



JEFFERSON COUNTY

Operational Audit

For the fiscal year ended June 30, 2017

Cindy Byrd, CPA
State Auditor & Inspector

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

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June 14, 2019

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

Transmitted herewith is the audit report of Jefferson 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,



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR



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

TABLE OF CONTENTS

OPERATIONAL AUDIT REPORT

Introductory Section (Unaudited)

County Officials.....	ii
Sales Tax Distribution.....	iii
Presentation of Apportionments, Disbursements, and Cash Balances of County Funds for the Fiscal Year Ended June 30, 2017.....	1
Description of County Funds and Transfers	2
Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis—County General Fund.....	5
Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis—County Health Department Fund.....	6
Purpose, Scope, and General Methodology	7
Objectives and Results of Operational Audit.....	8

REPORT ON STATUTORY COMPLIANCE - OTHER MATTERS

Statutory Report.....	14
Schedule of Findings and Responses.....	15

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

**JEFFERSON COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Board of County Commissioners

District 1 – Bryce Bohot
District 2 – Ty Phillips
District 3 – Ricky Martin

County Assessor

Sandra Watkins

County Clerk

Traci Smith

County Sheriff

Jeremie Wilson

County Treasurer

Sue Grantham

Court Clerk

Kim Berry

District Attorney

Jason Hicks

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

Sales Tax

Sales Tax of December 1, 1992

The voters of Jefferson County approved a one percent (1%) sales tax that went into effect on December 1, 1992. This sales tax has an unlimited duration. The sales tax was established to provide revenue for the general operating for the County Government, and for the support of County Civil Defense, OSU Extension Services, County Law Enforcement, County-Wide Rural Fire Protection, and Fair Board maintenance and operations. These funds are accounted for in the County General Fund.

Sales Tax of June 24, 2014

The voters of Jefferson County approved the continuation of the one percent (1%) sales tax on June 24, 2014 for an additional 5 years. The original sales tax went into effect on November 1, 2000. The sales tax was established for planning, financing, and construction of the Jefferson County Healthcare Authority or related medical facilities. These funds are accounted for in the Jefferson Healthcare – Sales Tax fund.

During the fiscal year, the County collected \$579,668 in total sales tax.

**JEFFERSON 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	\$ 213,506	\$ 973,558	\$ -	\$ -	\$ 933,610	\$ 253,454
County Highway Fund	1,587,309	1,921,166	-	-	1,825,374	1,683,101
Rural Economic Action Plan (REAP)	28,370	45,000	-	-	39,965	33,405
County Health Department	104,756	101,405	-	-	60,677	145,484
Resale Property	96,354	52,258	1,260	-	53,399	96,473
Treasurer Mortgage Tax Certification Fee	2,452	1,130	-	-	1,066	2,516
Assessor Visual Inspection	1,126	-	-	-	-	1,126
Assessor Revolving	2,913	2,791	-	-	4,242	1,462
Sheriff Service Fee	158,150	165,961	-	-	154,142	169,969
Sheriff Department of Corrections	362,965	171,087	-	-	491,899	42,153
Sheriff Drug Abuse	10,000	-	-	-	-	10,000
Immigration and Naturalization Services (INS Account)	86	-	-	-	-	86
Community Service Sentencing Program (CSSP)	365	-	-	-	-	365
County Clerk Lien Fee	5,647	4,680	-	-	3,935	6,392
County Clerk Records Preservation Fee	19,220	8,355	-	-	9,325	18,250
Sheriff Commissary	61,462	12,246	-	-	39,071	34,637
Indigent Grant	800	-	-	-	-	800
Free Fair Special	5,188	1,500	-	-	1,892	4,796
Safety Awards	5	-	-	-	-	5
K-9	583	-	-	-	115	468
FEMA	166	-	-	-	-	166
Rewards	515	97	-	-	-	612
911 Landline Fees	29,112	37,772	-	-	29,894	36,990
911 Wireless Fees	29,649	33,707	-	-	26,320	37,036
Jefferson Healthcare - Sales Tax	24,277	315,632	-	-	319,333	20,576
Court Fund Payroll	-	149,909	-	-	149,909	-
Combined Total - All County Funds	\$ 2,744,976	\$ 3,998,254	\$ 1,260	\$ -	\$ 4,144,168	\$ 2,600,322

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

**JEFFERSON 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.

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

Rural Economic Action Plan (REAP) – accounts for state grant funds received and disbursed for various projects.

