

OPERATIONAL AUDIT

JACKSON COUNTY

For the fiscal year ended June 30, 2015



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

**JACKSON COUNTY OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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June 22, 2016

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

Transmitted herewith is the audit report of Jackson County for the fiscal year ended June 30, 2015.

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, appearing to read "Gary A. Jones", with a stylized flourish at the end.

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

**JACKSON COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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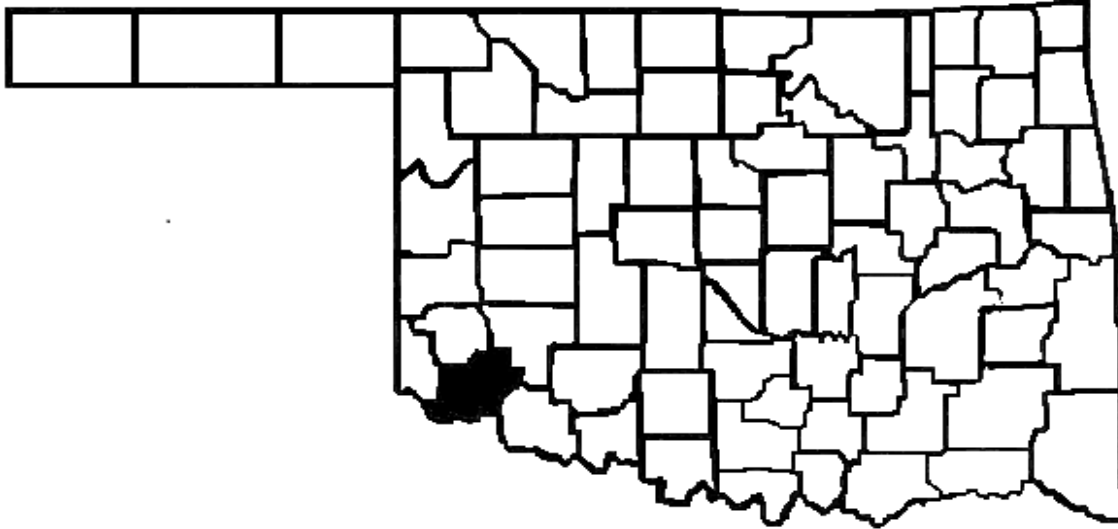
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**JACKSON COUNTY, OKLAHOMA
STATISTICAL INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**



Formed in 1907 from a portion of the original disputed Greer County, Jackson County was named for the Confederate hero, General Thomas J. (Stonewall) Jackson. Altus, the county seat, lies in the heart of “irrigation country.” Primary crops are cotton, wheat, and grain sorghum. Cattle and greyhounds are bred and raised in this area.

Altus Air Force Base is the largest industry in the county. Higher education is provided by Western Oklahoma State College, a two year accredited institution. Southwest Technology Center provides vocation-technical education for this region. Museum of the Western Prairie shows life in early southwest Oklahoma. Other history and genealogical collections are preserved at the Altus Public Library, headquarters of the Southern Prairie Library System. The Shortgrass Arts and Humanities Council sponsors numerous cultural activities including an annual arts festival in the fall. Annual events include the Great Plains Stampede Rodeo in late August, Jackson, County Fair, the Fall Festival in September, and Christmas Lighting Display the month of December. Recreational opportunities are available fifteen miles north of Altus at Quartz Mountain State Park and Lake Altus-Lugert.

Local historical societies include Jackson County Historical Society and Western Trails Historical Society. For more information, call the Altus Chamber of Commerce at 580-482-0210.

County Seat – Altus

Area – 804.15 Square Miles

County Population – 25,998
(2014 est.)

