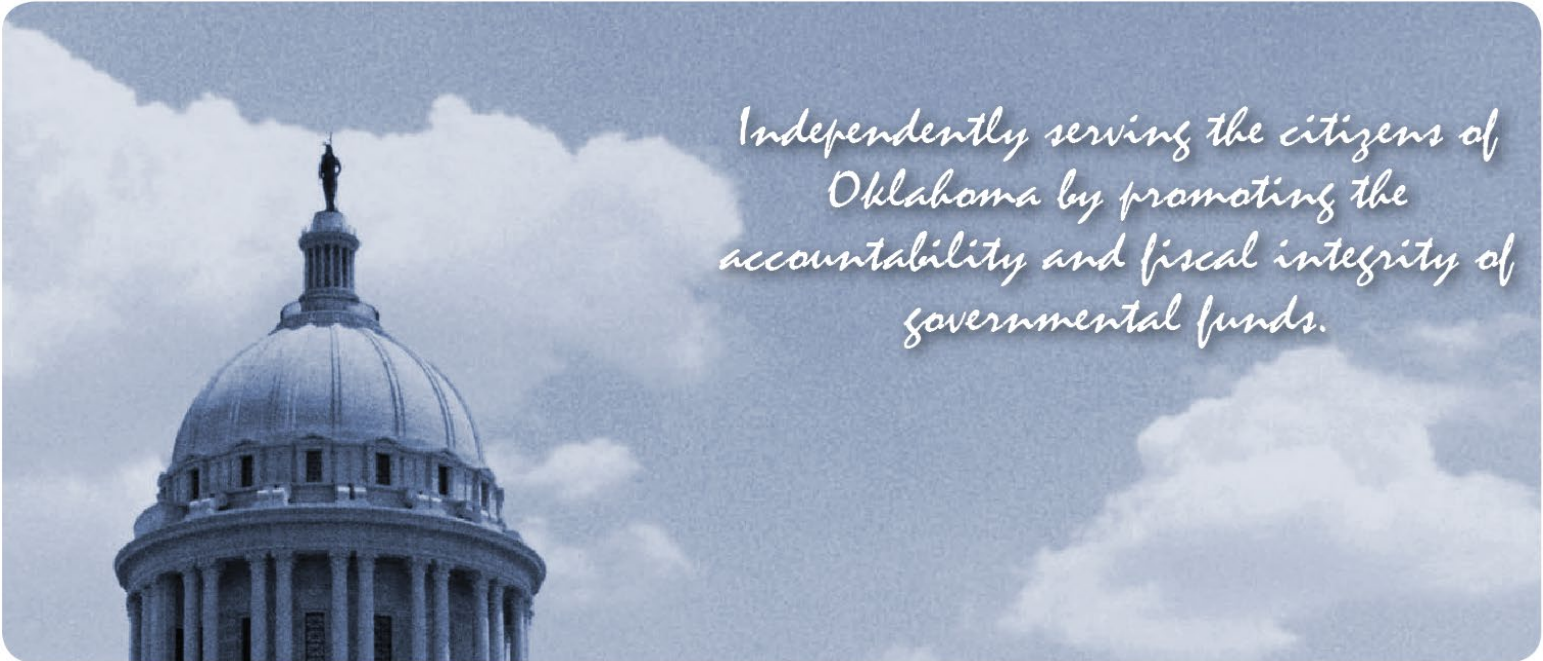


OPERATIONAL AUDIT

HUGHES COUNTY

For the fiscal year ended June 30, 2017



*Independently serving the citizens of
Oklahoma by promoting the
accountability and fiscal integrity of
governmental funds.*



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

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

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



Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 123 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

November 28, 2018

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

Transmitted herewith is the audit report of Hughes 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 "Gary A. Jones". The signature is written in a cursive style with a long, sweeping tail on the final letter.

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

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

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



Located in southeastern Oklahoma, Hughes County was created at statehood and named for W.C. Hughes, a member of the Oklahoma Constitutional Convention. Holdenville is the county seat.

Holdenville and Wetumka lakes provide recreational opportunities for the county, while other areas are available for hunting deer, dove, quail, duck, rabbit, and squirrel.

Annual events of interest include the IRA Rodeo and the Hog Wild Days in Holdenville, Sorghum Days in Wewoka, and Suckers Days in Wetumka.

