



KINGFISHER COUNTY

Operational Audit

For the fiscal year ended June 30, 2016

Cindy Byrd, CPA
State Auditor & Inspector

**KINGFISHER COUNTY OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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April 3, 2019

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

Transmitted herewith is the audit report of Kingfisher County for the fiscal year ended June 30, 2016.

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



**KINGFISHER COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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**KINGFISHER COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Board of County Commissioners

District 1 – Jeff Moss
District 2 – Ray Shimanek
District 3 – Keith Schroder

County Assessor

Carolyn Mulherin

County Clerk

Teresa Wood

County Sheriff

Dennis L. Banther

County Treasurer

Karen Mueggenborg

Court Clerk

Lisa Markus

District Attorney

Mike Fields

**KINGFISHER COUNTY, OKLAHOMA
SALES TAX DISTRIBUTION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Sales Tax

Sales Tax of November 13, 2007

The voters of Kingfisher County approved a one-quarter of one percent (1/4%) sales tax on November 13, 2007. This sales tax was established for the purpose of contracting with the rural and municipal fire departments in the following communities: Big 4, Cashion, Dover, Hennessey, Kingfisher, Loyal, Okarche, and Omega, for such rural fire protection as may be deemed necessary by the board of County Commissioners to commence January 1, 2008 and continuing thereafter for a period of ten (10) years, terminating on December 31, 2018. These funds are accounted for in the Fire Department Sales Tax Fund.

Sales Tax of April 5, 2011

The voters of Kingfisher County approved a one-half of one percent (1/2%) sales tax on April 5, 2011 pledging the monthly income of the revenue of said tax to General Fund for a period of five (5) years from July 1, 2011 for the following purposes:

COMMUNITY SERVICES	
Resurfacing Roads	29%
Rural Fire Departments	13%
Extension & 4-H	9%
Free Fair	10%
Chisholm Trail Museum	5%
Hennessey & Kingfisher Libraries	3%
GENERAL COUNTY GOVERNMENT	
County Sheriff	15%
General Government	16%

These funds are accounted for in the County General Fund.

Sales Tax of October 8, 2013

The voters of Kingfisher County approved a one-half of one percent (1/2%) sales tax on October 8, 2013 for a period of five (5) years from January 1, 2014 to be designated solely for the construction, improvement, maintenance and repair of county roads and bridges. These funds are accounted for in the 1/2 Cent Sales Tax Fund.

During the fiscal year the County collected \$7,456,587 in total sales tax.

**KINGFISHER COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Presentation of Apportionments, Disbursements, and Cash Balances of County Funds for the Fiscal Year Ended June 30, 2016

	Beginning Cash Balances July 1, 2015	Receipts Apportioned	Transfers In	Disbursements	Ending Cash Balances June 30, 2016
Combining Information:					
County Funds:					
County General Fund	\$ 4,075,068	\$ 4,226,274	\$ -	\$ 3,382,267	\$ 4,919,075
County Highway Fund	3,758,800	6,377,355	-	4,874,931	5,261,224
County Road and Bridge Improvement	995,384	281,967	-	452,523	824,828
Kingfisher LEPC Grant	6,756	-	-	2,169	4,587
Kingfisher LEPC Filing Fees	1,996	1,000	-	650	2,346
Resale Property	113,139	68,080	6,191	60,861	126,549
Sheriff Service Fee	87,912	216,938	-	191,540	113,310
County Clerk Lien Fee	392,858	193,286	-	48,863	537,281
County Treasurer Mortgage Tax Certification	5,774	2,820	-	3,361	5,233
Sheriff Prisoner Revolving	28,712	65,260	-	25,719	68,253
Assessor Visual Inspection Fee	40,248	16,788	-	22,246	34,790
County Health Department Fund	341,216	647,130	-	555,498	432,848
Animal Welfare Fund	691	-	-	-	691
County Clerk Records Preservation Fee	117,790	70,574	-	41,900	146,464
Resale Cash in Treasurers Office	825	-	-	-	825
1/2 Cent Sales Tax Fund	4,080,775	2,988,740	-	1,548,300	5,521,215
County Clerk Cash	100	-	-	-	100
911 Emergency	846,954	301,157	-	351,568	796,543
Free Fair Sales Tax Fund	479,587	-	-	325,735	153,852
Drug Court Program	7,387	38,200	-	33,435	12,152
Road and Bridge 5 Years Sales Tax Fund	2,628,757	3,027,804	-	1,883,696	3,772,865
Fire Department Sales Tax Fund	2,154,963	1,491,317	-	601,787	3,044,493
Floodplain Cash Fund	-	6,000	-	-	6,000
Combined Total - All County Funds	\$ 20,165,692	\$ 20,020,690	\$ 6,191	\$ 14,407,049	\$ 25,785,524

**KINGFISHER COUNTY
DESCRIPTION OF COUNTY FUNDS AND TRANSFERS
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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 are for the purpose of constructing and maintaining county roads and bridges.