Farms – (2012) 694

Land in Farms – 478,878 Acres

Primary Source: Oklahoma Almanac 2015-2016

**JACKSON COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Board of County Commissioners

District 1 – Marty Clinton
District 2 – Kirk Butler
District 3 – Cary Carrell

County Assessor

Lisa Roberson

County Clerk

Robin Booker

County Sheriff

Roger Levick

County Treasurer

Renee Howard

Court Clerk

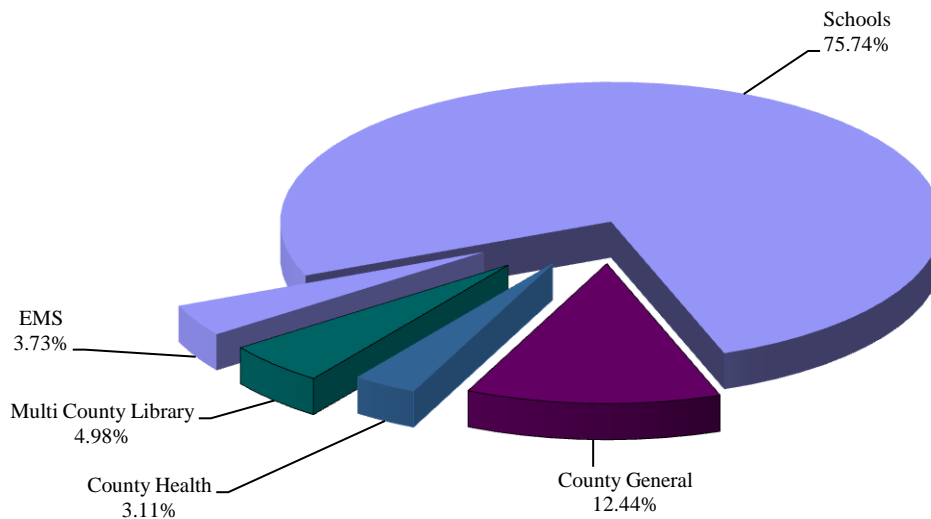
Rhonda Stepanovich

District Attorney

John Wampler

**JACKSON COUNTY, OKLAHOMA
ADVALOREM TAX DISTRIBUTION
SHARE OF THE AVERAGE MILLAGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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	10.17								
County Health	2.54	Altus	18	35.51	5.07	-	10.17	4.07	54.82
Multi-County Library	4.07	Navajo	1	36.03	5.15	4.12	10.17	4.07	59.54
EMS	3.05	Duke	14	35.37	5.05	14.24	10.17	4.07	68.90
		Eldorado	25	35.85	5.12	3.15	10.17	4.07	58.36
		Olustee	35	35.62	5.09	21.34	10.17	4.07	76.29
		Blair	54	35.96	5.14	5.73	10.17	4.07	61.07
		Greer County	JT-1	35.00	5.00	10.48	-	4.07	54.55

**JACKSON COUNTY, OKLAHOMA
SALES TAX DISTRIBUTION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

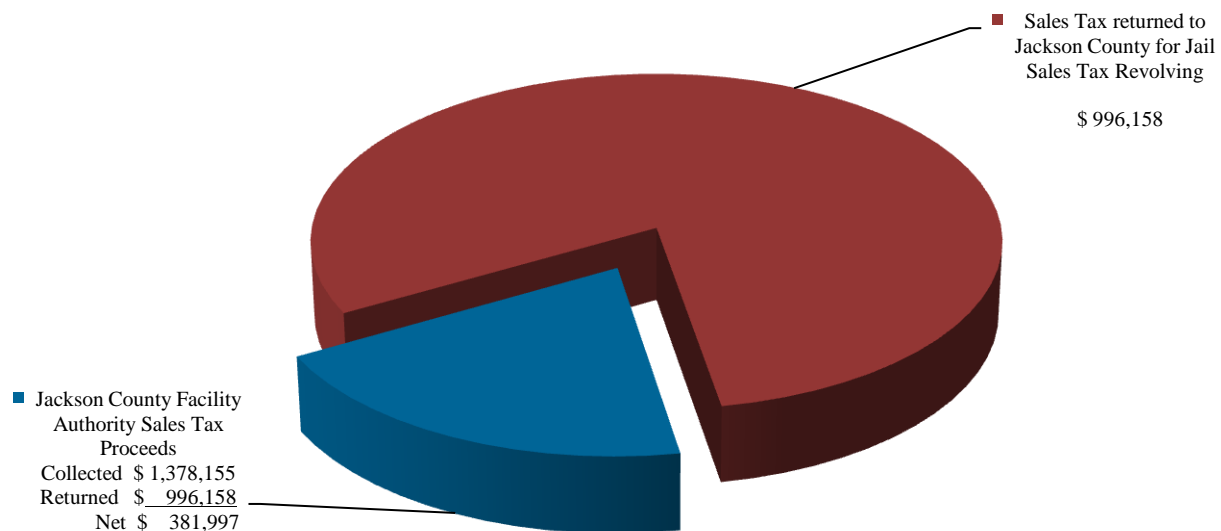
Sales Tax

Sales Tax of February 13, 2007

In a special election on November 9, 1999, the citizens of Jackson County approved a ½% sales tax to be collected beginning April 1, 2002, in which 50% of the sales tax was to end on March 31, 2007. However, in a special election on February 13, 2007 the citizens of Jackson County approved the entire ½% sales tax for an unlimited duration beginning April 1, 2007. The ½% sales tax is to be used to construct and equip a new county jail facility, including the payment of debt service on indebtedness incurred for such purpose by Jackson County. These funds are accounted for in the Jackson County Facilities Authority Sales Tax Proceeds fund.

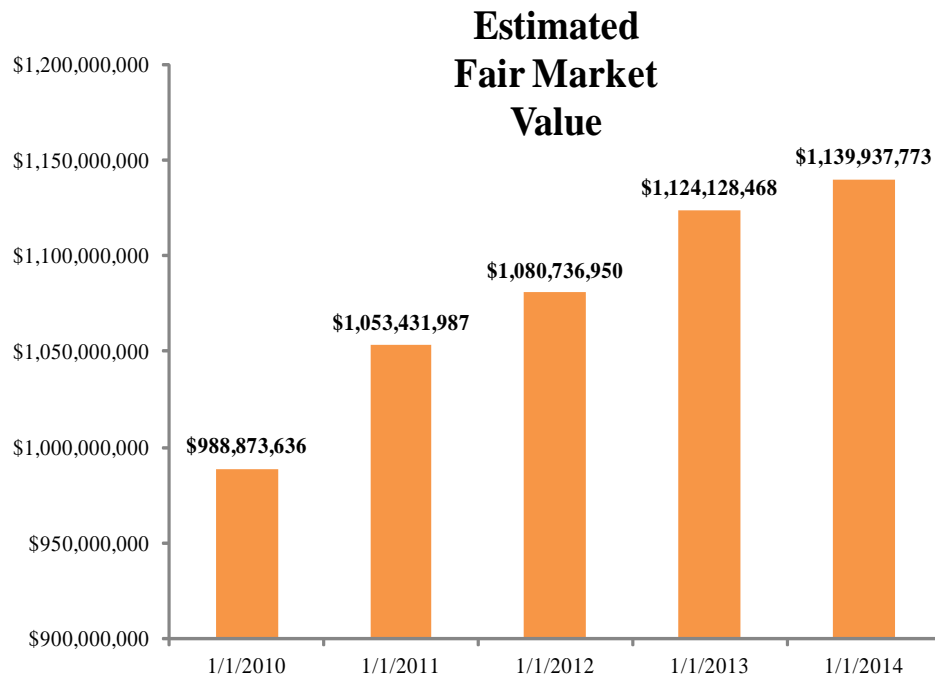
Sales tax proceeds returned to Jackson County per contractual agreement from the Jackson County Public Facility Authority in excess of bond issue payments to be used to operate and maintain the county jail. These funds are accounted for in the Jail Sales Tax Revolving fund.