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

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

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

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

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

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

Sheriff Department of Corrections – accounts for the collections of state held prisoners and disbursements are for the purpose of maintaining the jail.

Sheriff Drug Abuse – accounts for the receipts from private donations and grants and disbursements are restricted for the use of drug abuse prevention.

Immigration and Naturalization Services (INS Account) – accounts for the receipts and disbursements of monies for the Immigration and Naturalization Service's Detention Facility.

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

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

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

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

Sheriff Commissary – accounts for monies received from the commissary sales in the county jail to be used by the Sheriff's office for jail expenses as restricted by state statute.

Indigent Grant – accounts for monies received from the Association of South-Central Oklahoma Government to aide in funeral expenses for the indigent.

Free Fair Special – accounts for revenues derived from the rental of the fair building and disbursements are for fair expenses.

Safety Awards – accounts for monies received from the Association of County Commissioners of Oklahoma to be disbursed for employee safety awards.

K-9 – accounts for monies received from donations to be disbursed for the maintenance and supplies for the Sheriff's K-9 program.

FEMA – accounts for federal funds received and disbursements are for the repairs of highways and roads.

Rewards – accounts for the monies received from the Court Clerk's office and disbursements are for rewards in cases of littering.

911 Landline Fees – accounts for funds received for landline connections and disbursed for operating emergency landline services.

911 Wireless Fees – accounts for money received from wireless connections and disbursed for operating emergency wireless services.

Jefferson Healthcare – Sales Tax – accounts for the receipts and disbursements of sales tax for the County Healthcare Authority.

Court Fund Payroll – accounts for funds deposited by the Court Clerk and disbursed for payroll for the Court Clerk's office.

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

Interfund Transfer

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

- \$1,260 was transferred from the Excess Resale fund (a trust and agency fund) to the Resale Property fund in accordance with 68 O.S. § 3131C.

JEFFERSON COUNTY, OKLAHOMA
COMPARATIVE STATEMENT OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
COUNTY GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 213,506	\$ 213,506	\$ -
Less: Prior Year Outstanding Warrants	(56,487)	(56,487)	-
Less: Prior Year Encumbrances	(7,040)	(6,645)	395
Beginning Cash Balances, Budgetary Basis	149,979	150,374	395
Receipts:			
Total Receipts, Budgetary Basis	866,220	973,558	107,338
Expenditures:			
Total Expenditures, Budgetary Basis	1,016,199	940,589	75,610
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	183,343	\$ 183,343
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Outstanding Warrants		47,896	
Add: Current Year Encumbrances		22,215	
Ending Cash Balance		\$ 253,454	

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

**JEFFERSON COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
COUNTY HEALTH DEPARTMENT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 104,756	\$ 104,756	\$ -
Less: Prior Year Outstanding Warrants	(133)	(133)	-
Less: Prior Year Encumbrances	(14,602)	(12,918)	1,684
Beginning Cash Balances, Budgetary Basis	90,021	91,705	1,684
Receipts:			
Total Receipts, Budgetary Basis	91,026	101,405	10,379
Expenditures:			
Total Expenditures, Budgetary Basis	181,047	58,451	122,596
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	134,659	\$ 134,659
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		1,225	
Add: Current Year Outstanding Warrants		9,600	
Ending Cash Balance		\$ 145,484	

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

PURPOSE, SCOPE, AND GENERAL METHODOLOGY

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

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

In planning and conducting our audit, we focused on the major financial related areas of operations based on assessment of materiality and risk for the fiscal year ended June 30, 2017.

Our audit procedures included inquiries of appropriate personnel, inspections of documents and records, and observations of the County's operations. Further details regarding our methodology are included under each objective.

We utilized sampling of transactions to achieve our objectives. To ensure the samples were representative of the population and provided sufficient, appropriate evidence, the random sample methodology was 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.

