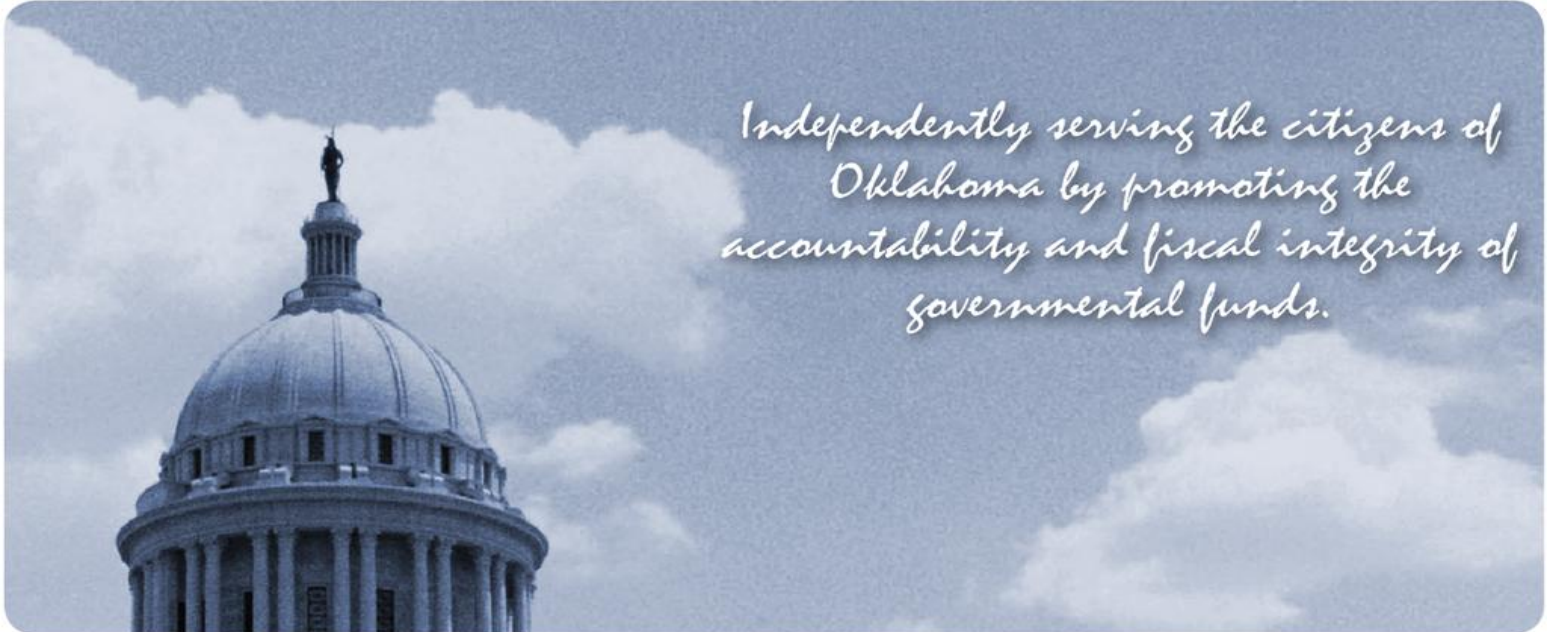


OPERATIONAL AUDIT

HASKELL COUNTY

For the fiscal year ended June 30, 2014



Oklahoma State
Auditor & Inspector
Gary A. Jones, CPA, CFE

**HASKELL 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

March 22, 2017

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

Transmitted herewith is the audit report of Haskell 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, reading "Gary A. Jones". The signature is fluid and cursive, with the first name "Gary" being the most prominent.

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

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

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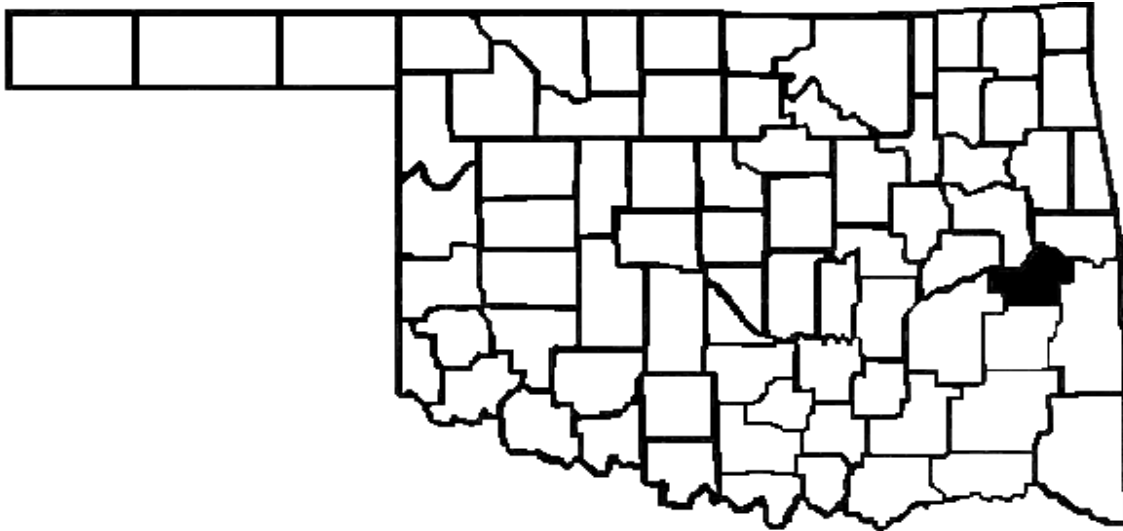
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**HASKELL COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**



Located in eastern Oklahoma, Haskell County was created at statehood and named for Charles N. Haskell, a member of the Oklahoma Constitutional Convention and first governor of Oklahoma.

Haskell County was one of the first permanent Choctaw settlements in the Indian Territory. Many Choctaws arrived by steamboat at Tamaha, and settled there along the Arkansas River. Haskell County was also the site of several skirmishes during the Civil War. The county seat is located at Stigler.

Belle Starr, the bandit queen, frequented the area during the late 1800's. She was reportedly killed near present-day Hoyt.

There is an in-county transit system. Local industries include meat packing, milling, and trucking. Recreational opportunities may be found at the Robert S. Kerr Lake, Sequoyah Wildlife Refuge and the Haskell County Recreation Club. Annual events include Reunion Days during the third week in June, the Christmas Parade on the first Saturday in December, and the Antique Car Show during late October.

Haskell County History: Indian Territory through 1988 is available from the Haskell County Historical Society. For more information, call the county clerk's office at (918) 967-2884.

County Seat – Stigler

Area – 625.27 Square Miles

County Population – 12,938
(2012 est.)

Farms – 914

Land in Farms – 290,260 Acres

Primary Source: Oklahoma Almanac 2013-2014

**HASKELL COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Board of County Commissioners

District 1 – Kenny Short
District 2 – Marvin Nolen
District 3 – Paul Storie

County Assessor

Roger Ballard

County Clerk

Karen McClary

County Sheriff

Brian Hale

County Treasurer

Gale Dixon

Court Clerk

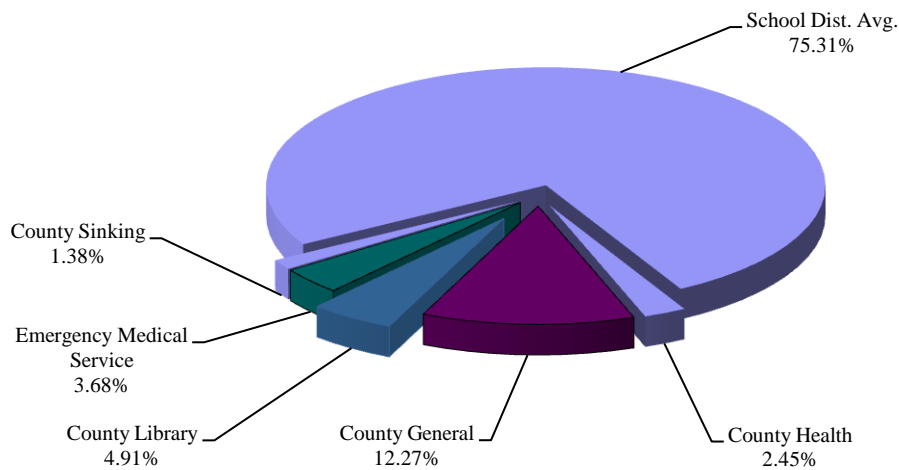
Robin Rea

District Attorney

Farley Ward

**HASKELL 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	10.27								
County Health	2.05	McCurtain	I-37	35.77	5.11	-	12.32	4.11	57.31
County Library	4.11	Whitefield	C-10	35.91	5.13	-	12.32	4.11	57.47
County Sinking	1.15	Stigler	I-20	35.91	5.13	-	12.32	4.11	57.47
EMS	3.08	Keota	I-43	36.65	5.24	7.46	12.32	4.11	65.78
		Quinton	J-17	35.74	5.11	25.38	12.32	4.11	82.66
		Kinta	I-13	35.84	5.12	-	12.32	4.11	57.39

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

Sales Tax

Sales Tax of March 1, 1984

The voters of Haskell County approved a permanent one percent (1%) sales tax effective March 1, 1984. One hundred percent (100%) of the sales tax proceeds are to be used for general government. These funds are accounted for in the County General Fund.