During the fiscal year, the County collected \$1,378,155 in total sales tax. The Authority returned \$996,158 to Jackson County to be used to operate and maintain the county jail.



**JACKSON COUNTY, OKLAHOMA
ASSESSED VALUE OF PROPERTY
TREND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

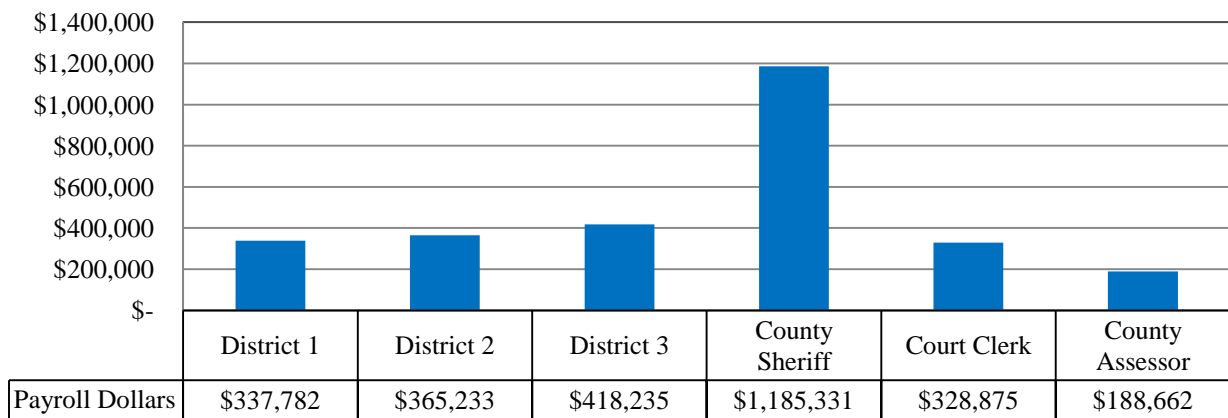
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2014	\$16,543,866	\$12,467,479	\$110,392,421	\$5,916,332	\$133,487,434	\$1,139,937,773
1/1/2013	\$16,840,852	\$12,459,796	\$108,142,956	\$5,840,427	\$131,603,177	\$1,124,128,468
1/1/2012	\$15,125,350	\$12,739,115	\$104,847,888	\$5,667,052	\$127,045,301	\$1,080,736,950
1/1/2011	\$15,004,079	\$13,416,950	\$101,360,843	\$5,704,144	\$124,077,728	\$1,053,431,987
1/1/2010	\$12,674,855	\$10,735,267	\$97,992,124	\$5,555,199	\$115,847,047	\$988,873,636



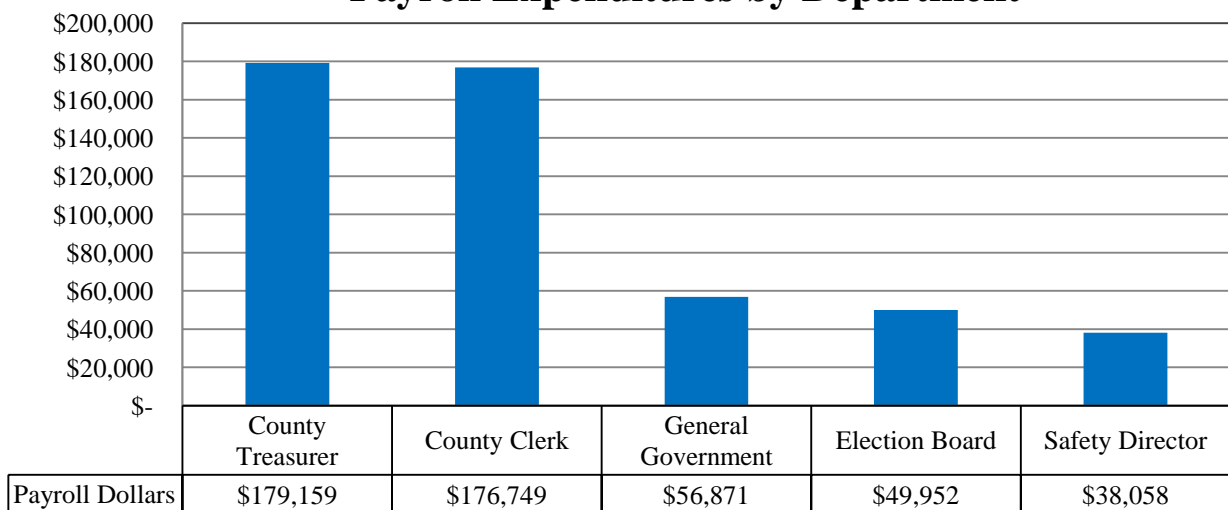
**JACKSON COUNTY, OKLAHOMA
COUNTY PAYROLL EXPENDITURES ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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, 2015.

