts:			
Total Receipts, Budgetary Basis	602,264	645,283	43,019
Expenditures:			
Total Expenditures, Budgetary Basis	961,263	673,073	288,190
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	331,212	\$ 331,212
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Cancelled Warrants		1,860	
Add: Current Year Encumbrances		67,280	
Add: Current Year Outstanding Warrants		44,046	
Ending Cash Balance		\$ 444,398	

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

**GARVIN COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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, 2017.

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 methodology 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.

**GARVIN COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Objective 1: To determine the receipts apportioned, disbursements, and cash balances are accurately presented on the County Treasurer's monthly reports for FY 2017.

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

- Evaluated significant internal controls related to preparing the Treasurer's Monthly Reports, which included:
 - Reviewing a judgmental sample of five (5) Treasurer's monthly reports (41.67% of months in the population tested) 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 judgmental sample of five (5) bank statements and related bank reconciliations for the month of June 2017 (8.33% 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 ledgers for each month and to the annual summary of the Treasurer's reports.
- Confirmed \$12,357,751 in cash receipts (88.73% 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.
- Reconciled the general ledger of cash and investments at June 30 to the annual summary of the 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 Treasurer's general ledger to ensure that investments were adequately secured as required by 62 O.S. § 517.4.
- Examined the Treasurer's total cash disbursements and compared it to the County Clerk's total checks and cash vouchers issued to ensure the totals reconciled.

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.

**GARVIN COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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 \$58,486 (1.46% 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 2017-014 – Inadequate Internal Controls and Noncompliance Over the Appropriations of County Sales Tax Collections

Condition: Upon inquiry and observation of the recordkeeping process of collecting and appropriating sales tax collections the following was noted:

- The calculation of sales tax collections performed and appropriated by the County Clerk are not reviewed or approved, by someone other than the preparer. Further, testwork reflected \$110,120 of sales tax funds were misappropriated to the General Maintenance and Operations account that belonged to the Garvin County 911 account.

Cause of Condition: Policies and procedures have not been designed and implemented to review the sales tax apportionment to ensure the collections are properly apportioned and appropriated to designated funds in compliance with 68 O.S. § 1370E and Attorney General Opinions.

Effect of Condition: This condition resulted in noncompliance with the state statute and Attorney General Opinions and 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 procedures be designed and implemented to review the calculation of the sales tax apportionment and appropriation to ensure collections are distributed in accordance with the sales tax ballot.

Management Response:

Chairman of the Board of County Commissioners: We will approve the reimbursement to Garvin County 911 from General M&O and will implement internal controls to ensure appropriations are calculated correctly.

**GARVIN COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

County Clerk: We will reimburse Garvin County 911 and will implement internal controls to ensure sales tax appropriations are calculated correctly.

Criteria: Accountability and stewardship are overall goals in evaluating management's accounting of funds. Internal controls should be designed and implemented to analyze and check accuracy and completeness. To help ensure proper accounting of funds, a recalculation of the sales tax apportionment should be independently performed and documented. In addition, Title 68 O.S. § 1370E 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.

Further, AG opinion 2005 OK AG 23 dated 7/13/2005 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. 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, 1943 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 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.

**GARVIN COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

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

The County's financial operations did not comply with 19 O.S. § 1505, which requires that disbursements be properly supported, encumbered prior to receiving the goods or services, 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 \$776,400 (5.32% 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 the expending of County funds through cash vouchers, which included reviewing a random sample of cash vouchers totaling \$1,509 (2.33% of cash vouchers in the population tested) to ensure:
 - The disbursement was reviewed and authorized,
 - The claimant signed the cash voucher claim,
 - The disbursement was made for the appropriate amount, and
 - The disbursement was supported by adequate documentation.
- Evaluated significant internal controls related to payroll expenditures, which included reviewing a random sample of five (5) payroll claims (5.21% of payroll claims 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.

FINDINGS AND RECOMMENDATIONS

Finding 2017-004 - Inadequate Internal Controls and Noncompliance Over the Disbursement Process (Repeat Finding)

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

- Warrants are printed with the electronic signature of the County Clerk and the Chairman of the Board of County Commissioners. The County Clerk initiates the electronic signature for the Chairman of the Board and on occasion, the County Clerk's 1st Deputy may initiate the electronic signature for the County Clerk and the Chairman of the Board.