County Bridge and Road Improvement – accounts for state receipts and is disbursed for the purpose of maintaining bridges and roads.

Kingfisher LEPC Grant – accounts for grant monies received for grants awarded for emergency services within the County.

Kingfisher LEPC Filing Fees – accounts for a twenty-dollar fee collected from oil companies for a tier report that shows chemicals on site and is disbursed for training, supplies and operations for Emergency Management.

Resale Property – accounts for the collection of interest and penalties on delinquent taxes and disbursed in accordance with state statute.

Sheriff Service Fee – accounts for the collection of fees for the services provided by the Sheriff's office and disbursed for the operations of the Sheriff's office.

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

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

Sheriff Prisoner Revolving – accounts for collections from the Department of Corrections for the housing of inmates and disbursements in accordance with state statutes.

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

County Health Department Fund – accounts for monies collected for charges for services and ad valorem taxes expended for operations of the county health department.

**KINGFISHER COUNTY
DESCRIPTION OF COUNTY FUNDS AND TRANSFERS
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Animal Welfare Fund – accounts for donations received on behalf of neglected horses in Kingfisher County and for the Sheriff’s drug dog and expended for the feed and care of the horses and the drug dog.

County Clerk Records Preservation Fee – accounts for fees collected for instruments filed in the County Clerk’s office and disbursements as restricted by statute for preservation of records.

Resale Cash in Treasurers Office – accounts for money used in the Treasurer’s office for the purpose of making change.

1/2 Cent Sales Tax Fund – accounts for the ½% sales tax collected and disbursed in accordance with the ballot specifications.

County Clerk Cash – accounts for money used in the County Clerk’s office for the purpose of making change.

911 Emergency – accounts for fees collected on land lines and cell phone services used in Kingfisher County and disbursed for the operations of the 911 emergency service center.

Free Fair Sales Tax Fund – accounts for the ¼% sales tax collected and disbursed on behalf of the Kingfisher County Free Fair Board.

Drug Court Program – accounts for user fees paid by the offender distributed to administer the drug court program.

Road and Bridge 5 Year Sales Tax Fund – accounts for the ½% sales tax collected and disbursed solely for the construction, improvement, maintenance and repair of county roads and bridges.

Fire Department Sales Tax Fund – accounts for the ¼% sales tax collected and disbursed for contractual payments to rural and municipal fire departments for fire protection.

Floodplain Cash Fund – accounts for monies collected for flood plain permits and disbursed for flood plain training and certifications.

Transfer

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

- \$6,191 was transferred from the Excess Resale Property fund, a trust and agency fund, to the Resale Property fund as authorized by 68 O.S. § 3131.

KINGFISHER COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
COUNTY GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$4,075,068	\$ 4,075,068	\$ -
Less: Prior Year Outstanding Warrants	(82,380)	(82,380)	-
Less: Prior Year Encumbrances	(491,518)	(486,237)	5,281
Beginning Cash Balances, Budgetary Basis	<u>3,501,170</u>	<u>3,506,451</u>	<u>5,281</u>
Receipts:			
Ad Valorem Taxes	1,732,912	1,858,636	125,724
Charges for Services	167,590	385,746	218,156
Intergovernmental Revenues	150,933	1,873,882	1,722,949
Miscellaneous Revenues	15,500	108,010	92,510
Total Receipts, Budgetary Basis	<u>2,066,935</u>	<u>4,226,274</u>	<u>2,159,339</u>
Expenditures:			
District Attorney	16,098	11,893	4,205
County Sheriff	764,327	772,238	(7,911)
County Treasurer	194,223	193,601	622
County Commissioners	128,000	114,047	13,953
County Clerk	167,297	165,159	2,138
Court Clerk	164,140	231,808	(67,668)
County Assessor	203,716	176,946	26,770
Revaluation of Real Property	124,061	74,822	49,239
General Government	3,549,257	1,007,252	2,542,005
Excise Equalization	4,750	2,332	2,418
County Election Board	106,317	102,750	3,567
Purchasing Agent	41,751	40,743	1,008
Charity	2,000	7,899	(5,899)
Recording Account	6,417	600	5,817
Data Processing	7,899	6,417	1,482
Civil Defense	69,291	68,669	622
County Audit Budget Account	18,561	960	17,601
Total Expenditures, Budgetary Basis	<u>5,568,105</u>	<u>2,978,136</u>	<u>2,589,969</u>