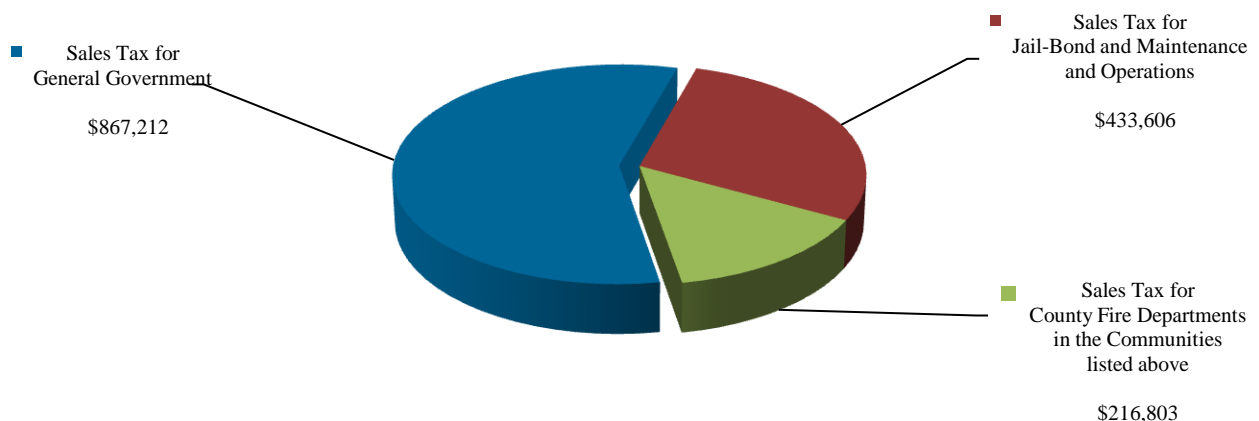
Sales Tax of April 1, 2006

The voters of Haskell County approved a one-half percent (1/2%) sales tax effective April 1, 2006. This tax will terminate after 25 years from the effective date of the tax or at the date of retirement of any debt incurred related thereto, whichever is earlier. The sales tax was established for the acquisition, remodeling, construction, financing, furnishing, and equipping of a new county jail and criminal justice facility to be located in Haskell County, parking lots, streets and other capital facilities associated therewith, including design, construction, capital improvements, expenses, operations, equipment, fixtures and furnishings; with one-fourth (1/4) of the one-half (1/2) cent to provide for the maintenance and operations of said facilities; authorizing the pledging of said sales tax for debt service; fixing an effective date; making provisions severable; and declaring an emergency. These funds are accounted for in the Gross Revenue - Operations and Expenses, and the Gross Revenue - Bond funds.

Sales Tax of July 11, 2011

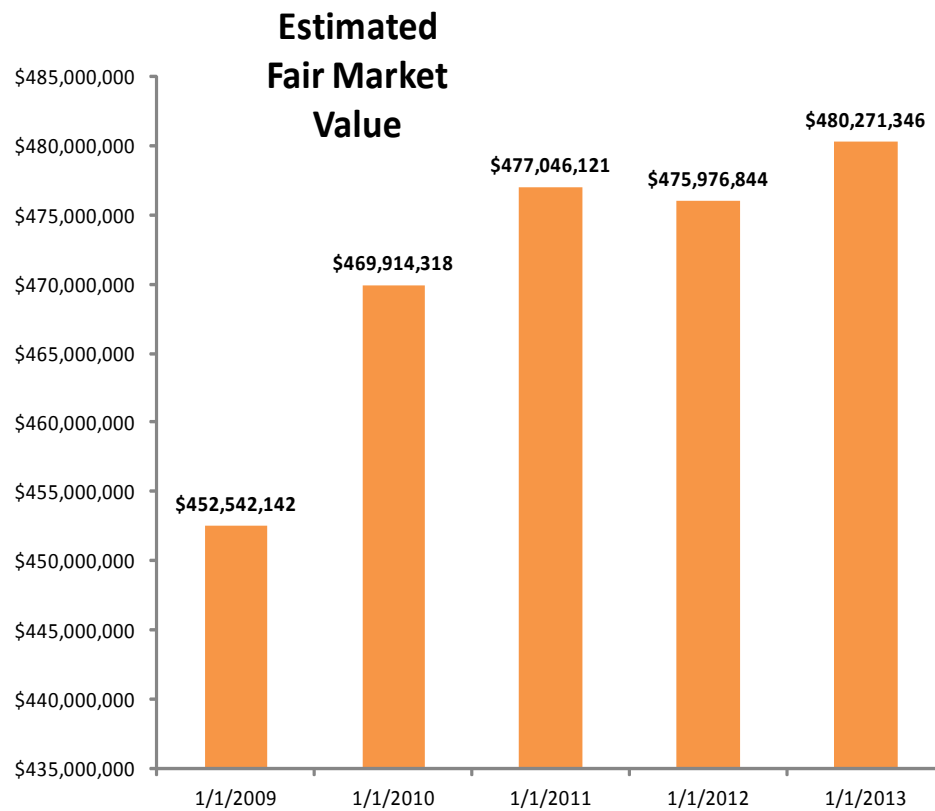
The voters of Haskell County approved a permanent one quarter percent (1/4%) sales tax effective July 11, 2011. The sales tax was established for the purpose of providing funding for the fire departments in the following communities: Brooken, Hoyt, Keota, Kinta, LeQuire, Lona Valley, McCurtain, Southside, Stigler, Tamaha, Whitefield or others herein established, for such fire protection as may be deemed necessary. These funds are accounted for in the Fire Department Sales Tax Fund.

During the fiscal year the County collected \$1,517,621 in total sales tax.



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

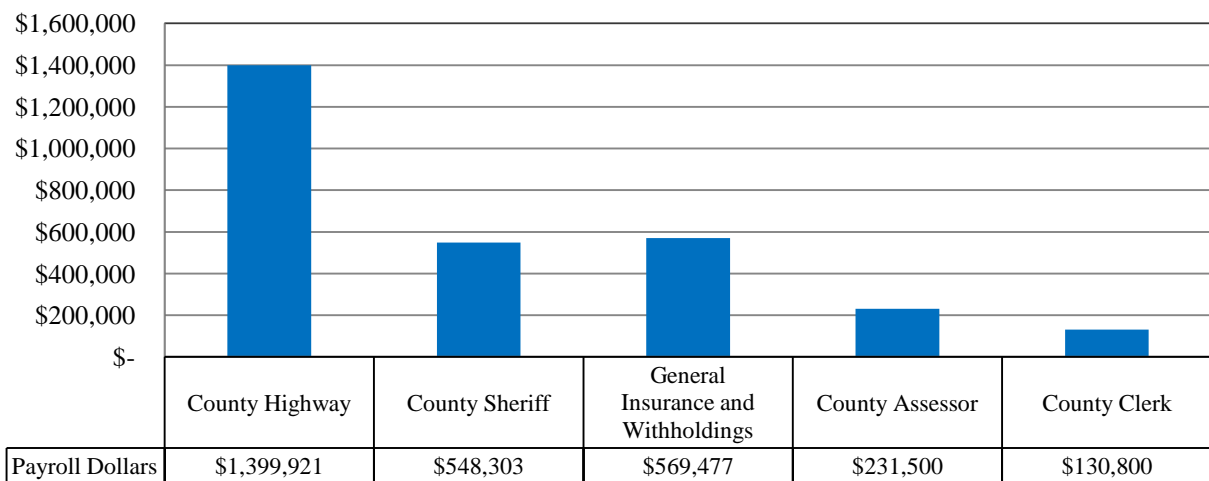
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2013	\$12,356,495	\$8,684,450	\$36,292,655	\$3,848,180	\$53,485,420	\$480,271,346
1/1/2012	\$12,596,505	\$9,189,470	\$35,337,133	\$3,784,093	\$53,339,015	\$475,976,844
1/1/2011	\$13,157,125	\$10,569,856	\$34,229,615	\$3,752,170	\$54,204,426	\$477,046,121
1/1/2010	\$13,295,747	\$10,169,409	\$33,499,270	\$3,761,435	\$53,202,991	\$469,914,318
1/1/2009	\$13,132,205	\$8,669,634	\$32,473,865	\$3,683,775	\$50,591,929	\$452,542,142