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

Conclusion: With respect to the items reconciled and reviewed; the receipts apportioned, disbursements, and cash balances are accurately presented on the County Treasurer's monthly reports.

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

- Evaluated significant internal controls related to preparing the Treasurer's Monthly Reports, which included:
 - Reviewing a random sample of five (5) Treasurer's monthly reports (41.67% of months in the population tested) to ensure the monthly reports were signed and approved by someone other than the preparer, reconciled to the general ledger, and reconciled to the bank statement.
 - Reviewing a random sample of seven (7) bank statements and related bank reconciliations (8.33% of the total bank statements in the population tested) to ensure bank reconciliations were signed and approved by someone other than the preparer and correctly reconciled to the bank statement.
- Reconciled total collections from the monthly reports to the apportionments ledger for each month and to the annual summary of the Treasurer's reports.
- Confirmed \$3,038,253 in cash receipts (76% of total cash receipts) received from the Oklahoma Tax Commission, Federal grantor agencies, and the State Treasurer's Office, and determined that these receipts were apportioned to the proper fund in the proper amount.
- Reconciled the general ledger of cash and investments at June 30 to the annual summary of the Treasurer's reports.
- Confirmed all cash and investment balances.
- Re-performed the June 30 bank reconciliation and confirmed reconciling items.
- Reviewed bank balances of all accounts at June 30 on the Treasurer's general ledger to ensure that investments were adequately secured as required by 62 O.S. § 517.4.
- Examined the Treasurer's total cash disbursements and compared it to the County Clerk's total checks and cash vouchers issued to ensure the totals reconciled.

Objective 2: To determine the County's financial operations complied with 68 O.S. § 1370E, which requires the sales tax collections to be deposited in the general revenue or Sales Tax Revolving Fund of the County and be used only for the purpose for which such sales tax was designated.

Conclusion: With respect to the items tested, the County 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 2 Methodology: To accomplish objective 2, we performed the following:

- Evaluated significant internal controls related to sales tax, which included:

- Reviewing sales tax collections to ensure the collection was apportioned and appropriated in accordance with the sales tax ballot and that the apportionment and appropriation were reviewed and approved.
- Reviewing a random sample of sales tax disbursements totaling \$339,359 (55.88% of sales tax disbursements in the population tested) to ensure the expenditure was approved and made for the purposes designated in the sales tax ballot.
- Confirmed all sales tax receipts received from the Oklahoma Tax Commission.

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. However, we noted some deficiencies in internal controls regarding the application of certified levies to the tax rolls.

Objective 3 Methodology: To accomplish objective 3, we performed the following:

- Evaluated significant internal controls related to ad valorem tax collections, which included comparing the certified levies to the approved levies entered into the computer system to ensure levies were entered correctly.
- Recalculated the apportionment of ad valorem tax collections to determine collections were accurately apportioned to the taxing entities.

FINDINGS AND RECOMMENDATIONS

Finding 2017-010 – Inadequate Internal Control Over Ad Valorem Tax Apportionments

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

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

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 to the entities that receive ad valorem taxes.

Recommendation: The Oklahoma State Auditor & Inspector's Office (OSAI) recommends that the County Treasurer implement a system of internal controls that provide reasonable assurance that the tax levies are entered into the County Treasurer's system accurately by maintaining evidence of these controls.

Management Response:

County Treasurer: We will begin reviewing the input of levies for accuracy and we will document this review.

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.

Conclusion: With respect to the items tested, 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 prescribes the procedures for requisition, purchase, and receipt of supplies, material, and equipment.