Continued on next page

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

KINGFISHER COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
COUNTY GENERAL FUND - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Continued from previous page	General Fund		
Excess of Receipts and Beginning Cash			
Balances Over Expenditures, Budgetary Basis	\$ -	4,754,589	<u>4,754,589</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Cancelled Warrants		35	
Add: Current Year Outstanding Warrants		84,128	
Add: Current Year Encumbrances		<u>80,323</u>	
Ending Cash Balance		<u>4,919,075</u>	

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

KINGFISHER 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, 2016

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 341,216	\$ 341,216	\$ -
Less: Prior Year Outstanding Warrants	(31,291)	(31,291)	-
Less: Prior Year Encumbrances	(1,546)	(1,524)	22
Beginning Cash Balances, Budgetary Basis	308,379	308,401	22
Receipts:			
Ad Valorem Taxes	345,907	370,964	25,057
Charges for Services	-	276,110	276,110
Intergovernmental Revenues	-	56	56
Total Receipts, Budgetary Basis	345,907	647,130	301,223
Expenditures:			
Health and Welfare	654,286	611,600	42,686
Total Expenditures, Budgetary Basis	654,286	611,600	42,686
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	\$ 343,931	\$ 343,931
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		85,786	
Add: Current Year Outstanding Warrants		3,131	
Ending Cash Balance		\$ 432,848	

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

**KINGFISHER COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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, 2016. 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.

Objective 1: To determine the receipts apportioned, disbursements, and cash balances are accurately presented on the County Treasurer's monthly reports for FY 2016.

Conclusion: With respect to the items reconciled and reviewed; the receipts apportioned, disbursements, and cash balances are accurately presented on the County Treasurer's monthly reports. However, we noted some deficiencies in internal controls regarding the financial reporting process.

FINDINGS AND RECOMMENDATIONS

Finding: 2016-003 – Inadequate Internal Controls Over the County Treasurer's Monthly Reports (Repeat Finding)

Condition: Upon inquiry, observation and review of documentation and testwork, the following weakness was noted:

- The monthly reports are not reviewed for accuracy by someone other than the preparer.

Cause of Condition: Policies and procedures have not been designed and implemented to review apportionments, disbursements, and cash balances to verify that these amounts are accurately presented on the monthly reports.

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

Recommendation: The Oklahoma State Auditor & Inspector's Office (OSAI) recommends that the County Treasurer implement a system of internal controls to provide reasonable assurance that receipts apportioned, disbursements, and cash balances are accurately presented on the County Treasurer's monthly reports. Monthly reports should be reviewed and approved by someone other than the preparer.

Management Response:

County Treasurer: I will start having the reviewer sign and date the monthly reports.

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.

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To help ensure a proper accounting of funds, all reconciliations should be reviewed and approved by someone other than the preparer and should denote indication of review and approval.

Finding 2016-015 - Inadequate Internal Controls Over the Reconciliation of Appropriation Ledger to General Ledger (Repeat Finding)

Condition: The County Clerk does not reconcile the appropriation ledger to the County Treasurer's general ledger.

Cause of Condition: Policies and procedures have not been designed and implemented regarding a monthly reconciliation of the County Clerk's appropriation ledger to the County Treasurer's general ledger.

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

Recommendation: OSAI recommends that the County Clerk's appropriation ledger be reconciled to the County Treasurer's general ledger on a monthly basis. The reconciliation should be reviewed and approved by someone other than the preparer and documentation of the reviewed and approved reconciliation should be maintained.

Management Response:

County Clerk: I was not in office during this fiscal year, but we are working on reconciling the appropriation ledger to the County Treasurer's general ledger.

Criteria: Safeguarding controls are an important aspect of internal control. Safeguarding controls relate to the prevention or timely detection of unauthorized transactions and unauthorized access to assets. Failure to perform tasks that are part of internal controls, such as reconciliations not prepared or not timely prepared, are deficiencies in internal control. To help ensure a proper accounting of funds, reconciliations should be performed on a monthly basis and document evidence of a review by someone other than the preparer.