In addition, the audit of sixty (60) disbursements reflected the following:

- One (1) of the disbursements had invoices attached that were not dated.
- Three (3) of the disbursements were not encumbered prior to the receipt of goods, services, and/or an invoice.
- Seven (7) of the disbursements did not have receiving reports attached.

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

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

Recommendation: OSAI recommends management be aware of these conditions and determine if accounting functions and internal controls are sufficient to ensure compliance with 19 O.S. § 1505.

Further, OSAI recommends all disbursements must have proper supporting documentation and must be encumbered prior to receiving goods in accordance with 19 O.S. § 1505.

Management Response:

Chairman of the Board of County Commissioners and County Clerk: The Board of County Commissioners will express to fellow County Officials the importance of County funds being encumbered prior to the receipt of goods and/or services in accordance with Oklahoma Statutes. Also, we will work toward having all warrants be initialed by the County Clerk and Chairman of the Board of County Commissioners. We will work to ensure all purchases have supporting documentation.

**GARVIN COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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.

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.

Further, Title 19 O.S. § 1505 prescribes the procedures for requisition, purchase, and receipt of supplies, material, and equipment.

Finding 2017-016 – Inadequate Internal Controls Over the Payroll Process

Condition: The audit of five (5) payroll claims that included forty-five (45) timesheets reflected the following:

- Thirty-four (34) timesheets were not signed by a supervisor/department head/elected official.
- Three (3) timesheets for the month of February 2017 were not signed by the employee.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure timesheets are signed by the employee and approved by the official/supervisor.

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

Recommendation: OSAI recommends all timesheets be signed by the employee and approved by the official or immediate supervisor.

Management Response:

County Commissioner District 1: Timesheets will be approved.

County Commissioner District 2: Timecards will be reviewed and approved/signed.

County Clerk: Timesheets that are not signed will be returned to the elected official/supervisor for approval.

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, 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 2017-001 – Inadequate County-Wide Controls (Repeat Finding)

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

Cause of Condition: Policies and procedures have not been designed and implemented to address risks of the County.

Effect of Condition: Without an adequate system of county-wide internal controls, there is a risk of a breakdown in control activities which could result in unrecorded transactions, undetected errors, or misappropriation of funds.

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

Management Response:

Chairman of the Board of County Commissioners: We will work toward assessing and identifying risks to design written county-wide controls to address the seventeen (17) principles as outlined in the Standards for Internal Control in the Federal Government. The Board of County Commissioners will also work to set up quarterly meetings with all elected officials to discuss and take action regarding risk management and monitoring.

Criteria: Internal control is an integral component of an organization's management that provides reasonable assurance that the objectives of effectiveness and efficiency of operations, reliability of financial reporting and compliance with laws and regulations are being met. Internal control comprises the plans, methods, and procedures used to meet missions, goals, and objectives. Internal control also serves as the first line of defense in safeguarding assets and preventing and detecting errors and fraud. County management is responsible for designing a county-wide internal control system comprised of Risk Assessment and Monitoring for the achievement of these goals.

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

**GARVIN COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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 2017-002 – Inadequate Internal Controls Over Information Technology – County Clerk and County Treasurer (Repeat Finding)

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

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

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

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

Management Response:

County Clerk: The County Clerk's office will implement the necessary controls as we have changed to a new software system.

County Treasurer: The County Treasurer's office will contact the software vendor and implement the necessary controls.

Criteria: According to the standards of the Information Systems Audit and Control Association (CobiT, Deliver and Support Ds5), the need to maintain the integrity of information and protect IT assets requires a security management process. This process includes establishing and maintaining IT security roles and

**GARVIN COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

responsibilities, policies, standards, and procedures. Security management also includes performing security monitoring and periodic testing and implementing corrective actions for identified security weaknesses or incidents. Effective security management protects all IT assets to minimize the business impact of security vulnerabilities and incidents.