Payroll Expenditures by Department



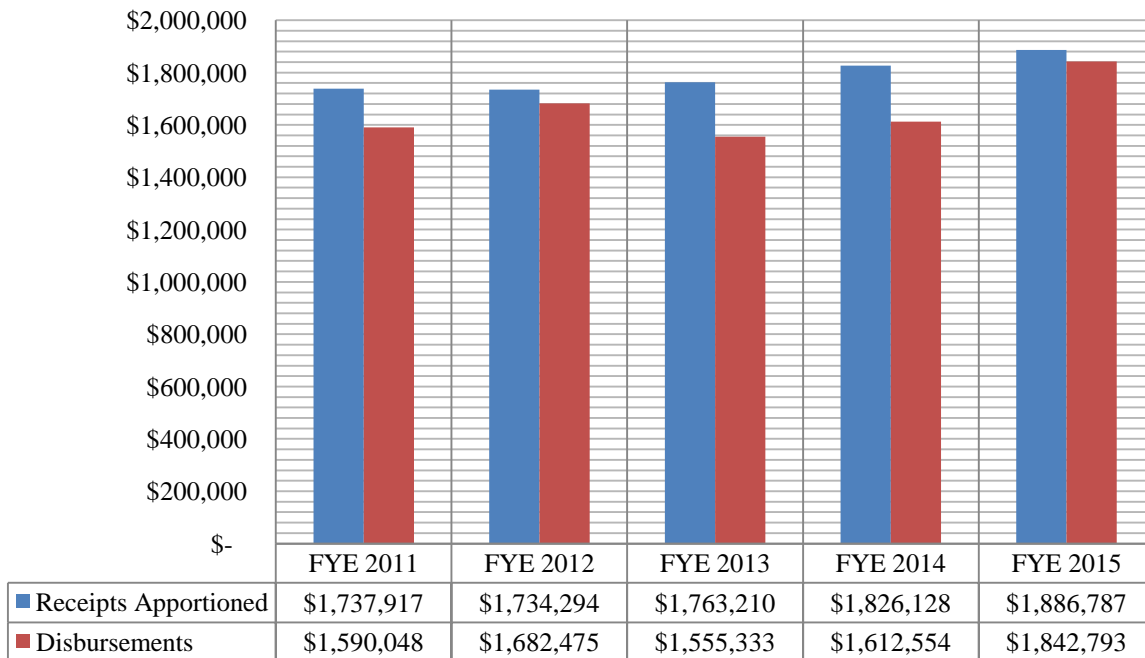
Payroll Expenditures by Department



**JACKSON COUNTY, OKLAHOMA
COUNTY GENERAL FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

County General Fund

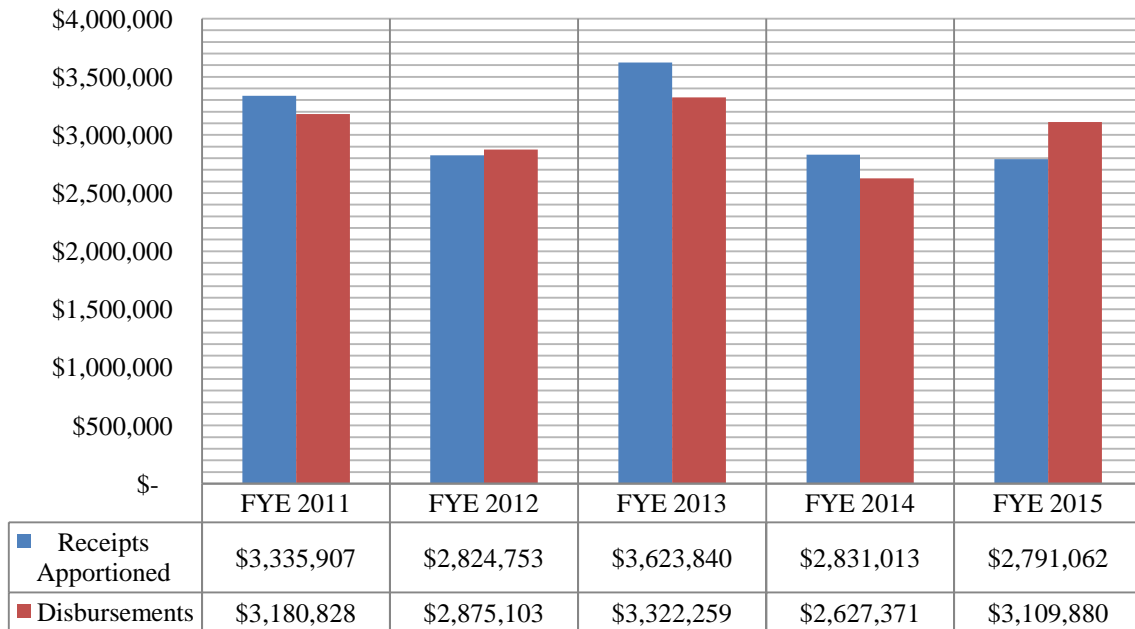
The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the county's primary source of operating revenue. The County General Fund is typically used for county employees' salaries plus many expenses for county maintenance and operation. It also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



**JACKSON COUNTY, OKLAHOMA
COUNTY HIGHWAY FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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.