The Hughes County Historical Society in Holdenville serves the area. For more information, call the county clerk's office at 405/379-5487.

County Seat – Holdenville

Area – 814.64 Square Miles

County Population – 13,566
(2016 est.)

Farms – 921

Land in Farms – 436,121 Acres

Primary Source: Oklahoma Almanac 2017-2018

Board of County Commissioners

District 1 – Gary Phillips
District 2 – Gary Gray
District 3 – Joe Moore

County Assessor

Jamie Foster

County Clerk

Carolyn Preble

County Sheriff

Marcia Maxwell

County Treasurer

Dawn Lindsey

Court Clerk

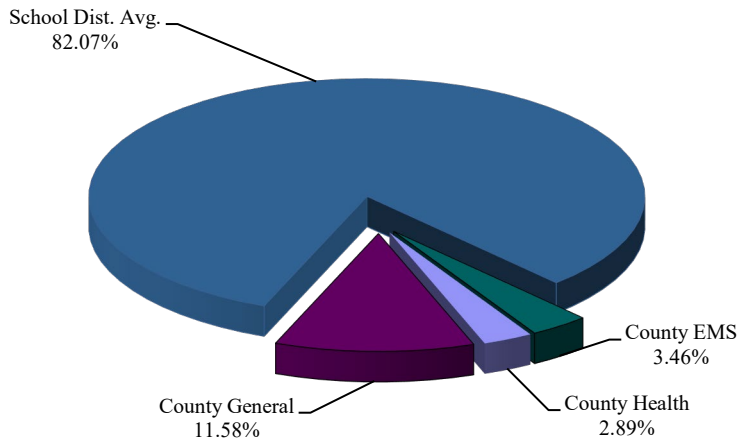
Patty Tilley

District Attorney

Paul Smith

**HUGHES COUNTY, OKLAHOMA
AD VALOREM TAX DISTRIBUTION
SHARE OF THE AVERAGE MILLAGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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							
						Career			
				Gen.	Bldg.	Skg.	Tech.	Common	Total
County General	10.39								
County EMS	3.11	Graham	J-54	36.80	5.26	-	10.23	4.15	56.44
County Health	2.59	Stuart	I-54	35.46	5.06	15.52	12.32	4.15	72.51
		Moss	I-1	36.15	5.26	14.93	10.23	4.15	70.72
		Wetumka	I-5	36.41	5.20	17.47	10.23	4.15	73.46
		Holdenville	I-35	37.20	5.31	13.33	10.23	4.15	70.22
		Calvin	I-48	36.58	5.22	4.41	12.32	4.15	62.68
		Allen	J-1	35.98	5.14	6.77	12.29	4.15	64.33
		Wewoka	J-2	47.60	6.80	23.21	15.90	4.15	97.66
		Butner	J-15	37.09	5.30	3.94	15.90	4.15	66.38
		Sasakwa	J-10	36.83	5.26	27.22	12.29	4.15	85.75
		Weleetka	J-31	35.62	5.09	34.82	10.23	4.15	89.91

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

Sales Tax

Sales Tax of July 27, 2010

A permanent sales tax was passed July 27, 2010. The sales tax of one-quarter percent (25%) of one cent is to provide revenues to Hughes County to be appropriated by the Board of County Commissioners for the purpose of providing funding for the fire departments in the communities of Atwood, Calvin, Dustin, Gerty, Holdenville, Horntown, Lamar, Non, Spaulding, Stuart, Wetumka, and Yeager, or others hereinafter established. The Hughes County, Oklahoma Special Sales Tax Resolution No. 030210 sets forth the division of funds stating that ninety-nine percent (99%) of the one quarter percent sales tax shall be divided equally between the fire departments listed above. The remaining one percent (1%) shall be placed in a cash fund for the Hughes County Fire Tax Board with funds to be used as deemed necessary for the improvement and enhancement of the operations and emergency response capabilities of the above listed fire departments.

These funds are accounted for in the County Fire Department Sales Tax fund.