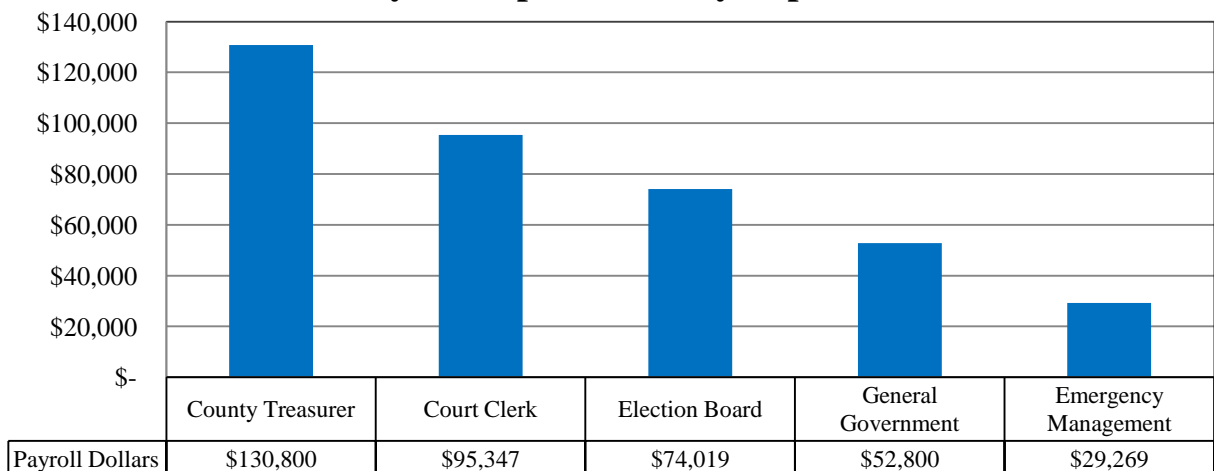
**HASKELL COUNTY, OKLAHOMA
COUNTY PAYROLL EXPENDITURES ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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



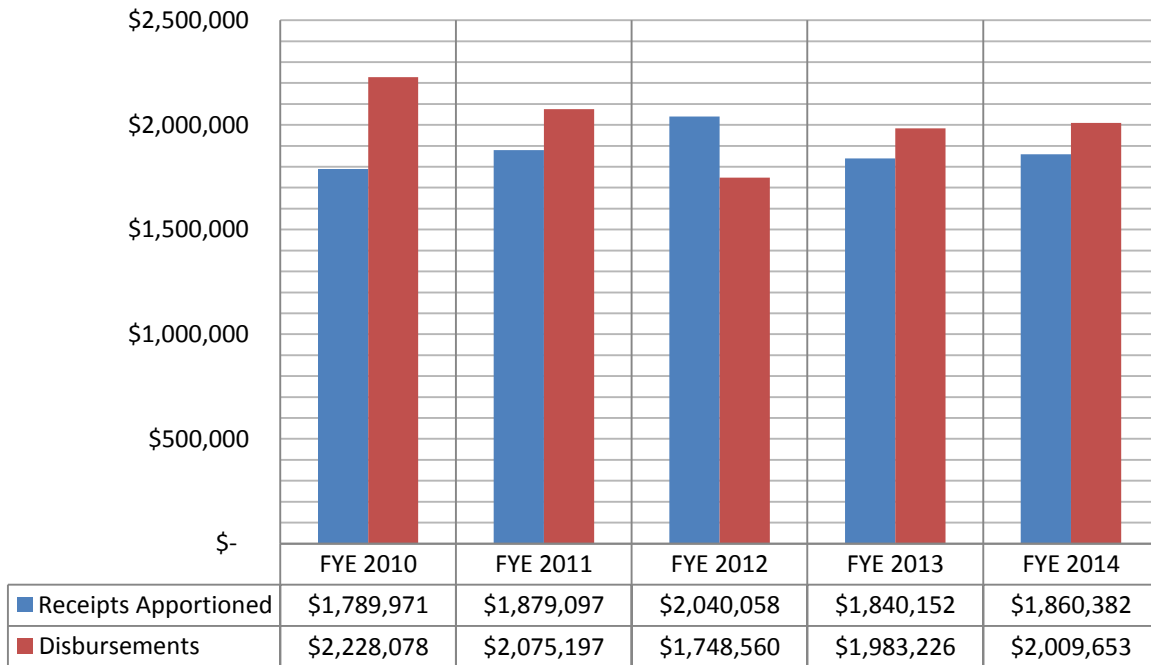
Payroll Expenditures by Department



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

County General Fund

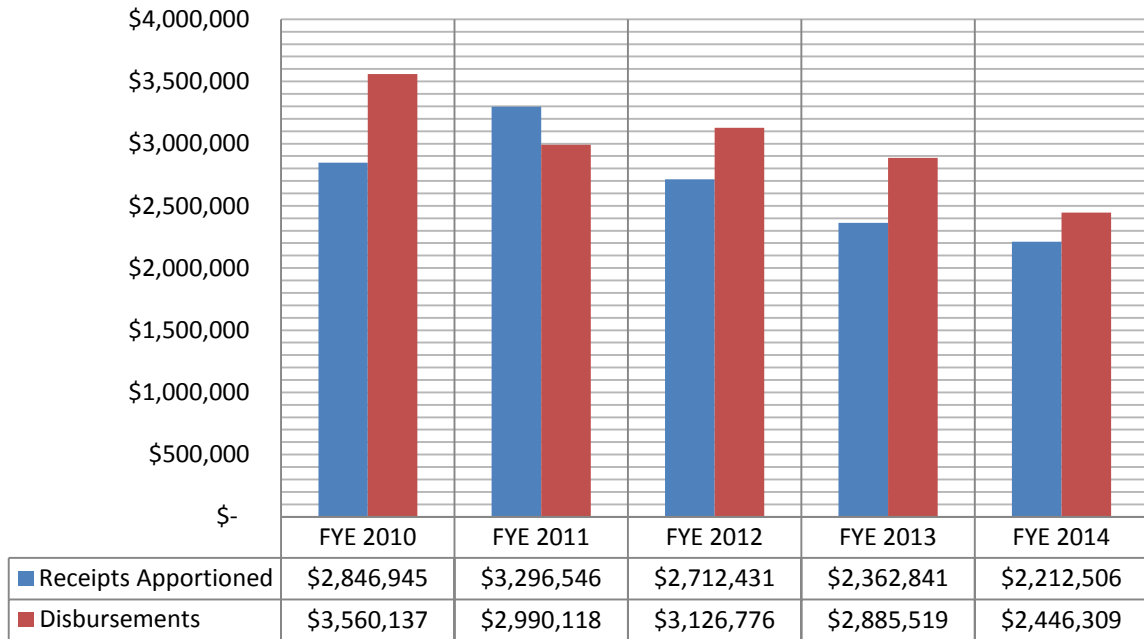
The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the county's primary source of operating revenue. The County General Fund is typically used for county employees' salaries plus many expenses for county maintenance and operation. It also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



**HASKELL 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.



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

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

	Beginning Cash Balances July 1, 2013	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2014
Combining Information:						
County Funds:						
County General Fund	\$ 501,400	\$ 1,860,382	\$ 59,342	\$ 36,455	\$ 2,009,653	\$ 375,016
Gross Revenue - Operations and Expenses	62,613	108,529	-	131,172	-	39,970
Gross Revenue - Bond	4	325,248	131,172	-	456,422	2
T-Highway	706,904	2,212,506	32,274	-	2,446,309	505,375
T-Highway Road & Bridge	-	10,080	54,114	10,080	48,103	6,011
Hospital Sales Tax	54,448	-	-	54,448	-	-
County Health Department	156,062	165,573	-	-	216,553	105,082
Resale Property	128,747	47,500	-	-	32,958	143,289
County Clerk Lien Fees	2,035	8,680	-	-	4,424	6,291
Mortgage Fees	17,646	1,872	-	-	673	18,845
Sheriff Service Fees	101,675	126,228	2,274	-	99,859	130,318
TCC Grant (Tamaha Community Center)	-	5,215	-	-	-	5,215
Community Service Sentencing Program Revolving	309	-	-	-	-	309
County Clerk RM&P Revolving	29,680	13,304	-	-	27,864	15,120
County Road & Bridge Improvement Fund	338,172	408,321	-	308,000	120,349	318,144
Sinking Fund	4,894	61,170	-	4,894	57,461	3,709
Lake Patrol	7,815	12,319	750	-	5,731	15,153
County Assessor Fees	21,789	3,871	-	-	5,177	20,483
Assessor Visual Inspection	3,301	-	-	-	-	3,301
Sheriff County Jail Fund	138,999	234,980	15,223	470	333,278	55,454
Civil Defense Donation	355	-	-	-	-	355
Drug Fund	2,014	-	-	-	-	2,014
Sheriff Donations	30,222	5,151	-	-	4,984	30,389
Courthouse Security	7,948	5,265	504	-	8,430	5,287
Fire Department Sales Tax Fund	257,845	228,214	-	-	165,574	320,485
Sheriff Commissary	13,747	58,635	-	6,100	58,824	7,458
Combined Total - All County Funds	\$ 2,588,624	\$ 5,903,043	\$ 295,653	\$ 551,619	\$ 6,102,626	\$ 2,133,075

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

**HASKELL 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.

Gross Revenue – Operations and Expenses – accounts for sales tax revenue and the disbursement of funds as restricted by the sales tax resolution for the criminal justice facility.