**JACKSON COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR JUNE 30, 2015**

Presentation of Apportionments, Disbursements, and Cash Balances of County Funds for Fiscal Year Ending June 30, 2015

	Beginning Cash Balances July 1, 2014	Receipts Apportioned	Transfer In	Transfer Out	Disbursements	Ending Cash Balances June 30, 2015
Combining Information:						
County Funds:						
County General Fund	\$ 982,595	\$ 1,886,787	\$ -	\$ -	\$ 1,842,793	\$ 1,026,589
County Highway Fund	1,500,905	2,791,062	-	-	3,109,880	1,182,087
Highway County Bridge and Road Improvement 105	1,313,137	308,168	-	-	401,245	1,220,060
Highway County Bridge and Road Improvement 103	141,173	249	-	-	14,215	127,207
County Health Department	298,442	608,209	-	-	317,825	588,826
Resale Property	232,647	113,715	-	-	106,341	240,021
Treasurer Mortgage Tax Certification Fee	25,733	3,840	-	-	-	29,573
County Clerk Lien Fee	51,305	4,892	-	-	623	55,574
County Clerk Records Preservation Fee	55,397	21,731	-	-	10,408	66,720
County Assessor Revolving	17,853	3,952	-	-	11,022	10,783
County Assessor Visual Inspection	256	-	-	-	-	256
Sheriff Service Fee	907,942	279,765	-	-	225,949	961,758
Sheriff Contract Prisoners	1,057,870	145,670	-	-	496,205	707,335
Sheriff Commissary	172,238	82,637	-	-	95,404	159,471
Jail Sales Tax Revolving	(18,868)	997,149	400,000	-	889,528	488,753
County Investment	770,800	711	-	400,000	-	371,511
Emergency Management Performance Grant	17,043	15,000	-	-	1,612	30,431
Jackson County Facilities Authority Sales Tax Proceeds	-	1,378,155	-	-	1,378,155	-
REAP - Rural Fire Association	1,028	-	-	-	-	1,028
Rural Fire Chief Insurance Fund	591	-	-	-	-	591
Sheriff Criminal Interdiction Apprehension Fund	1,600	-	-	-	-	1,600
Jackson County Expo Center	19,534	13,028	-	-	10,369	22,193
Jackson County Reward Fund	1,761	-	-	-	-	1,761
Combined Total - All County Funds	\$ 7,550,982	\$ 8,654,720	\$ 400,000	\$ 400,000	\$ 8,911,574	\$ 7,294,128

**JACKSON COUNTY
DESCRIPTION OF COUNTY FUNDS AND TRANSFERS
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Description of County Funds

The County uses funds to report on receipts, disbursements, and changes in cash balances. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

Following are descriptions of the county funds within the Presentation of Apportionments, Disbursements, and Cash Balances of County Funds:

County General Fund – accounts for the general operations of the government.

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

Highway County Bridge and Road Improvement 105 – accounts for state, local, and miscellaneous receipts and disbursements for the purpose of constructing and maintaining county roads and bridges.

Highway County Bridge and Road Improvement 103 – accounts for state receipts and disbursements for the purpose of maintaining bridges and roads.

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 disposition of same as restricted by state statute.

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

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

County Clerk Records Preservation Fee – accounts for fees collected for instruments filed in the County Clerk's office as restricted by state statute to be used for preservation of records.

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

County Assessor Visual Inspection – accounts for the receipt and disbursement of funds by the Assessor as restricted by state statute for the visual inspection program.

**JACKSON COUNTY
DESCRIPTION OF COUNTY FUNDS AND TRANSFERS
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

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

Sheriff Commissary – accounts for profits on commissary sales in the County jail to be used by the Sheriff's office for jail expenses as restricted by state statute.

Jail Sales Tax Revolving – accounts for the collection of reserve sales tax monies received from the bondholder in excess of bond issue payments. The authority contracts with the Sheriff to operate the jail. Distributions are for the general operations of the County jail and the Sheriff's office.

County Investment – accounts for the collection of interest earned on investments held by Jackson County.

Emergency Management Performance Grant – accounts for the collection of grant money to be disbursed for the purpose of maintenance and operations of the Safety Director.

Jackson County Facilities Authority Sales Tax Proceeds – accounts for the collection of sales tax proceeds and disbursed to the fiscal agent for the payment of revenue bonds per a contractual agreement.

REAP – Rural Fire Association – accounts for the collection of state grant monies for specific projects within the communities of Jackson County, specifically the Rural Fire Association.

Rural Fire Chief Insurance Fund – accounts for the collection of insurance reimbursement monies to be distributed to the rural fire departments.

Sheriff Criminal Interdiction Apprehension Fund – accounts for the collection of grant money to be expended for lawful purposes of the Sheriff's office.

Jackson County Expo Center – accounts for collection of rental/leasing monies and disbursements are for the purpose of maintenance and operations.

Jackson County Reward Fund – accounts for the collection of fees from district court for the illegal dumping of trash. Disbursements account for awards paid to citizens for reporting illegal dumping to the local policing departments.

**JACKSON COUNTY
DESCRIPTION OF COUNTY FUNDS AND TRANSFERS
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Interfund Transfers

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

- \$400,000 was liquidated from County Investments, a portion of which proceeds from the Jail Sales Tax Revolving fund is held in a money market demand account and transferred to the Jail Sales Tax Revolving fund to cover payroll expenses.