Sales Tax of March 1, 2016

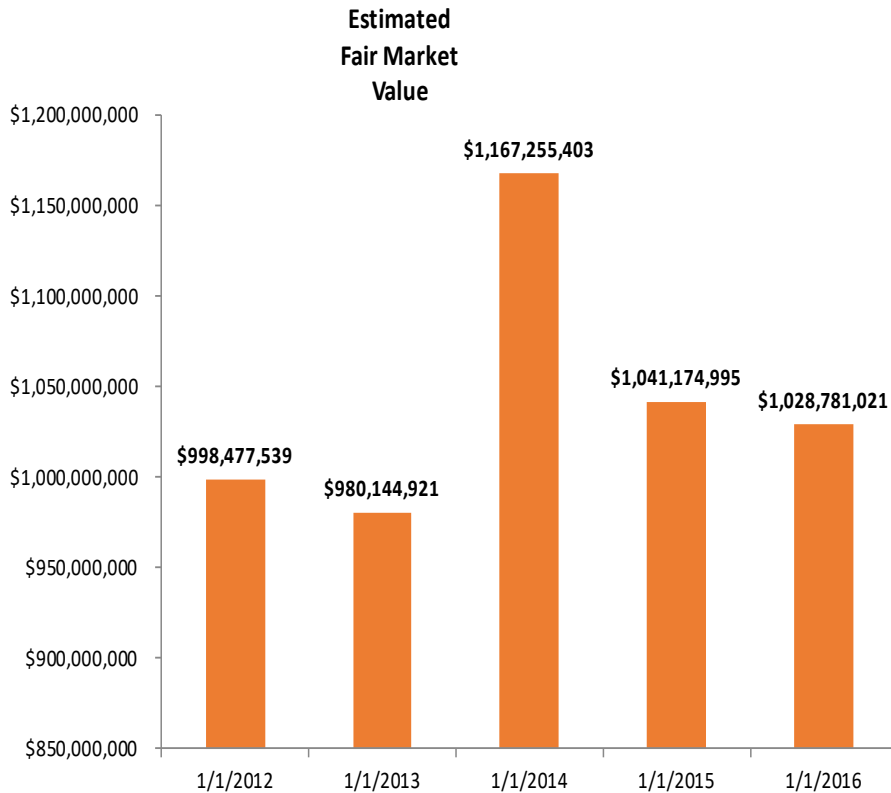
On March 1, 2016, the voters of Hughes County approved a three-quarters of one percent (75%) County Sales Tax for an unlimited duration beginning on July 1, 2016. The proceeds of this sales tax are allocated as follows: 40% for the maintenance and operation, equipment and salaries for the Sheriff's Department; 53.33% for the general operation and equipment for the construction and repair of county roads and bridges; 2% for general operation, equipment and construction and building repair of the Hughes County Expo; 2.67% for general operation, equipment and salaries of the OSU Extension office; 2% for general operation and equipment for the senior citizen centers of Hughes County, that are funded by Central Oklahoma Economic Development District, to be equitably divided to each senior center by the Board of County Commissioners.

These funds are accounted for in the County Sheriff Sales Tax, County Highway Sales Tax, County Expo Sales Tax, OSU Extension Sales Tax and Senior Centers Sales Tax funds.

During the fiscal year the County collected \$1,459,369 in total sales tax.

**HUGHES COUNTY, OKLAHOMA
 ASSESSED VALUE OF PROPERTY
 TREND ANALYSIS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