Objective 4 Methodology: To accomplish objective 4, we performed the following:

- Evaluated significant internal controls related to the expending of County funds through purchase orders, which included reviewing a random sample of purchase orders totaling \$22,144 (1.06% of purchase orders in the population tested) to ensure:
 - The purchase order was requisitioned and signed by an approved Requisition County Official,
 - The encumbrance was made, or funds were available prior to ordering goods or services and the encumbrance was approved by the County Clerk/Deputy,
 - The disbursement was reviewed and authorized and supported by adequate documentation, and
 - The BOCC reviewed and approved the disbursement and the disbursement was made for the appropriate amount.
- Evaluated significant internal controls related to the expending of County funds through cash vouchers, which included reviewing a random sample of cash vouchers totaling \$22,614 (42.35% of cash vouchers in the population tested) to ensure:
 - The disbursement was reviewed and authorized,
 - The claimant signed the cash voucher claim,
 - The disbursement was made for the appropriate amount, and
 - The disbursement was supported by adequate documentation.
- Evaluated significant internal controls related to payroll expenditures, which included reviewing a random sample of 6 payroll claims (3.13% of payroll claims in the population tested) to ensure:
 - Timesheets are accurate and are signed by the employee and supervisor,

- The payroll claim was reviewed and approved, and
- The payroll claim was supported by adequate documentation.

FINDINGS AND RECOMMENDATIONS

Finding 2017-005 – Inadequate Internal Controls and Noncompliance Over the Disbursement Process

(Repeat Finding)

Condition: During a test of forty (40) purchase orders, we noted the following weaknesses with regard to the disbursement process:

- Six (6) instances in which the encumbrance was not made prior to receiving goods or services.
- The names of the Purchasing Agent and County Clerk are pre-printed on purchase orders by other offices maintaining the software system. Thirty-three (33) instances revealed there is no evidence to support a review by the purchasing agent for the approval of the issuance and encumbrance and the County Clerk certifying encumbrance of available funds of said appropriation.
- One (1) instance in which the purchase order could not be located.

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

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

Recommendation: OSAI recommends the County implement a system of internal controls over the disbursement process. Such controls should include ensuring that purchase orders are maintained, that funds are encumbered prior to the receipt of goods and/or services, implementing a review process with adequate documentation to support the review, and implementing procedures to ensure authorized personnel requisition, receive, and approve disbursements in accordance with 19 O.S. § 1505.

Management's Response:

County Clerk: The County Clerk is aware of these conditions and will implement controls to ensure that all purchase orders are timely encumbered, signed by an approved requisitioning officer, signed by the purchasing agent, and properly maintained.

Chairman, Board of County Commissioners: I will stress to employees the importance of encumbering funds before receiving goods/services.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. Internal controls should be designated to analyze and check accuracy, completeness, and authorization of payroll/disbursements calculations and/or transactions. Further, Title 19 O.S. § 1501(A)(4), 19 O.S. § 1503(A), and 19 O.S. § 1505 prescribes the procedures for requisition, purchase, and receipt of supplies, material, and equipment.

All Objectives:

The following finding is not specific to any objective but is considered significant to all of the audit objectives.

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

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

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

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

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

Management Response:

Chairman, Board of County Commissioners: The Board of County Commissioners will work towards assessing and identifying risks to design written county-wide controls and procedures regarding county-wide controls.

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

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

Monitoring is a component of internal control which should assess the quality of performance over time and ensure that the findings of audits and other reviews are promptly resolved. Ongoing monitoring occurs during normal operations and includes regular management and supervisory activities, comparisons, reconciliations, and other actions people take in performing their duties. It includes ensuring that

management know their responsibilities for internal control and the need to make control monitoring part of their regular operating process.

Other Item(s) Noted:

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

Finding 2017-002 – Driving County Vehicle While Receiving the Monthly Travel Allowance (Repeat Finding)

Condition: During the audit period, District 2, and District 3 County Commissioners, received the monthly travel allowance in addition to driving a county-owned vehicle.

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

Effect of Condition: This condition resulted in violation of state statute that prohibit an official from receiving both the travel allowance and driving a vehicle for in-county travel purposes.

Recommendation: OSAI recommends that the Board of County Commissioners establish and approve a policy pertaining to County Official’s monthly travel allowance. Further, OSAI recommends after establishing a travel policy for the elected official that each officer choose and document one of the following travel elections:

- Receive the monthly travel allowance as outlined by state statute.
- File monthly claims with appropriate documentation for actual out of pocket travel expenses.
- Drive a County-owned vehicle in lieu of a monthly allowance.

Management Response:

County Commissioner District 2: I only drive a county vehicle to pick up and deliver parts and employees. This issue will be discussed with our legal counsel.