JACKSON COUNTY, OKLAHOMA
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
COUNTY GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 982,595	\$ 982,595	\$ -
Less: Prior Year Outstanding Warrants	(33,484)	(33,484)	-
Less: Prior Year Encumbrances	(24)	(5)	19
Beginning Cash Balances, Budgetary Basis	<u>949,087</u>	<u>949,106</u>	<u>19</u>
Receipts:			
Ad Valorem Taxes	1,234,152	1,340,631	106,479
Charges for Services	60,000	91,347	31,347
Intergovernmental Revenues	292,139	315,482	23,343
Miscellaneous Revenues	<u>20,000</u>	<u>139,327</u>	<u>119,327</u>
Total Receipts, Budgetary Basis	<u>1,606,291</u>	<u>1,886,787</u>	<u>280,496</u>
Expenditures:			
District Attorney	2,000	2,000	-
County Sheriff	381,832	371,790	10,042
County Treasurer	172,685	167,314	5,371
County Commissioners	49,684	47,106	2,578
County Commissioners OSU Extension	25,678	25,673	5
County Clerk	258,669	240,994	17,675
Court Clerk	151,344	147,873	3,471
County Assessor	111,970	109,352	2,618
Revaluation	214,822	201,869	12,953
General Government	1,026,703	409,496	617,207
Excise Equalization	3,681	1,827	1,854
County Election Expense	98,668	84,427	14,241
Safety Director	29,029	26,297	2,732
Expo Center	6,000	-	6,000
County Audit Budget Account	14,190	13,352	838
Free Fair Budget Account	<u>8,423</u>	<u>8,423</u>	<u>-</u>
Total Expenditures, Budgetary Basis	<u>2,555,378</u>	<u>1,857,793</u>	<u>697,585</u>
Excess of Receipts and Beginning Cash			
Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	978,100	<u>\$ 978,100</u>
Reconciliation to Statement of Receipts,			
Disbursements, and Changes in Cash Balances			
Add: Current Year Outstanding Warrants		48,489	
Ending Cash Balance		<u>\$ 1,026,589</u>	

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

**JACKSON 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, 2015**

	Budget	Actual	Variance
Beginning Cash Balances	\$ 298,442	\$ 298,442	-
Less: Prior Year Outstanding Warrants	(5,991)	(5,991)	-
Less: Prior Year Encumbrances	(23,614)	(17,167)	6,447
Beginning Cash Balances, Budgetary Basis	268,837	275,284	6,447
Receipts:			
Ad Valorem Taxes	308,235	334,820	26,585
Charges for Services	-	271,198	271,198
Intergovernmental Revenues	276,895	1,005	(275,890)
Miscellaneous Revenues	-	1,186	1,186
Total Receipts, Budgetary Basis	585,130	608,209	23,079
Expenditures:			
County Health Budget Account	853,967	324,750	529,217
Total Expenditures, Budgetary Basis	853,967	324,750	529,217
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	558,743	\$ 558,743
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		12,932	
Add: Current Year Outstanding Warrants		17,151	
Ending Cash Balance		\$ 588,826	

**JACKSON COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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, 2015. 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.

**JACKSON COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Objective 1: To determine the receipts apportioned, disbursements, and cash balances are accurately presented on the County Treasurer's monthly reports for FY 2015.

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 regarding internal controls over the financial reporting process.

FINDINGS AND RECOMMENDATIONS

Finding 2015-14 - Inadequate Internal Controls Over Bank Reconciliations

Condition: Upon inquiry and observation of records, we noted the review process designed over the reporting of monthly bank reconciliation balances to ending fund balances on the County Treasurer monthly reports did not operate effectively for the months of July and August 2014.

- The July 2014 monthly report reflected an overall bank balance of (\$30,603.09) which did not reconcile to the ending fund balances reported on the County Treasurer's monthly report which totaled \$8,908,671.83.
- The August 2014 monthly report reflected an overall bank balance of (\$31,588.54) which did not reconcile to the ending fund balances reported on the County Treasurer's monthly report which totaled \$8,398,989.86.

Cause of Condition: Policies and procedures have not been designed and implemented with regard to reporting and reconciliation of monthly reports.

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

Recommendation: The Oklahoma State Auditor & Inspector's Office (OSAI) recommends establishing a system of internal controls to ensure bank reconciliations are performed, reconciled to the general ledger, and reported accurately on the County Treasurer's monthly report.

Management Response:

County Treasurer: We will review the bank reconciliations for accuracy, ensure bank balances reconcile to ending fund balances, and are reported accurately on the monthly report.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, controls should be designed to analyze and check accuracy, completeness, and authorization of transactions.

**JACKSON COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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 provide reasonable assurance that expenditures (including payroll) were accurately reported in the accounting records and financial operations complied with significant laws and regulations.

All Objectives:

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

Finding 2015-1 – Inadequate County-Wide Internal Controls (Repeat Finding)

Condition: County-wide internal controls regarding Risk Management and Monitoring have not been designed. Also, a Disaster Recovery Plan has not been designed by the County Sheriff.

**JACKSON COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Cause of Condition: Policies and procedures have not been designed and implemented to address risks of the County, and to ensure that all offices have designed a Disaster Recovery Plan.

Effect of Condition: Without an adequate system of county-wide internal controls, there is risk of a breakdown in control activities which could result in unrecorded transactions, undetected errors, or misappropriation of funds. This condition could also result in the loss of data, the unreliability of data, and increase the risk that the County may not recover in an emergency situation and/or disaster.

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

Further, OSAI recommends the County Sheriff prepare a Disaster Recovery Plan in order to maintain operations in the event of a disaster.

Management Response:

Board of County Commissioners: The Board of County Commissioners will work toward assessing and identifying risks to design written county-wide controls.

County Sheriff: We will work toward the design of a Disaster Recovery Plan.