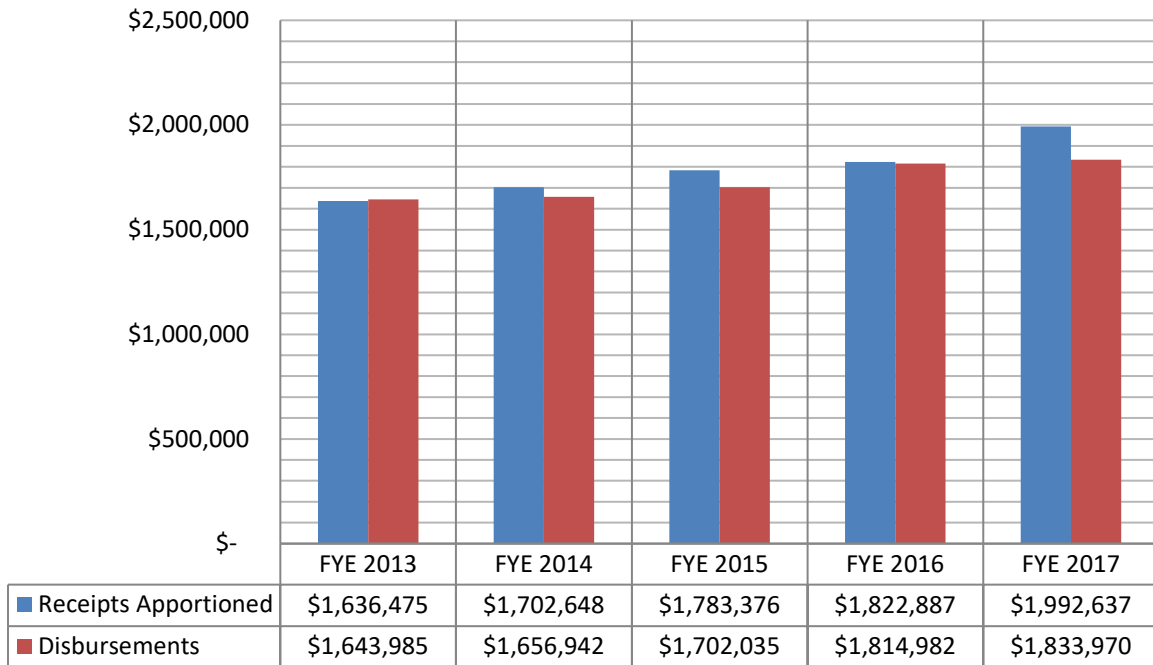
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2016	\$42,306,890	\$41,032,564	\$51,105,928	\$3,772,425	\$130,672,957	\$1,028,781,021
1/1/2015	\$45,505,453	\$39,943,656	\$49,794,903	\$3,693,939	\$131,550,073	\$1,041,174,995
1/1/2014	\$60,549,167	\$39,708,577	\$48,733,201	\$3,752,171	\$145,238,774	\$1,167,255,403
1/1/2013	\$43,824,953	\$33,428,352	\$47,898,565	\$3,823,988	\$121,327,882	\$980,144,921
1/1/2012	\$46,616,305	\$33,879,166	\$46,906,779	\$3,801,840	\$123,600,410	\$998,477,539



**HUGHES COUNTY, OKLAHOMA
COUNTY GENERAL FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

County General Fund

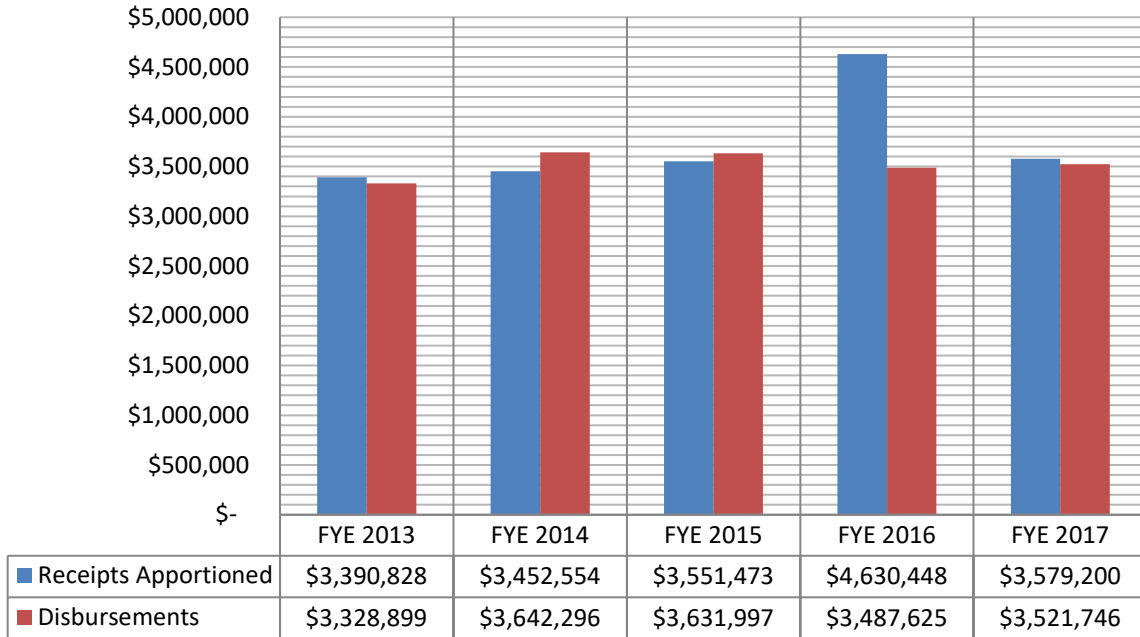
The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the county’s primary source of operating revenue. The County General Fund is typically used for county employees’ salaries plus many expenses for county maintenance and operation. It also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



**HUGHES COUNTY, OKLAHOMA
COUNTY HIGHWAY FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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.