Gross Revenue – Bond – accounts for sales tax revenue and the disbursement of funds as restricted by the sales tax resolution for the criminal justice facility.

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

T-Highway Road & Bridge – accounts for monies received from the Oklahoma Department of Transportation and reflects activity related to the Circuit Engineering District's Emergency and Transportation Revolving Fund loan and disbursements for the purpose of constructing and maintaining county roads and bridges.

Hospital Sales Tax – accounts for the collection of sales tax and the disbursement of funds used for general operations of the county hospital.

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

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

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

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

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

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

TCC Grant (Tamaha Community Center) – accounts for grant monies received from the Kiamichi Economic Development District of Oklahoma and disbursement of funds are for the purpose of constructing a new roof on the community center.

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

County Clerk RM&P Revolving – accounts for fees collected for instruments filed in the County Clerk's office as restricted by state statute for preservation of records.

County Road & Bridge Improvement Fund – accounts for monies collected through the Oklahoma Tax Commission for the purpose of bridge repair and road resurfacing.

Sinking Fund – 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.

Lake Patrol – accounts for monies received from the Corps of Engineers for patrolling services.

County Assessor Fees – accounts for the collection of fees for copies and disbursed as restricted by state statute.

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

Sheriff County Jail Fund – accounts for monies received for housing prisoners to be used for jail operating expenses.

Civil Defense Donation – accounts for the receipt and disbursement of funds donated for civil defense purposes.

Drug Fund – accounts for local contributions, grants, or drug forfeitures and is used for payments for confidential informants or purchases of illegal drugs in sting operations.

Sheriff Donations – accounts for donations from citizens made to the Sheriff's Department for the operation of the office.

Courthouse Security – accounts for monies allocated from the Court Fund for programs and services related to Courtroom/Judicial Security.

Fire Department Sales Tax Fund – accounts for the collection of sales tax revenue and the disbursement of funds for the operation of the fire departments.

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

Sheriff Commissary – accounts for the collection of the sale of items to inmates and disbursements to improve or provide jail services and any surplus funds may be expended for administering expenses for training equipment, travel or for capital expenditures.

Transfers

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

- \$36,455 from the County General Fund to the T-Highway fund (\$24,274), the Sheriff Service Fees fund (\$1,804), the Sheriff County Jail Fund (\$9,123), the Lake Patrol fund (\$750), and the Courthouse Security fund (\$504) to correct errors made in previous years.
- \$470 from the Sheriff County Jail Fund to the Sheriff Service Fees fund to correct an error made in the previous year.
- \$131,172 from the Gross Revenue – Operations and Expenses fund to the Gross Revenue – Bond fund to be used for bond payment.
- \$4,894 from the Sinking Fund to the County General Fund. This residual transfer was made in accordance with 62 O.S. § 445.
- \$54,448 from the Hospital Sales Tax fund to the County General Fund. The Board of County Commissioners passed a resolution authorizing the transfer of this residual balance subsequent to the sale of the County Hospital.
- \$8,000 from the County Road & Bridge Improvement Fund to the T-Highway fund to reimburse for expenditures on road and bridge projects in the County.
- \$54,114 from the T-Highway Road and Bridge Emergency Transportation Revolving Fund, a trust and agency fund, to the T-Highway Road & Bridge fund for expenditures on road and bridge projects in the County.
- \$300,000 from the County Road & Bridge Improvement Fund to the T-Highway Road and Bridge Emergency Transportation Revolving Fund, a trust and agency fund, for the repayment of loans.
- \$10,080 from the T-Highway Road & Bridge fund to the T-Highway Road and Bridge Emergency Transportation Revolving Fund, a trust and agency fund, for the repayment of loans.
- \$6,100 from the Sheriff Commissary fund to the Sheriff County Jail Fund to meet payroll obligations.

HASKELL 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, 2014

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 156,062	\$ 156,062	\$ -
Less: Prior Year Outstanding Warrants	(14,079)	(14,079)	-
Less: Prior Year Encumbrances	(25,376)	(28,480)	(3,104)
Beginning Cash Balances, Budgetary Basis	116,607	113,503	(3,104)
Receipts:			
Ad Valorem Taxes	99,677	109,143	9,466
Charges for Services	53,415	53,672	257
Intergovernmental Revenues	-	2,135	2,135
Miscellaneous Revenues	-	623	623
Total Receipts, Budgetary Basis	153,092	165,573	12,481
Expenditures:			
County Health Budget Account	269,699	175,325	94,374
Total Expenditures, Budgetary Basis	269,699	175,325	94,374
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	103,751	\$ 103,751
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		305	
Add: Current Year Outstanding Warrants		1,026	
Ending Cash Balance		\$ 105,082	

**HASKELL 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.

**HASKELL 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. However, we noted some deficiencies in internal controls regarding the financial reporting process.

FINDINGS AND RECOMMENDATIONS

Finding 2014-1 – Inadequate Segregation of Duties – County Treasurer (Repeat Finding)

Condition: The following duties performed in the County Treasurer's office are not properly segregated: issuing receipts, preparing deposits, and reconciling bank statements. However, the County Treasurer has implemented a few mitigating controls. After evaluating the mitigating controls that have been implemented, the following weaknesses still exist:

- The County Treasurer's office has one deputy that performs the duties of balancing the cash drawer, reconciling amounts collected to receipts, preparing the deposits, taking the deposit to the bank, and posting information to ledgers.
- No one other than the preparer verifies that the deposit is correct prior to taking it to the bank.
- The amount encoded by the bank for the deposit is in total and does not denote the cash amount separately.
- All employees issue receipts and have administrator rights to void receipts. The County Treasurer does not review all voided receipts or review the receipt exception report that can be accessed through the software system.
- All employees work from one cash drawer.
- A mail log is not utilized for collections.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure adequate segregation of duties over the collection process.

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

Recommendation: OSAI recommends the County Treasurer implement the following compensating controls to mitigate the risks involved with a concentration of duties:

- The duties of balancing the cash drawer and preparing the deposit should be segregated.
- Someone other than the preparer should verify that the deposit is correct prior to taking it to the bank.

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

- Additional documentation should be obtained on the deposit receipt from the bank indicating amounts deposited for cash. The amounts encoded on the receipt (cash and total deposit) should be agreed to deposit records by someone other than the person who delivered the deposit to the bank.
- A report of voided receipts should be generated daily and reviewed for validity and accuracy. Explanations for voided receipts should be included on the report. The report should reflect evidence of the review with initials and date.

The County Treasurer could further strengthen internal controls by implementing the following procedures:

- Establish separate cash drawers for all employees receiving cash.
- Establish a policy requiring employees to open mail together and/or a daily log of mailed in receipts should be compiled.

Management Response:

County Treasurer: We segregate duties best as we can with the employees on staff. The bank is now encoding cash and checks separately and deposits are being checked by someone else. We use two cash drawers in main tax collections and mail is kept separate and balanced separate. All voided receipts and the receipt exception report will be reviewed and signed by the County Treasurer.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, the duties of receipting collections, delivering deposit, and maintaining financial ledgers/reconciliations should be segregated.

Finding 2014-2 – Inadequate Internal Controls Over the Reconciliation of Appropriation Ledger to General Ledger and Documentation of Review of the County Treasurer’s Monthly Report (Repeat Finding)

Condition: The following was noted regarding reconciliations and approvals:

- The County Clerk does not reconcile the appropriation ledger to the County Treasurer’s general ledger.
- There is no documentation that the County Treasurer’s monthly report is reviewed and approved by someone other than the preparer.