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

According to the standards of the Information Systems Audit and Control Association (CobiT, Deliver and Support 4), information services function management should ensure that a written Disaster Recovery Plan is documented and contains guidelines and instructions for the County to follow in the event of a disaster.

REPORT ON STATUTORY COMPLIANCE – OTHER MATTERS



Oklahoma State Auditor & Inspector

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Jackson County
Board of County Commissioners
Jackson County Courthouse
Altus, Oklahoma 73521

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, 2015:

- 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 Jackson 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

June 20, 2016

**JACKSON COUNTY, OKLAHOMA
STATUTORY REPORT
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SCHEDULE OF FINDINGS AND RESPONSES

Finding 2015-4 – 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 the Sheriff Commissary Fund reflected the following:

- Deposits to the Inmate Trust Checking Account are not made on a daily basis.
- The Sheriff's department is not reconciling the Inmate Trust Fund Checking Account ledger to the bank statement.
- The County Sheriff moved abandoned cash in the amount of \$1,637.20 to the Sheriff Commissary Fund without following the unclaimed property or money in Sheriff's possession, disposition procedures as outlined in Title 22 O.S. § 1325.

Cause of Condition: Policies and procedures have not been designed and implemented regarding the Inmate Trust Fund Checking Account and the Sheriff Commissary Fund. Further, the Sheriff did not follow statutory procedures regarding unclaimed property.

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 County Sheriff comply with 19 O.S. § 531(A), 19 O.S. § 682, and 22 O.S. § 1325 regarding authorized disbursements, daily depositing, and disposition procedures for unclaimed property.

Management Response:

County Sheriff: I have established procedures to comply with state statutes in the disbursement of inmate funds. The County Sheriff will comply with statutes by daily depositing inmate funds.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. Implementing procedures should be goals of management to ensure compliance with 19 O.S. § 531(A).

Title 19 O.S. § 531(A, B) states;

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

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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.

- B. The sheriff may deduct an amount of Eight Dollars (\$8.00) or more from any monies collected from an inmate as a medical payment on account for each medical services visit the inmate receives while incarcerated in the county jail, except as otherwise provided in this subsection. The county sheriff may deduct an amount of ten cents (\$0.10) per page from any monies collected from an inmate for copies made at the request of the inmate. Any offender injured during the commission of a felony or misdemeanor offense or treated for any other medical condition or illness while incarcerated shall be required to reimburse the sheriff the full amount paid by the sheriff for any medical care or treatment administered to such offender during any period of incarceration in the county jail. The sheriff may deduct the costs of medical care and treatment whether resulting from the commission of a felony or misdemeanor offense or for emergency or routine medical services from any money collected from such inmate's jail account at a rate of Eight Dollars (\$8.00) or more per visit for medication or service dispensed. If the funds collected from the inmate's jail account are insufficient to satisfy the actual or minimal payment on account for medical costs, the sheriff shall collect the remaining balance of the medical care and treatment as provided in Section 979a of Title 22 of the Oklahoma Statutes.

Title 19 O.S. § 682 states in part, "It shall be the duty of each and every county officer...to deposit dailyall monies received by or collected by virtue or under color of office..."

Further, Title 22 O.S. § 1325(F, H) states;

- F. A sheriff's office having in its possession money or legal tender under the circumstances provided in subsection A of this section, prior to appropriating the same for deposit into a special fund, shall file an application in the district court of its county requesting the court to enter an order authorizing it to so appropriate the money for deposit in the special fund. The application shall describe the money or legal tender, together with serial numbers, if any, the date the same came into the possession of the sheriff's office or campus police agency, and the name and address of the owner, if known. Upon filing, the application, which may be joined with an application as described in subsection C of this section, shall be set for hearing not less than ten (10) days nor more than twenty (20) days from the filing thereof, and notice of the hearing shall be given as provided in subsection D of this section. The notice shall state that, upon no one appearing to prove ownership to the money or legal tender, the same will be ordered by the court to be deposited in the special fund by the sheriff's office or campus police agency. The notice may be combined with a notice to sell personal property as set forth in subsection D of this section. At the hearing, if no one appears to claim and prove ownership to the money or legal tender, the court shall order the same to be deposited by the sheriff's office or campus police agency in the special fund, as provided in subsection H of this section.

**JACKSON COUNTY, OKLAHOMA
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H. The money received from the sale of personal property as above provided, after payment of the court costs and other expenses, if any, together with all money in possession of the sheriff's office or campus police agency, which has been ordered by the court to be deposited in the special fund, shall be deposited in such fund which shall be separately maintained by the sheriff's office in a special fund with the county treasurer or campus police agency to be expended upon the approval of the sheriff or head of the campus police agency for the purchase of equipment, materials or supplies that may be used in crime prevention, education, training or programming. The fund or any portion of it may be expended in paying the expenses of the sheriff or any duly authorized deputy or employee of the campus police agency to attend law enforcement or public safety training courses which are conducted by the Oklahoma Council on Law Enforcement Education and Training (CLEET) or other certified trainers, providers, or agencies.

Finding 2015-16 - Noncompliance Over Court Fund and Court Clerk Revolving Fund Expenditures

Condition: During our audit of the Court Fund and Court Clerk Revolving Fund claims, we noted the following:

- In the audit of twenty-five (25) Court Fund claims, two (2) claims did not have proper affidavit approval.
- In the audit of ten (10) Court Clerk Revolving Fund claims, one (1) claim was not made for the correct amount.