**HUGHES 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	\$ 604,606	\$ 1,992,637	\$ 200,000	\$ 200,000	\$ 1,833,970	\$ 763,273
T-Highway	2,825,192	3,579,200	241,000	200,000	3,521,746	2,923,646
Resale Property	444,331	85,165	7,369	-	113,732	423,133
County Health	515,336	355,333	-	-	320,030	550,639
M & M Lien Fee	173,289	82,056	-	-	45,988	209,357
Mortgage Certification Fee	19,828	1,945	-	-	4,964	16,809
Sheriff Commissary	2,250	2,801	-	-	-	5,051
Sheriff Fees	243,730	125,615	-	-	197,158	172,187
Sheriff Special Fund	84,877	64,152	-	-	53,838	95,191
County Assessor Fund	7,397	5,185	-	-	3,521	9,061
Community Service Sentencing Program	2,631	-	-	-	1,820	811
County Clerk DPA	66,861	68,375	-	-	65,379	69,857
Free Fair	3,548	925	-	-	3,184	1,289
Civil Defense Cash Fund	963	-	-	-	-	963
Emergency 911	173,027	102,161	-	-	91,533	183,655
DARE Program	776	-	-	-	-	776
EMPG 10 Grant	11,860	-	-	-	8,197	3,663
CBRIF Highway Fund	1,348,489	185,950	-	-	323,625	1,210,814
County Fire Department Sales Tax	1,294,533	432,699	-	-	215,597	1,511,635
County Sheriff Sales Tax	-	421,474	-	-	214,319	207,155
County Highway Sales Tax	-	562,674	-	-	153,118	409,556
County Expo Sales Tax	-	21,089	-	-	8,240	12,849
OSU Extension Sales Tax	-	28,222	-	-	-	28,222
Senior Centers Sales Tax	-	21,131	-	-	1,770	19,361
Drug Dog Fund	4,140	-	-	-	2,351	1,789
Mobile Cop	108	-	-	-	-	108
REAP 01 15-16 District #2	-	41,000	-	41,000	-	-
Drug Court	23,729	46,750	-	-	54,896	15,583
Court Clerk Payroll	4,532	84,816	-	-	84,802	4,546
Combined Total - All County Funds	\$ 7,856,033	\$ 8,311,355	\$ 448,369	\$ 441,000	\$ 7,323,778	\$ 8,850,979

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

**HUGHES COUNTY
DESCRIPTION OF COUNTY FUNDS AND TRANSFERS
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 operations of the government.

T-Highway – accounts for state, local and miscellaneous receipts and disbursements are 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.

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

M & M Lien Fee – accounts for lien fee collections and disbursements as restricted by state statute.

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

Sheriff Commissary – accounts for profits from the commissary vendor and disbursement of funds for jail operating expenses.

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

Sheriff Special Fund – accounts for the collection of revenues for the housing of Department of Corrections' inmates and disbursements as restricted by state statute.

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

Community Service Sentencing Program – accounts for funds received from the Oklahoma Department of Corrections for administrative expenses and supervision of offenders.

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

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

Free Fair – accounts for the collection of rent for the Expo building and disbursed for the maintenance of the Expo building.

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

Emergency 911 – accounts for the collection of fees charged on telephone bills for the County’s Emergency 911 system. Disbursements are for expenditures related to providing 911 services.

DARE Program – accounts for the receipt and disbursement of grant funds to educate children on drug awareness.

EMPG 10 Grant – accounts for Emergency Management Performance Grants received from the U.S. Department of Homeland Security and disbursed as restricted by the grant agreement.

CBRIF Highway Fund – accounts for the receipt of funds from the State of Oklahoma to be disbursed for road and bridge improvement projects.