Cause of Condition: Policies and procedures have not been designed and implemented regarding monthly reconciliations of the County Clerk’s appropriation ledgers to the County Treasurer’s general ledgers for all county funds. Further, policies and procedures have not been designed and implemented to ensure someone other than the preparer reviews the reconciliation of the County Clerk’s appropriation ledger to the County Treasurer’s general ledger and the County Treasurer’s monthly report for accuracy documenting evidence of the review with initials and date.

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

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

Recommendation: OSAI recommends the County Clerk's appropriation ledger be reconciled monthly to the County Treasurer's general ledger. The reconciliation should be reviewed and approved by someone other than the preparer and documentation of the reconciliation should be maintained. In addition, someone other than the preparer should review and approve the Treasurer's monthly report and document the review.

Management Response:

County Treasurer: We now have the monthly report reviewed and signed by someone other than the preparer. The County Clerk and County Treasurer's offices are reconciling the appropriation ledger as of June 2016.

Criteria: Safeguarding controls are an important aspect of internal control. Safeguarding controls relate to the prevention or timely detection of unauthorized transactions and unauthorized access to assets. Failure to perform tasks that are part of internal controls, such as reconciliations not prepared or not timely prepared, are deficiencies in internal control. Further, reconciliations should be reviewed for accuracy and performed on a monthly basis.

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.
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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. Also, internal controls should be strengthened regarding the appropriation and disbursement of sales tax collections.

FINDINGS AND RECOMMENDATIONS

Finding 2014-3 – Inadequate Internal Controls Over Sales Tax Collections and Apportionments (Repeat Finding)

Condition: Upon inquiry and observation, and review of documentation regarding the process of apportioning/appropriating sales tax collections, the following exceptions were noted:

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- The County Treasurer reviews the calculations of sales tax to be apportioned; however, no documentation of this review is maintained.
- County sales tax received for the purpose of providing funds for fire departments in Haskell County is not being appropriated separately to ensure equal division between the fire departments. As in accordance with Special Sales Tax Resolution No. 101, the County is appropriating one percent (1%) of the one quarter percent sales tax to the Haskell County Fire Department Board. The remaining sales tax is appropriated into one account, entitled Haskell County Fire Departments. Separate accounts have not been set up on the County Clerk's appropriation ledger to show that the sales tax is being divided evenly between each fire department.

Cause of Condition: Policies and procedures have not been designed and implemented regarding sales tax appropriations and to ensure that all requirements of the sales tax resolution are being met.

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

Recommendation: OSAI recommends that documentation be maintained of the review of sales tax calculations and the County implement procedures to ensure sales tax appropriations are made in accordance with the sales tax resolution.

Management Response:

County Treasurer: In the future, documentation of the review of sales tax calculations will be maintained. The sales tax for County fire departments has been kept separate by department on a spreadsheet in the County Clerk's office, but as of July 1 2016, it is now kept separate on the appropriation ledgers in both the County Clerk and County Treasurer's office.

County Clerk: All fire departments have now been separated. A maintenance and operation account has been created for each fire department and we are working on setting up a capital outlay account for each fire department.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure the proper appropriation of sales tax collections, a recalculation of the apportionment and appropriation should be performed and documented.

In addition, Haskell County Special Sales Tax Resolution No. 101, Section 5. Division of Funds states, "Ninety-nine percent (99%) of the one quarter percent sales tax shall be divided equally between the following fire departments: Brooken, Hoyt, Keota, Kinta, Lequire, Lona Valley, McCurtain, Southside, Stigler, Tamaha, and Whitefield and placed in a cash fund account."

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Finding 2014-4 – Inadequate Internal Controls and Noncompliance Over Discrete Presentation of Sales Tax Activity (Repeat Finding)

Condition: The proceeds from the March 1, 1984 one percent (1%) County sales tax is deposited into the County General Fund as specified by Title 68 O.S. § 1370(E) and identified as such as a revenue source. However, the funds are not discretely presented in a separate account within the County General Fund. Since the County sales tax collections are comingled with other sources of revenue, specific expenditures made with sales tax funds cannot be identified.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure compliance with 68 O.S. § 1370(E) and Attorney General Opinions 2005 OK AG 23 and 2014 OK AG 15.

Effect of Condition: This condition resulted in noncompliance with state statute and the AG Opinions.

Recommendation: OSAI recommends the County establish policies and procedures that would allow for the sales tax balances and activity to be distinguished from other revenue sources activity within the County General Fund or account for sales tax activity in a revolving fund as required by state statute.

Management Response:

Chairman of the Board of County Commissioners, County Treasurer, and County Clerk: In the 1980's, the voters of Haskell County approved a one cent (1¢) sales tax for the designated purpose of general county operations. The direction of the sales tax was unlimited. The proceeds of the sales tax has continually been deposited and expended out of the county general fund which is a fund set up by most counties in the State of Oklahoma for general county operations. Because all county general fund expenditures are for general county operations, it has neither been suggested or necessary to account for sales tax appropriated by the taxpayers of Haskell County for general county operations in any other manner than transacting the sales tax revenue and expenditures through the Haskell County General Fund. Any and all expenditures from the county general fund are expended for general county operations; therefore any and all county general funds expended are expended as authorized by the Haskell County voters who approved the sales tax in the 1980's. Since all County General Fund revenues continue within the County General Fund from one year to the next, the end of the year balance of any of the General Fund revenues is not lost, rather it remains available for the designated purpose.

Title 68 O.S. § 3010 states in part (as it relates to appropriation accounts) "Provided, that the State Auditor and Inspector may add or substitute, and define, other items of appropriation where necessary to fulfill special functions therein required, but such items shall always be the fewest that will fulfill the requirements of the constitution or legislature". Although it remains unnecessary to require additional items of appropriation for the Haskell County Sales Tax, we would welcome specific guidance from the State Auditor and Inspector on a more adequate method of budgetary and reporting these sales tax revenues given the statutory citation of 67 O.S. § 3010.

Auditor Response: Sales tax apportioned to the County General Fund must be accounted for as a discrete fund.

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Criteria: Title 68 O.S. § 1370(E), 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 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.
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Conclusion: With respect to the items tested, the County complied with 68 O.S. § 2923, which requires the ad valorem tax collections to be apportioned and distributed monthly among the different funds to which they belong. However, internal controls over the apportionment of ad valorem tax should be strengthened.

FINDINGS AND RECOMMENDATIONS

Finding 2014-5 – Inadequate Internal Controls Over Ad Valorem Tax Apportionments (Repeat Finding)

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

- The County Treasurer's office did not maintain documentation that certified levies were reviewed for accuracy when entered into the ad valorem tax system.

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

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

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

Management Response:

County Treasurer: The tax levies will be reviewed by another person after they have been entered and affixed with their signature.

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

Objective 4:	To determine whether the County's internal controls provide reasonable assurance that expenditures (including payroll) were accurately reported in the accounting records and financial operations complied with significant laws and regulations.
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Conclusion: The County's internal controls do not provide reasonable assurance that expenditures, including payroll, were accurately reported in the accounting records.

The County's financial operations did not comply with 19 O.S. § 1505, which requires that disbursements be timely encumbered, properly authorized, and supported with adequate documentation.

FINDINGS AND RECOMMENDATIONS

Finding 2014-6 – Inadequate Internal Controls and Noncompliance Over the Disbursement Process (Repeat Finding)

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

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- One employee encumbers the purchase order, certifies the encumbrance, and reviews the supporting documentation for accuracy.
- One employee prints warrants, approves warrants, and distributes warrants.
- The County Clerk's 1st Deputy reviews the cash voucher claims for accuracy, approves the claims and prints, approves, and distributes cash vouchers.
- The District 1 Commissioner signed as the requisitioning officer on several blank purchase orders. These blank purchase orders are kept in the County Clerk's office and are used whenever District 1 calls in a for a purchase order.
- Requisitioning officers do not sign purchase orders until after the purchase has been encumbered, goods and/or services received, and all documentation has been turned in to and reviewed by the County Clerk's office.
- All County Clerk employees have access to the blank warrant stock.
- The County Clerk does not require the warrant register to be signed by officials, employees, or vendors at the time warrants are distributed.
- The County Clerk's 1st Deputy approves all warrants by using the signature stamps belonging to the County Clerk and Board of County Commissioner Chairman.
- The County Clerk's computer data for expenditures is incomplete as it does not include all paid dates, specifically for federal and state tax withholdings that are electronically transferred.

Of the forty (40) purchase orders/disbursements tested, the following exceptions were noted:

- Fourteen (14) were not timely encumbered.
- One (1) did not have the County Clerk or Deputy's signature certifying the encumbrance.
- Seven (7) did not have a receiving report attached.
- Two (2) did not agree to the attached invoice.