Cause of Condition: Procedures have not been designed and implemented to ensure proper affidavit approval is on Court Fund claims. Further, procedures have not been designed and implemented to ensure Court Clerk Revolving Fund claims are made for the correct amount.

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

Recommendation: OSAI recommends obtaining proper affidavit approval for the claims of the Court Fund. Further, OSAI recommends procedures be designed and implemented to ensure that Court Clerk Revolving Fund claims are made for the correct amount.

Management Response:

Court Clerk: I will work towards making sure all claims have proper affidavit approval and are made for the correct amounts.

Criteria: Accountability and stewardship are overall goals in evaluating management's accounting of funds. An important aspect of internal controls is the safeguarding of assets. 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. Internal controls should be

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designed to analyze and check accuracy, completeness, and authorization of disbursements, signatures, safeguarding of assets and reconciliation.

Title 19 O.S. § 220 (A) states, "Claims against the fund shall include only expenses incurred for the operation of the court clerk's office in each county, and payment may be made after the claim is approved by the court clerk and either the district or the associate district judge of that county."

Title 20 O.S. § 1304 states in part, "...claims against the court fund should include only expenses incurred for the operation of the court, approved by the district judge, and either the local court clerks or the local associate district judge." Further, 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."

Finding 2015-13 - Inadequate Internal Controls and Noncompliance Over Fixed Assets and Consumable Inventory (Repeat Finding)

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

District 2:

- A review of fixed assets reflected 3 of the 7 items selected were not properly marked as "Property of Jackson County."

District 3:

- A review of fixed assets reflected 1 of the 7 items selected was not properly marked with a county identification number.

County Assessor:

- One person has responsibility of updating the inventory as well as performing the annual physical inventory count.
- Although an annual count of fixed assets was performed by the County Assessor, documentation of the review was not signed and dated.

County Clerk:

- One person has responsibility of updating the inventory as well as performing the annual physical inventory count.
- Although an annual count of fixed assets was performed by the County Clerk, documentation of the review was not signed and dated.

Court Clerk:

- An annual count of fixed assets was not performed by the Court Clerk.

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- A review of fixed assets reflected 1 of the 7 items selected was not properly marked with a county identification number.

County Sheriff:

- One person has responsibility of updating the inventory as well as performing the annual physical inventory count.
- Although an annual count of fixed assets was performed by the County Sheriff, documentation of the review was not signed and dated.
- A review of fixed assets reflected 5 of the 7 items selected were not properly marked with a county identification number.

Upon inquiry and observation of consumable inventories for District 1, 2 and 3, we noted the following:

District 1:

- A reconciliation of fuel usage is not performed.
- The following items were not listed on inventory:
 1. 8" Grader Blades
 2. 17.5R25 Grader Tires

District 2:

- A reconciliation of diesel fuel was not performed.
- With regards to gasoline, the actual measurement reflected 427.49 gallons on hand; however, District records reflected 301.59 gallons which resulted in a variance of 125.90 gallons.

District 3:

- A reconciliation of fuel usage is not performed.
- A count of consumable inventory items reflected 2 of the 7 items did not agree to the quantity reported on the consumable inventory listing.

Cause of Condition: Policies and procedures have not been adequately designed and implemented by county offices/departments to ensure the accurate reporting of fixed assets and consumable inventory items, as well as adequate procedures to ensure equipment is properly identified in accordance with state statutes.

Effect of Condition: These conditions resulted in noncompliance with state statutes. Opportunities for loss and misappropriation of county assets may be more likely to occur when the County does not have procedures in place to account for fixed assets. Additionally, when consumable inventory items are not adequately documented and inadequate segregation of duties exist, the opportunity for the misappropriation and undetected errors could result.

Recommendation: OSAI recommends that management implement a system of internal controls to ensure compliance with 69 O.S. § 645, 19 O.S. § 1502(A)(1), and 19 O.S. § 1502(B)(1). Further, yearly counts of fixed asset items should be filed with the County Clerk.

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Further, OSAI recommends the County adopt policies and procedures to implement a system of internal controls over consumable inventory records. These controls would include:

- Fuel logs being maintained in each District.
- Perform a weekly reconciliation of fuel usage.

Management Response:

County Commissioner District 1: We will work to ensure consumable inventory counts of fuel are performed weekly and all consumable items are accounted for on the consumable inventory list.

County Commissioner District 2: The diesel fuel gauge appears to not be working properly and we are in the process of getting the gauge fixed along with the gasoline gauge checked. Further, we will work to place “Property of Jackson County” on fixed assets.

County Commissioner District 3: We will work to implement a system of internal controls to ensure fixed assets are properly identified, consumable items are accounted for on the consumable inventory list, and a weekly reconciliation of fuel usage is performed.

County Assessor: The County Assessor will work to segregate the annual review duty and inventory control duty and will maintain supporting documentation of the annual fixed asset count.

County Clerk: The County Clerk will work to segregate the annual review duty and inventory control duty and will maintain supporting documentation of the annual fixed asset count.

County Court Clerk: The Court Clerk will perform an annual count of fixed assets to ensure items are properly identified and file the documentation with the County Clerk.

County Sheriff: The County Sheriff will work to segregate the annual review duty and inventory control duty and will maintain supporting documentation of the annual fixed asset count.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. An important aspect of internal controls is the safeguarding of assets. 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 69 O.S. § 645, all county owned, rented, or leased road machinery or equipment be clearly and visibly marked “Property Of...”

Title 19 O.S. § 1502(A)(1), which 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) which 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.



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