County Fire Department Sales Tax – accounts for the collection of sales tax revenue to provide funding for fire departments within the County.

County Sheriff Sales Tax – accounts for the collection of sales tax revenue to be used for maintenance and operation, equipment, and salaries for the County Sheriff’s department.

County Highway Sales Tax – accounts for the collection of sales tax revenue to be used for general operation and equipment for the construction and repair of county roads and bridges.

County Expo Sales Tax – accounts for the collection of sales tax revenue to be used for general operation, equipment and construction and building repair of the Hughes County Expo building.

OSU Extension Sales Tax – accounts for the collection of sales tax revenue to be used for general operation, equipment and salaries of the OSU Extension office.

Senior Centers Sales Tax – accounts for the collection of sales tax revenue to be used for general operation and equipment for the senior citizens’ centers of Hughes County.

Drug Dog Fund – accounts for donations to be used for the purchase, training, and care of a drug dog.

Mobile Cop – accounts for a donation to be used for the purchase and installation of a computer in a Sheriff’s vehicle.

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

REAP 01 15-16 District #2 – accounts for state grant funds received and disbursement of funds as restricted by the grant agreement.

Drug Court – accounts for monies received from the Oklahoma Department of Mental Health and Substance Abuse Services to be expended for the maintenance and operation of the drug court.

Court Clerk Payroll – accounts for funds deposited by the Court Clerk to be used for payroll expenses for that office.

Transfers

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

- \$200,000 was transferred from the T-Highway fund to the County General Fund to meet requirements of appropriations in accordance with 68 O.S. § 3021.
- \$200,000 was transferred from the County General Fund into the T-Highway fund for repayment of the loan in accordance with 68 O.S. § 3021.
- \$41,000 was transferred from the REAP 01 15-16 District #2 fund to the T-Highway fund to reimburse for expenditures on a road project.
- \$7,369 was transferred from the Excess Resale fund (a trust and agency fund) to the Resale Property fund in accordance with 68 O.S. § 3131.

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

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, 2017. 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.

**HUGHES 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 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 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.

Objective 3: To determine the County's financial operations complied with 68 O.S. § 2923, which requires the ad valorem tax collections to be apportioned and distributed monthly among the different funds to which they belong.

Conclusion: With respect to the items tested, the County complied with 68 O.S. § 2923, which requires the ad valorem tax collections to be apportioned and distributed monthly among the different funds to which they belong.

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

Conclusion: The County's internal controls 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 encumber, supported by proper documentation, and charged to the appropriate fund and account.

FINDINGS AND RECOMMENDATIONS

Finding 2017-001 – Inadequate Internal Controls and Noncompliance Over Purchasing

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

- Two (2) purchase orders were not timely encumbered.

In addition, while reviewing purchase orders for the internal control walk-through, it was noted that several purchase orders requisitioned by the County Sheriff were red stamped by the County Clerk signifying that they were not timely encumbered.

Cause of Condition: Policies and procedures have not been designed with regard to the purchasing process to ensure adequate internal controls and compliance with state statute.

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

Recommendation: The Oklahoma State Auditor & Inspector's Office (OSAI) recommends that the County adhere to state purchasing guidelines. Purchase orders should be encumbered before goods or services are ordered.

Management Response:

County Clerk: I will continue to educate the officers of the statutes and the need to comply with the County Purchasing Act, Title 19 O.S. § 1505, and stress the need for stronger internal controls to prevent unrecorded transactions, misstated financial reports, undetected errors, and the misappropriation of funds.

County Sheriff: We will ensure everyone follows correct purchasing procedures and provide education pertaining to correct procedures.

County Commissioner District 2: This was an oversight due to the District 2 office being closed. Purchase orders are normally timely encumbered.

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

Finding 2017-002 – Inadequate Internal Controls Over the Payroll Process (Repeat Finding)

Condition: Of the twenty-eight (28) payroll disbursements tested, the following exceptions were noted:

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

- All seven (7) County Sheriff employees' timesheets included in the sample tested were not signed by the County Sheriff or Undersheriff, but instead were stamped by the Sheriff's Department Secretary using the County Sheriff's signature stamp.

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 and signature stamps are used only by the owner.

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

Recommendation: OSAI recommends all timesheets be signed by the employee and approved by the official or immediate supervisor. Signature stamps should not be used by anyone other than the owner and should be adequately safeguarded from unauthorized use.