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: 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 and financial operations.

Additionally, the County's financial operations did not comply with 19 O.S. § 1505, which requires that the Purchasing Agent receive written requisitions prior to encumbering funds, requisitions be made by an authorized requisitioning officer and disbursements be timely encumbered and supported by adequate documentation.

FINDINGS AND RECOMMENDATIONS

Finding 2016-007 – Inadequate Internal Controls and Noncompliance Over the Disbursement Process (Repeat Finding)

Condition: Upon inquiry, observation, and testwork of disbursements, the following weaknesses were noted:

- The Purchasing Agent issues purchase orders prior to receiving written authorization from an approved requisitioning official.
- A test of eighty (80) disbursements reflected the following weaknesses:
 - Fifteen (15) were not encumbered before the good and/or services were provided.
 - Ten (10) did not have adequate documentation attached to support the disbursement.
 - One (1) encumbrance was not approved.
 - One (1) purchase order (#3043) was paid with warrant #148 and the data shows that warrant #148 was paid November 30, 2015 but the purchase order was approved for payment on March 9, 2015, which was eight (8) months prior.

**KINGFISHER COUNTY
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Cause of Condition: Policies and procedures have not been designed and implemented with regard to the disbursement process to strengthen internal controls and ensure compliance with state statutes.

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

Recommendation: OSAI recommends the County adhere to state purchasing guidelines to ensure compliance with state statute:

- Encumbrances should only be made upon requests of an approved requisitioning officer,
- Purchase orders should be encumbered prior to the ordering of goods or services,
- Disbursement should be supported by adequate documentation, and
- Disbursement records should be reviewed for accuracy and accurate posting.

Management Response:

District 1 County Commissioner: We will work on making sure proper purchasing procedures are followed and we will document both the estimate date and the date repair work was started.

District 2 County Commissioner: We will work to further educate everyone to ensure the purchasing procedures are followed. We will pay more attention to the invoice to ensure there is more detail on the invoices.

District 3 County Commissioner: We will work with everyone to ensure that proper purchasing procedures are followed.

County Clerk: I was not County Clerk during this fiscal year. We will work to make sure that proper purchasing procedures are followed.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. Internal controls should be designed to analyze and check accuracy, completeness, and authorization of disbursements and/or transactions.

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

Finding 2016-008 – Inadequate Internal Controls Over the Payroll Process (Repeat Finding)

Condition: Upon inquiry and observation of the payroll process, and testwork performed, the following was noted:

- One employee enrolls new hires, makes payroll changes, maintains personnel files, prepares monthly payroll, initiates the direct deposits, and prepares end of month payroll reports.
- A sample test of fifteen (15) payroll disbursements reflected the following weaknesses:

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- One (1) timesheet was not signed by the officer.
- The direct deposit reports were not verified to the payroll claims to ensure accuracy.
- The Board of County Commissioners minutes do not reflect the approval of safety awards issued in November 2015.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure adequate segregation of duties and/or compensating controls over the payroll process. Additionally, policies and procedures have not been designed and implemented to ensure timesheets are signed by the officer, the direct deposit reports are verified to the payroll claims, and the safety awards are approved by and recorded in the Board of County Commissioner minutes.

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

Recommendation: OSAI recommends the following key accounting functions of the payroll process be adequately segregated:

The following key accounting functions of the payroll process should be adequately segregated:

- Enrolling new employees and maintaining personnel files,
- Reviewing time records and preparing payroll,
- Making payroll changes in the system and preparing direct deposits and end of month payroll report,
- Distributing payroll warrants to individuals.

Additionally, OSAI recommends employee timesheets be signed by the employee and the officer or supervisor and an employee independent of payroll process should verify the direct deposit report agrees to the total of the payroll claims and evidenced with initials and date. Furthermore, all safety awards should be approved during a BOCC meeting and the approval reflected in the BOCC meeting minutes.

Management Response:

District 2 County Commissioner: I will make sure to sign all timesheets.

County Clerk: I was not County Clerk during this fiscal year. We will segregate payroll duties. We will make sure all timesheets are signed by the employee and approved by the officer or supervisor. We will review the direct deposit reports to ensure accuracy and will initial and date and maintain the reports.

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, the duties of processing, authorizing, and payroll distribution should be segregated; time records should be signed by both the employee and a Supervisor/County Official, and should be filed in the County Clerk's office, payroll claims should be reviewed and approved by the elected official, and direct deposits should be verified to the payroll claims.