REPORT ON STATUTORY COMPLIANCE – OTHER MATTERS

Garvin County
Board of County Commissioners
Garvin County Courthouse
Pauls Valley, Oklahoma 73075

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, 2017:

- 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 Garvin 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 17, 2019



**GARVIN COUNTY, OKLAHOMA
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

SCHEDULE OF FINDINGS AND RESPONSES

Finding 2017-005 - 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 was noted:

- Inmate Trust Fund Checking Account collections are not deposited daily.
- Expenditures are made from the Inmate Trust Fund Checking Account for purposes not allowed by Title 19 O.S. § 531A .
- A separate fund for Sheriff Commissary Fund has not been established.
- The County Sheriff does not file an annual report for the Sheriff Commissary Fund with the Board of County Commissioners by January 15th of each year.

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

Effect of Condition: These conditions resulted in noncompliance with state statutes. Additionally, without proper accounting and safeguarding of the Inmate Trust Fund Checking Account, there is an increased risk of undetected errors and possible misappropriation of funds.

Recommendation: OSAI also recommends funds collected for Inmate Trust fund Checking Account be deposited daily and disbursements be made in accordance with 19 O.S. § 531.

Further, OSAI recommends the establishment a Sheriff Commissary Fund and file a report of the Commissary Fund with the County Commissioners by January 15th in accordance with 19 O.S. § 180.43.

Management Response:

County Sheriff: As of the January 2017, expenditures are only made from Inmate Trust in accordance with state statutes. We will work to ensure that funds collected are deposited daily and inmate ledger balances will be reconciled to bank statements monthly. The Sheriff's office is working with the County Treasurer and County Clerk to establish a Sheriff Commissary Fund and will begin preparing an annual report for the BOCC which documents the beginning balance, collections, disbursements, and ending balance of the new fund.

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. Effective internal controls require that management properly implement procedures to ensure compliance with 19 O.S. § 531A and § 180.43 D.

Title 19 O.S. § 531A states, "...the county sheriff may establish a checking account, to be designated the "Inmate Trust Fund Checking Account", to be managed by the county

**GARVIN COUNTY, OKLAHOMA
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

sheriff and maintained separately from regular county funds...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 Sheriffs Commissary Account for purchases made by the inmate during his or her incarceration and to the inmate from unencumbered balances due the inmate upon his or her discharge."

Title 19 O.S. § 180.43 D. states in part, "Any funds received pursuant to said operations shall be the funds of the county where the persons are incarcerated and shall be deposited in the Sheriff's Commissary Account. The sheriff shall be permitted to expend the funds to improve or provide jail services. The sheriff shall be permitted to expend any surplus in the Sheriff's Commissary Account for administering expenses for training equipment, travel or for capital expenditures. The claims for expenses shall be filed with and allowed missioners in the same manner as other claims. The Sheriff shall receive no compensation for the operation of said commissary. The sheriff shall file an annual report on any said commissary under his or her operation no later than January 15 of each year."

Finding 2017-008 – Inadequate Internal Controls and Noncompliance Over Court Fund Disbursements (Repeat Finding)

Condition: In the audit of twenty-five (25) Court Fund disbursements, it was noted four (4) claims did not have supporting documentation attached.

It was also noted that all employees work out of one cash drawer.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure compliance with state statute.

Effect of Condition: This condition resulted in noncompliance with state statute, and could result in unrecorded transactions, misstated financial reports, clerical errors, or misappropriation of funds not being detected in a timely manner.

Recommendation: OSAI recommends that all claims have the proper documentation attached and that all claims be properly completed prior to submission for payment in accordance with Title 20 O.S. § 1304. OSAI also recommends management establish separate cash drawers for each employee that receipts monies.

Management Response:

Court Clerk: Will make sure it is corrected in the future.

Criteria: Accountability and stewardship are overall goals of management in accounting of funds. Internal controls over safeguarding of assets constitute a process, affected by the entity's governing body,

**GARVIN COUNTY, OKLAHOMA
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

management, and other personnel, designed to provide reasonable assurance regarding the prevention and detection of error and/or fraud and to safeguard an entity's assets from loss, damage, or misappropriation.

Title 20 O.S. § 1304 provides guidance with regard to the expenditure process for the Court Fund.

O·K·L·A·H·O·M·A



STATE AUDITOR & INSPECTOR



Cindy Byrd, CPA | State Auditor & Inspector

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