Of the five (5) cash vouchers tested, the following exceptions were noted:

- One (1) was not reviewed and authorized.
- Three (3) did not have a receiving report attached.

Cause of Condition: Policies and procedures have not been designed with regard to the disbursement process to ensure adequate internal controls and 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, 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 risk involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office, and having management review and approve accounting functions.

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OSAI recommends the following regarding internal controls:

- All requisitioning officers should sign purchase orders at the time the requisition is made.
- The blank warrant stock should be maintained in a secure location with limited access.
- The County Clerk should require all officials, employees, or vendors to sign the warrant register when picking up warrants. If warrants are disbursed through the mail, then the warrant register should indicate the warrant as mailed.
- Signature stamps should not be used by anyone other than the owner and should be adequately safeguarded from unauthorized use.
- All disbursements should be assigned a warrant number, registered by the Treasurer, and assigned a payment number by the Treasurer. Failure to perform these duties creates incomplete data records within the County Clerk's disbursement system.

OSAI recommends that the County adhere to state purchasing guidelines. Purchase orders should be encumbered before goods or services are ordered, encumbrances should be certified by the County Clerk or Deputy. Adequate supporting documentation should be attached to the purchase order and reviewed to ensure accuracy.

Management Response:

County Commissioner District 1: I will no longer sign blank purchase orders. We will encumber purchase orders in a timely manner. We will make sure that purchase orders and invoice amounts agree. We will make sure that purchase orders have receiving reports filled out. We will adequately document all purchase orders.

County Commissioner District 2: I will work with the elected officials to correct these issues.

County Commissioner District 3: We will educate all county employees on state statutes regarding purchasing guidelines. This will be discussed in our quarterly elected official meeting.

County Treasurer: I will make sure all services that are required to have a receiving report attached to the cash voucher claim will have one and will be reviewed as suggested.

County Clerk: 1) We have begun segregating the duties over purchasing. 2) We will discuss the state purchasing guidelines with all elected officials. 3) We will limit access to blank warrants to authorized personnel only. 4) We have begun the process of having the warrant register signed when warrants are picked up or mailed. 5) We will limit access to signature stamp to the owner of the stamp. 6) We are currently working on making sure expenditure data is complete. We have contacted our software provider to help with this issue. 7) We will work on segregating duties of the cash voucher process with the limited personnel available. 8) We will make sure offices know to complete receiving reports or verify the invoice for accuracy. 9) We will review and authorize all cash voucher claims.

County Sheriff: Steps are being taken to comply with state mandates and statutes.

County Assessor: We are now getting purchase orders before we make a purchase.

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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. To help ensure a proper accounting of funds, the duties of processing, authorizing, and distribution should be segregated, unused warrants should be secured with limited access, warrant registers should be signed by officials, employees, or vendors and/or show as mailed, and signature stamps should only be used by the registered owner, and data for disbursements should be completed in its entirety within the computer system.

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

Finding 2014-7 – Inadequate Internal Controls Over the Payroll Process (Repeat Finding)

Condition: Upon inquiry and observation of the County's payroll disbursement process, we noted the following:

- The duties of processing payroll are not adequately segregated. The County Clerk's 1st Deputy adds new employees to the system, makes payroll changes in the system, prints the payroll warrants, approves payroll warrants (by using the County Clerk and BOCC chairman's signature stamps), and distributes payroll checks to elected officials.
- Personnel files are not kept in a secure location with limited access.
- Of the ten (10) timesheets tested, one was not signed by the employee or the supervisor and one was not signed by the supervisor.

Cause of Condition: Policies and procedures have not been designed and implemented with regard to the payroll disbursement process to ensure adequate segregation of duties and internal controls.

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

Recommendation: OSAI recommends management be aware of these conditions and realize that a concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. The most effective controls lie in management's oversight of office operations and a periodic review of operations. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risks involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office, and having management review and approval of accounting functions.

Additionally, OSAI recommends the following:

- Signature stamps should not be used by anyone other than the owner and should be adequately safeguarded from unauthorized use.
- All personnel files should be maintained in a secure location with limited access only to authorized personnel.

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- All timesheets should be signed by the employee and the supervisor and filed with the County Clerk.

Management Response:

County Clerk: We will work on segregating the duties of the payroll process as well as we can with our limited personnel that we have available. We will also attempt to move personnel files into a locked cabinet when one is available. We will limit access to signature stamp to the owner of the stamp.

County Commissioner District 1: All employees' timesheets are now being signed and filed with the County Clerk.

County Sheriff: Steps are being taken to comply with state mandates and statutes.

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 allow for prevention and detection of errors and abuse. To help ensure a proper accounting of funds, key functions within the payroll process such as the duties of processing, authorizing, and payroll distribution should be adequately segregated, supporting documentation such as payroll claims and timesheets should be maintained and signed for review and approval by the appropriate personnel, personnel records should be secured to limit unauthorized access, and signature stamps should only be used by the registered owner.

All Objectives:

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

Finding 2014-8 - Inadequate County-Wide Internal Controls (Repeat Finding)

Condition: Through the process of gaining an understanding of the County's internal control structure, it was noted that county-wide controls regarding Control Environment, Risk Assessment, Information and Communication, and Monitoring have not been designed.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure that an adequate system of county-wide controls exists.

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

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Recommendation: OSAI recommends the County design and implement a system of county-wide procedures to identify and address risks related to financial reporting and to ensure that information is communicated effectively. OSAI also recommends 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, County Treasurer, and County Clerk: It has been discussed to get all elected officials together in quarterly meetings to discuss internal controls and address these conditions to try and correct and have better controls regarding Risk Assessment, Monitoring, Control Environment, and Information and Communication.

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 Control Environment, Risk Assessment, Information and Communication, and Monitoring for the achievement of these goals.

The Control Environment sets the tone of an entity and influences the control consciousness of its people. The Control Environment is the foundation for all other components of internal control and provides structure and discipline. Among the important elements of the control environment are the attitude, awareness, and actions of management, as well as those charged with governance, concerning internal control.

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.

Information and Communication is a component of internal control which should provide for a county to run and control its operations. A county must have relevant, reliable information, both financial and nonfinancial. The information should be recorded and communicated to management and others within the county who need it and in a form and within a time frame that enables them to carry out their internal control and operational responsibilities. In addition, the county needs to make sure that the forms of communication are broad-based and that information technology management assures useful, reliable, and continuous communications.

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,

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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 processes. Proper monitoring will ensure that controls continue to be adequate and function properly.

Finding 2014-9 – Disaster Recovery Plan (Repeat Finding)

Condition: The offices of County Clerk, County Treasurer, County Assessor, County Sheriff, Court Clerk, and County Commissioner District 1, 2, and 3 do not have written Disaster Recovery Plans.

Cause of Condition: Policies and procedures have not been designed and implemented to develop a Disaster Recovery Plan for all county offices.

Effect of Condition: The failure to have a current formal Disaster Recovery Plan for all areas could result in the County being unable to function in the event of a disaster. The lack of a formal plan for each area could cause significant problems in ensuring that county business could continue uninterrupted.

Recommendation: OSAI recommends that each office develop a Disaster Recovery Plan that addresses how critical information and systems within their offices would be restored in the event of a disaster. The Disaster Recovery Plan should include the following:

- Current names, addresses, contact numbers of key county personnel and their roles and responsibilities of information services function.
- Listing of contracted service providers.
- Information on location of key resources, including back-up site for recovery operating system, application, data files, operating manuals and program/system/user/documentation.
- Alternative work locations once IT resources are available.

In addition, OSAI recommends that all Disaster Recovery Plans be updated yearly and distributed to key personnel. To safeguard the document in times of disaster, a copy should be stored in a secure off-site location.

Management Response:

County Commissioner District 1: We have a Disaster Recovery Plan in place as of August 15, 2016.

County Commissioner District 2: A Disaster Recovery Plan was completed on August 2, 2016.

County Commissioner District 3: We will be working with the County Clerk to get the proper documentation filled out and this will be discussed in our quarterly elected officials meeting.

County Treasurer: This has been corrected as of July 18, 2016.

County Clerk: Our Disaster Recovery Plan was completed on July 25, 2016.

**HASKELL COUNTY
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County Sheriff: Steps are being taken to comply with state mandates and statutes.

County Assessor: We have fixed this issue and we have a recovery plan in place as of July 18, 2016.

Court Clerk: I have now received a template for a Disaster Recovery Plan and will work to complete it.

Criteria: An important aspect of internal control is the safeguarding of assets which includes adequate Disaster Recovery Plans. Internal controls over safeguarding of assets constitute a process, affected by an entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention in a county being unable to function in the event of a disaster. Disaster Recovery Plan(s) are an integral part of county operations to ensure that business can continue as usual in the event of a disaster. Each office or the county as a whole should have a current, detailed Disaster Recovery Plan on file and should be aware of its content.