Management Response:

County Sheriff: I will personally review and sign all employee timesheets. In the event I am not available, the Undersheriff or Secretary will sign off on timesheets.

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.

Other Item(s) Noted:

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

Finding 2017-006 – Inadequate Internal Controls and Noncompliance Over Estimate of Needs

Condition: While reviewing the 2017-2018 Estimate of Needs and Financial Statement of the fiscal year 2016-2017, we noted that the information related to the General Fund and County Health Department fund cash receipts and disbursements were presented with inaccurate information and the related schedules were not completed to include all information, which included prior year reserves and warrants since issued.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure the County's Estimate of Needs is accurate.

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

Effect of Condition: These conditions resulted in noncompliance with state statute and an incomplete and inaccurate Estimate of Needs being approved. Additionally, the comparative schedules of receipts, expenditures, and changes in cash balances-budget and actual-budgetary basis for the County General and Health Department funds could not be presented.

Recommendation: OSAI recommends the County review the Estimate of Needs prior to approval to ensure that financial information is accurately presented.

Management Response:

Chairman of the Board of County Commissioners: Hughes County will establish a committee made up of the County Clerk, County Treasurer, and the Chairman of the Board to review, with the Budget Maker, the specific details of the Estimate of Needs prior to the Budget Board review and approval, to ensure there are no omissions or errors regarding our budget.

Criteria: The adopted budget is an expression of public policy and financial intent and is a method of providing controls over that intent. Effective internal controls as they relate to government entities financial reporting should assist in fulfilling government's duty to be publicly accountable and should enable user's access to that accountability by demonstrating whether resources were obtained and used in accordance with the entity's adopted budget.

Title 19 O.S. § 1410 (A) states, "At least thirty (30) days prior to the beginning of each fiscal year, a budget for each fund of the county for which a budget is required shall be completed by the county budget board. Each budget shall provide a complete financial plan for the budget year. The budget format shall be as prescribed by the State Auditor and Inspector. The format shall contain at least the following in tabular form for each fund, itemized by department and account within each fund:

1. Actual revenues and expenditures for the immediate prior fiscal year;
2. Estimated actual revenues and expenditures for the current fiscal year; and
3. Estimated revenues and proposed expenditures for the budget year."

REPORT ON STATUTORY COMPLIANCE – OTHER MATTERS



Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 123 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

Hughes County
Board of County Commissioners
Hughes County Courthouse
Holdenville, Oklahoma 74848

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 Hughes County.

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

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

A handwritten signature in blue ink that reads "Gary A. Jones". The signature is fluid and cursive, with a long horizontal stroke at the end.

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

November 28, 2018

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

SCHEDULE OF FINDINGS AND RESPONSES

Finding 2017-004 – 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 District 1, County Commissioner District 3, County Sheriff, and Election Board have not designed procedures to perform and document an annual physical inventory of all fixed assets.

Upon inquiry and observation of consumable inventory items, we noted the following:

- There was no documentation that a periodic physical review of all consumable inventory items is being performed for the offices of County Commissioner District 2 and County Commissioner District 3.

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

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 that the County perform and document an annual physical inventory review of fixed assets. A copy of the physical inventory review should be filed with the County Clerk. OSAI also recommends that the County perform and document a consumable inventory review on a regular basis. 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 by the County Commissioners.

Management Response:

County Commissioner District 1: We will at year end print, from the computer program, a fixed assets inventory list. After a physical inventory is conducted the list will be initialed and dated and sent to the County Clerk to be kept on file at the courthouse.

County Commissioner District 2: This condition will be addressed, and in the future, documentation of physical inventories will be kept readily available.

County Commissioner District 3: Hughes County District 3 is in the process of reviewing our fixed assets and our consumable inventory.

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

County Sheriff: We will create a spreadsheet to check inventory yearly and keep the records in the County Clerk's office.

Election Board Secretary: An itemized inventory list for the Hughes County Election Board was filed on September 22, 2015. An itemized inventory list was not filed in the year of 2016. An itemized inventory list was filed on September 12, 2017 and we will continue to file the itemized inventory lists in the following years to come.

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 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. § 178.3 A. states, "The county clerk shall be custodian and repository of all inventory records, files and reports."



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