County Commissioner District 3: I only drive a county vehicle when transporting employees, delivering fuel to equipment, as well as driving a dump truck. This issue will be discussed with our legal counsel.

Criteria: Title 19 O.S. § 165(A) outlines the monthly travel allowance in lieu of reimbursements. Further, 1999 OK AG 68 states in part, “Both the monthly travel allowances of Section 165 and the use of a county-owned vehicle under Section 19 O.S. 180.43(C) are “in lieu of” receiving a mileage reimbursement under Section 164. The use of a county-owned vehicle is also “in lieu” of the Section 165 monthly travel allowance.” “Section 165 was amended in 1998 to specify that receipt of a travel allowance under Section 165 does not preclude the “emergency use of a county-owned vehicle or county-owned equipment by a county officer

when such county officer is acting on behalf of the county or when such use is related to county business.” Under this section, either a county sheriff or county commissioner may use a county-owned vehicle in an emergency situation even if the official received a monthly allowance.

REPORT ON STATUTORY COMPLIANCE – OTHER MATTERS

Jefferson County
Board of County Commissioners
Jefferson County Courthouse
Waurika, Oklahoma 73573

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 Jefferson County.

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

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



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

June 13, 2019



SCHEDULE OF FINDINGS AND RESPONSES

Finding 2017-007 – Inadequate Internal Controls Over the Inmate Trust Fund Checking Account and Sheriff Commissary Fund (Repeat Finding)

Condition: Upon inquiry and observation of the Inmate Trust Fund Checking Account and Sheriff Commissary fund the following exceptions were noted:

- When mail is received, it is entered into the software program, but there is no evidence of a review being performed over the mail log.
- Receipts are issued in the commissary software system for checks, money orders, or cash received; however, the receipts are not printed and distributed to the payee.
- Voided receipts are not printed, kept on file, or reviewed by a secondary person.
- Deposits have no daily review for accuracy and instead they are reviewed quarterly.
- Bank deposits are made weekly instead of daily.
- Ledgers containing the balance of each inmate's funds are not reconciled to the bank accounts monthly.
- Bank reconciliations are not reviewed for accuracy.
- Monies from the sale of commissary items to the inmates was not transferred to Sheriff Commissary fund on a monthly basis. Additionally, checks are issued from the Inmate Trust Fund Checking Account to the commissary vendor.
- The County Sheriff filed an annual report with the Board of County Commissioners for the Sheriff Commissary; however, the beginning balance, receipts, disbursements, and ending balance did not reconcile to the County Treasurer.
- There is no visible evidence of an inventory count being performed on phone cards.

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, laws, and regulations. Also, without proper accounting and safeguarding of the Inmate Trust Fund Checking Account, there is an increased risk of undetected errors and possible misappropriation of funds. This condition could also result in a liability to the County.

Recommendation: OSAI recommends the following:

- The County Sheriff comply with 19 O.S. § 180.43 and § 531(A).

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

- Inmate trust fund monies should be maintained in a manner that reflects each inmate's trust deposits, disbursements, and account balances. The inmate's trust fund balances should be reconciled to the bank statements each month.
- Funds from the sales of commissary items should be moved each month from the Inmate Trust Fund Checking Account to the Sheriff Commissary fund.
- The Sheriff should file a report of the commissary with the County Commissioners by January 15th, of the fiscal year. This report should indicate the beginning balance, receipts, disbursements, and ending balance of the Sheriff Commissary fund.
- Phone cards should be reconciled monthly.
- The sheriff maintain a mail log, issue receipts for all monies collected, and maintain voided receipts, and make daily deposits of all monies collected.

Management Response:

County Sheriff: We will work towards enhancing internal controls over the receipting process, depositing process, bank reconciliations, inmate ledgers, and phone card inventory. Further, we will work towards preparing an annual report of the Sheriff Commissary fund that presents the beginning balance, receipts, disbursements, and ending balance of the fund and will file it with the Board of Commissioners.

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 and authorizing should be segregated.

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

Title 19 O.S. § 531A states in part, "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."

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



Cindy Byrd, CPA | State Auditor & Inspector

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