Other Item(s) Noted:

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

Finding 2014-10 – Inadequate Internal Controls Over Information System Security – County Clerk, County Treasurer, and County Assessor (Repeat Finding)

Condition: Upon review of the computer systems within the office of the County Clerk, County Treasurer, and the County Assessor, it was noted that there does not appear to be adequate internal controls in place to safeguard data from unauthorized modification, loss, or disclosure. The specifics of the condition have been sanitized to protect the County pursuant to the provision of 51 O.S. § 24A.28.

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

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

Recommendation: OSAI recommends 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.

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FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Management Response:

County Treasurer: I am aware of these conditions and I will be working on correcting them.

County Clerk: We are aware of the conditions and will be working to fix these conditions.

County Assessor: We are in the process of putting procedures in place to correct these issues.

Criteria: According to the standards of the Information Systems Audit and Control Association (CobiT, Delivery and Support DS5), the need to maintain the integrity of information and protect IT assets requires a security management process. This process includes establishing and maintaining IT security roles and responsibilities, policies, standards, and procedures. Security management also includes performing security on monitoring and periodic testing and implementing corrective actions for identified security weakness or incidents. Effective security management protects all IT assets to minimize the business impact of security vulnerabilities and incidents.

Finding 2014-18 – Estimate of Needs

Condition: The total General Fund appropriations approved by the Excise Board on the Estimate of Needs (EON) for 2013-2014, \$2,087,740.91, did not agree to the original appropriations carried forward to Exhibit “E” on the EON for 2014-2015, \$2,071,905.78.

Cause of Condition: Procedures have not been designed for the review of the EON to ensure accuracy.

Effect of Condition: This condition resulted in an incomplete and/or incorrect EON being approved by the Excise Board and the Board of County Commissioners. In addition, as a result of this condition, the County is unable to present a Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances – Budget and Actual – Budgetary Basis – General Fund.

Recommendation: OSAI recommends management review the EON prior to approval to ensure that financial information, including original appropriations, is accurately presented.

Management Response:

Chairman of the Board of County Commissioners: It appears that on the 2014-15 EON the workers compensation line item in the general government account was shown as \$184,164.87 and shown as approved on the 2013-14 EON was \$200,000.00. This was an inadvertent error which should not happen in the future. The EON will be properly reviewed to ensure all appropriation amounts are correct in future budgets.

Criteria: Title 68 O.S. § 3002 states in part, “...each board of county commissioners...shall, prior to October 1 of each year, make, in writing, a financial statement, showing the true fiscal condition of their respective political subdivisions as of the close of the previous fiscal year ended June 30th, and shall make a written itemized statement of estimated needs and probable income from all sources including ad valorem tax for the current

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fiscal year. Such financial statement shall be supported by schedules or exhibits showing, by classes, the amount of all receipts and disbursements, and shall be sworn to as being true and correct...”

REPORT ON STATUTORY COMPLIANCE – OTHER MATTERS



Oklahoma State Auditor & Inspector

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Haskell County
Board of County Commissioners
Haskell County Courthouse
Stigler, Oklahoma 74462

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 Haskell County.

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

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

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

March 21, 2017

**HASKELL COUNTY, OKLAHOMA
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

SCHEDULE OF FINDINGS AND RESPONSES

Finding 2014-12 – Inadequate Internal Controls and Noncompliance Over Fixed Assets and Consumable Inventories (Repeat Finding)

Condition: Upon inquiry and observation of fixed assets inventory items, we noted the following:

- The offices of County Commissioner Districts 1 and 3, County Treasurer, County Assessor, County Clerk, County Sheriff, and County Election Board do not perform an annual review of fixed assets.
- Documentation for an annual review of fixed assets could not be located for County Commissioner District 2.
- County Commissioners District's 1 and 2 barns and county yards are not protected by a fence.
- The County Assessor and County Sheriff's office does not use county identification numbers.
- County Commissioner District 3 does not maintain fixed assets cards for equipment at the County Clerk's office. They only keep fixed assets cards at the District barn.
- The inventory records for the offices of the County Sheriff and County Treasurer are not updated.
- Nineteen (19) pieces of equipment tested were not clearly marked as county-owned property.
 - Nine (9) were not marked Property of Haskell County as required by 69 O.S. § 645.
 - Ten (10) were not marked with a county identification number as required by 19 O.S. § 1502(A)(1).

Upon inquiry and observation of consumable inventory items for the County Sheriff and County Commissioners District 1, 2, and 3, we noted the following exceptions:

- The County Sheriff and County Commissioners District 1 and 3 do not maintain consumable inventory records.
- The County Sheriff and Commissioners District 1 and 3 do not perform periodic reviews of consumable inventory items.
- County Commissioner District 2 does not maintain documentation for their periodic review of consumable inventory items.
- County Commissioners District 1, 2, and 3 do not maintain fuel logs for the storage tanks in their fuel trucks.
- County Commissioner District 2 does not maintain fuel logs for the two satellite fuel tanks located off-site from the county barn.
- County Commissioner District 1 fuel tank is not secured by a lock.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure compliance with the state statutes regarding maintaining fixed assets and consumable items. Additionally, procedures have not been designed and implemented to provide for accurate fixed assets and consumable items inventory records.

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Effect of Condition: These conditions resulted in noncompliance with state statutes. When fixed assets are not monitored, opportunities for misuse or loss of equipment can occur. Additionally, when consumable inventories are not monitored on a regular basis, opportunities for misuse or theft of items are more likely to occur.

Recommendation: OSAI recommends the following with regards to fixed assets and consumable items:

- An annual physical inventory review of fixed assets should be performed and documented. The review should be initialed and dated by the employee performing the physical review and retained to show the design and implementation of internal controls.
- County barns and yard should be secured by a fence.
- Fixed assets inventory items should be clearly marked as county-owned property. This includes issuing and affixing a county identification number for all fixed assets inventory items. Further, a “Property of Haskell County” sticker should be affixed to both sides of equipment, pursuant to 69 O.S. § 645.
- Fixed asset cards should be prepared and maintained by every office and filed with the County Clerk.
- A record of consumable items should be prepared and maintained with a balance that can be reconciled to the actual consumable items on hand.
- A physical inventory review of consumable items should be performed periodically and documented. The review should be initialed and dated by the employee performing the physical review and retained to show the design and implementation of internal controls.
- Fuel logs should be maintained for all fuel storage tanks, including any fuel tanks located at satellite locations and in the back of fuel transportation trucks.
- Fuel tanks should be adequately secured on a daily basis. This includes locking the fuel tank to safeguard against theft or misappropriation.

Management Response:

County Commissioner District 1: District 1 will perform an annual review of fixed assets. We will do everything possible to make the yard more secure. We will try to get all equipment properly marked. We have already started using consumable inventory records. We will perform a periodic review of inventory items. We are now maintaining fuel logs for tanks in fuel trucks. We will put a lock on the fuel tank.

County Commissioner District 2:

1. Documentation for annual review of fixed assets could not be located for District 2. – This has been corrected to comply with the conditions.
2. District 2 barn and county yard is not protected by a fence. – Due to budget cuts, this has not been addressed. We will seek additional funding to correct this issue.
3. Equipment not marked as county-owned. – This has been taken care of with the placement of new county decals to replace the old ones. Also, office equipment now has county decals.
4. District 2 does not maintain documentation for their periodic review of consumable inventory items. – We do maintain documentation for consumable inventory but have not been having two employees do inventory. In the future, two employees will do inventory and both inventory list will be on file.

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5. District 2 does not maintain fuel log for their fuel storage tanks in their fuel truck. – All fuel that goes into the storage tank on the fuel truck is documented and states where the fuel goes into on the fuel log in the office. In the future a fuel log will be maintained in the fuel truck.
6. District 2 does not maintain fuel logs for their two satellite tanks located off site from the county barn. – We will start maintaining fuel for the satellite fuel tanks best to the operator's ability. The Commissioner will purchase gages so that the fuel logs will be properly maintained. When fuel is delivered to the satellite tanks the office records show how much fuel goes to each satellite tank.

County Commissioner District 3:

1. In the future we will perform annual review audits of our fixed assets.
2. We are in the process of updating our inventory with the County Clerk's office.
3. This issue is now resolved. We now clearly mark equipment with county identification numbers and "property of" stickers.
4. District 3 maintains consumable inventory, but will improve record keeping of consumable items in the future to include a balance that can be reconciled.
5. Changes will be made to comply with statutes. We will complete a consumable review periodically.
6. We now have fuel logs for our fuel truck.

County Treasurer: This will be corrected and we will keep a list of inventory and review it annually. We will have a list made by one person and reviewed by another person.

County Clerk: We will update our inventory of fixed assets and begin doing an annual review.

County Sheriff: Steps are being taken to comply with all state mandates and statutes.

County Assessor: We have put procedures in place to fix assets records and we have put identification numbers on fixed assets.

County Election Board: An inventory of fixed assets was performed on August 8, 2016, for the Haskell County Election Board to correct the findings in the audit.

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 in part, "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

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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...”

Title 19 O.S. § 1502(A)(1) requires a prescribed uniform identification system for all supplies, materials, and equipment of a county used for maintenance for roads and bridges.

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

Title 19 O.S. § 1504 (A) states, “A receiving officer shall receive all purchased, lease-purchased or rented items procured for the department and shall identify such items received in a manner prescribed by the county road and bridge inventory officer or board of county commissioners or designee. The receiving officer shall also maintain a record of all such items received, disbursed, stored, and consumed by the department.”

Title 19 O.S. § 178.3 (A) states, “The county clerk shall be custodian and repository of all inventory records, files and reports.”

Title 69 O.S. § 645 states, “The board of county commissioners shall cause each piece of county-owned, rented or leased road machinery and equipment, and each automobile and truck, to be marked in accordance with the provisions of this section. County-owned automobiles, trucks, road machinery and equipment shall be conspicuously and legibly marked PROPERTY OF (name of county) COUNTY, and leased automobiles, trucks, road machinery and equipment shall be conspicuously and legibly marked LEASED BY (name of county) COUNTY, on each side, in upper case letters, on a background of sharply contrasting color.”

Finding 2014-13 – Inadequate Segregation of Duties Over Court Clerk Receipting Process (Repeat Finding)

Condition: Upon inquiry and observation of the Court Clerk’s receipting process, the following was noted:

- The Court Clerk’s office does not have defined job duties regarding the receipt process. All employees have the ability to open mail, issue receipts, balance the cash drawer, prepare deposits, and take deposits to the County Treasurer.
- A mail log is not maintained.
- All employees have administrative rights to void receipts. Voided receipts are not reviewed.
- The accuracy of deposits is not verified by someone other than the preparer.
- All full-time employees have access to the safe where the deposits are kept.
- All employees work from the same cash drawer.

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- The person taking the deposit to the County Treasurer's office does not stay and verify that it is counted and registered.

Cause of Condition: Policies and procedures have not been designed and implemented to adequately segregate the duties of the receipting process within the office of the Court Clerk.

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, misstated financial reports, undetected errors, or misappropriation of funds.

Recommendation: OSAI recommends that procedures be developed to separate key functions of the receipting process. In the event that a segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risk involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office, and having management review and approve accounting functions.

Management Response:

Court Clerk:

1. We are working on segregating duties as well as we can with limited personnel.
2. Mail log – We will log the mail daily. The person that logs it will sign and one of us will review and sign also.
3. Voided receipts – We have started having someone review the voided receipts and sign off.
4. Deposits – We have started reviewing deposits (someone other than the preparer) and sign off on the deposit ticket.
5. Safe – We use our safe to keep transmittal sheets for passports. We are all passport agents. We only have one safe with one key in one office and we all need to have access for passport processing. However, someone other than the person that prepared the deposit will re-count and sign off on the deposit slip each morning.
6. Cash drawer – We only have four employees (the Court Clerk and three Deputies). There are times when two are gone at the same time and on rare occasions, three are gone leaving only one in the office. We all need access to everything for times like this.
7. Taking the deposit to the Treasurer – We have started waiting for the deposit to be counted and registered and we bring the deposit ticket back to our office and sign off.

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.

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Finding 2014-14 – Inadequate Segregation of Duties Over the Court Clerk Expenditure and Reporting Processes (Repeat Finding)

Condition: Upon inquiry and observation of the Court Clerk's expenditures and reporting processes, the following was noted:

Court Fund:

- The Court Clerk prepares claims, verifies goods/services were received, approves claims, prepares vouchers, approves vouchers, distributes vouchers, and reconciles the monthly and quarterly reports with the County Treasurer.
- The Court Clerk has access to the Associate Judge's signature stamp.
- Monthly reports are not signed by the preparer or reviewed by someone other than the preparer.

Court Clerk Revolving Fund:

- The Court Clerk prepares claims, verifies goods/services were received, approves claims, distributes vouchers, prepares the Monthly and Quarterly reports, and reconciles the monthly and quarterly reports with the County Clerk and County Treasurer.
- Monthly reports are not signed by the preparer and are not reviewed by someone other than the preparer.

District Court Fund:

- One employee prints vouchers, approves vouchers, distributes vouchers, and reconciles the Monthly reports with the County Treasurer.
- Monthly reports are not reviewed for accuracy by someone other than the preparer.

Cause of Condition: Policies and procedures have not been designed and implemented to adequately segregate the duties of the expenditure and reporting processes within the office of the Court Clerk.

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, misstated financial reports, undetected errors, or misappropriation of funds.

Recommendation: OSAI recommends that procedures be developed to separate key functions of the expenditure and reporting processes for the Court Fund, Court Clerk Revolving Fund, and District Court Fund. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risk involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office, and having management review and approve accounting functions.

Management Response:

Court Clerk: We are implementing a plan to separate the duties of preparing reports, claims, and vouchers. Our main issue is not enough personnel. We are a small office with a big work load; however, we are making strides to correct all findings. The Judge's signature stamp is only used with permission from the Judge on attorney's copies for convenience to the Judge and the attorney. The Judge's stamp is

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not used for financial records. Administrative Office of the Court (AOC) does not require monthly reports. They only want the quarterly reports which are signed by the Treasurer, the Judge, and me. However, I will begin signing the monthly reports and ask the Treasurer to sign off on them. We give our District Court monthly reports to the County Clerk and it is approved by the County Commissioners and they all sign off.

Auditor Response: The signature stamp should not be used by anyone other than the owner.

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 2014-15 – Inadequate Internal Controls and Noncompliance Over Inmate Trust Fund Checking Account and Sheriff Commissary Fund (Repeat Finding)

Condition: An audit of the Inmate Trust Fund Checking Account and Sheriff Commissary Fund reflected the following:

- One employee performs the duties of collecting monies, issuing receipts, posting commissary orders to inmate accounts, preparing deposits, taking deposits to the bank, issuing checks, and preparing reconciliations.
- Deposits to the Inmate Trust Fund Checking Account are not made daily.
- Inmate Trust Fund Checking Account checks are not secured.
- Inmate ledger balances are not reconciled to the bank statements.
- The Sheriff's office does not file an annual report for the Sheriff Commissary Fund with the Board of County Commissioners by January 15th, of each year.

In addition to commissary items, phone cards are also purchased by inmates through the Inmate Trust Fund Account. These purchases are processed through the same computer software system; however an inventory is not maintained for the phone cards that are kept in stock.

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. In addition, without proper accounting and safeguarding of the Inmate Trust Fund Checking Account, there is an increased risk of misappropriation of funds.

Recommendation: OSAI recommends the following:

- 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.

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- All funds received should be deposited to the Inmate Trust Fund Checking Account daily.
- Inmate Trust Fund Checks should be maintained in a secured environment with limited access.
- Inmate Trust Fund monies should be maintained in a manner that reflects each inmate's trust deposits, disbursements, and account balances. The inmate's ledger balances should be reconciled to the bank statements each month.
- The Sheriff should file a report of the Commissary with the Board of County Commissioners by January 15th, of each year in accordance with Title 19 O.S. § 180.43
- An inventory of phone cards should be prepared and maintained. This inventory should be updated as phone cards are purchased and received by the Sheriff's office and as phone cards are sold to inmates.

Management Response:

County Sheriff: Due to a lack of funding and manpower, we perform the above listed duties to the best of our abilities. We will make every effort to comply with all state regulations.

Criteria: Accountability and stewardship are overall goals of management in accounting of funds. To help ensure a proper accounting of funds, no one individual should have the ability to have physical custody of assets, prepare deposits, make deposits, and issue checks. In addition, bank reconciliations should be performed each month, funds should be deposited daily, and inventory of phone cards should be maintained.

Title 19 O.S. § 531 A. states in part, "The county sheriff may establish a checking account, to be designated the "Inmate Trust Fund Checking Account." The county sheriff shall deposit all monies collected from inmates incarcerated in the county jail into this checking account and may write checks to the Sheriff's Commissary Account for purchases made by the inmate during his or her incarceration and to the inmate from unencumbered balances due the inmate upon his or her discharge."

Title 19 O.S. § 180.43 D. states in part, "The sheriff shall file an annual report on any said commissary under his or her operation no later than January 15 of each year."



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