REPORT ON STATUTORY COMPLIANCE – OTHER MATTERS



Cindy Byrd, CPA | State Auditor & Inspector

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

Kingfisher County
Board of County Commissioners
Kingfisher County Courthouse
Kingfisher, Oklahoma 73750

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, 2016:

- 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 Kingfisher 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 "Cindy Byrd".

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

April 1, 2019



**KINGFISHER COUNTY, OKLAHOMA
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

SCHEDULE OF FINDINGS AND RESPONSES

Finding 2016-011 – Inadequate Internal Controls and Noncompliance Over Court Clerk Disbursement Processes (Repeat Finding)

Condition: Upon inquiry of the Court Clerk employees, and observation and test of the Court Clerk’s disbursement process, the following weaknesses were noted:

- Court Fund and Court Clerk Revolving Fund claims are approved by the District Judge after the corresponding vouchers have been issued and paid.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure adequate internal controls over the disbursement processes.

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

Recommendation: OSAI recommends that the Court Clerk design and implement policies and procedures to ensure compliance with state statutes. Court Fund and Court Clerk Revolving Fund claims should be approved by the District Judge before the vouchers are issued for payment to ensure compliance with state statutes.

Management Response:

Court Clerk: I will work with the District Judge to ensure claims are reviewed and approved by the District Judge prior to being paid.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. Internal controls should be designed and implemented to analyze and check accuracy and completeness.

Title 20 O.S. § 1304A states in part, “Claims against the court fund shall include only expenses lawfully incurred for the operation of the court in each county. Payment of the expenses may be made after the claim is approved by the district judge who is a member of the governing board of the court fund and either the local court clerk or the local associate district judge who is a member of the governing board....”

Title 19 O.S. § 220A states in part, “Claims against the fund shall include only expenses incurred for the operations 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 associate district judge of that county.”

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Finding 2016-012 – Inadequate Internal Controls and Noncompliance Over Sheriff’s Commissary Fund and Sheriff Commissary (Repeat Finding)

Condition: Upon inquiry of County Sheriff employees, observation and testwork of the Sheriff’s Commissary Fund and Sheriff Commissary, the following weaknesses were noted:

Sheriff Commissary Fund:

- The County Sheriff has not established a Sheriff Commissary fund.
- Funds received from the operations of a commissary for inmates are deposited into the Sheriff Service Fee fund.
- The County Sheriff did not prepare and file with the Board of County Commissioners the annual commissary report on or before January 15th.

Sheriff Commissary:

- The County Sheriff does not have a signed contract with the commissary provider.

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

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

Recommendation: OSAI recommends the County Sheriff establish a Sheriff Commissary Fund, deposit commissary profits into the Sheriff’s Commissary Fund and prepare an annual report of commissary operations and submits it to the Board of County Commissioners no later than January 15th of each year in accordance with state statutes. OSAI also recommends the County Sheriff have a signed contract for all outside services and that the contracts be approved by the BOCC annually.

Management Response:

County Sheriff: I will verify a contract is in place and that there are not any automatic renewals in the contract. All contracts will go before the Board of County Commissioners for approval. We will establish a separate Commissary Fund for all commissary profits. We will start preparing an annual commissary report and turn it in to the Board of County Commissioners by January 15th of each year.

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 compliance with Title 19 O.S. § 180.43.

Title 19 O.S. § 180.43(D) states in part, “Each county sheriff may operate, or contract the operation of, 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

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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 15th of each year..."

Finding 2016-014 – Inadequate Internal Controls and Noncompliance Over Consumable Inventories (Repeat Finding)

Condition: Upon inquiry of County personnel, observation consumable inventory items and review of consumable inventory records, the following weaknesses were noted:

District 1

- Monthly physical inventory verifications of consumable items were not performed.

District 2

- Monthly physical inventory verifications of consumable items were not performed.

District 3

- Monthly physical inventory verifications of consumable items were not performed.
- Evidence of the reconciliation of fuel was not retained.

Cause of Condition: Policies and procedures have not been designed and implemented with regard to accounting for and safeguarding of consumable items.

Effect of Condition: These conditions resulted in noncompliance with state statute. When consumable inventory items are not adequately accounted for and safeguarded there is an opportunity for misappropriation and undetected errors.

Recommendation: OSAI recommends management design and implement internal controls to perform and document a monthly consumable inventory count. Counts should be initialed and dated by the employee performing the physical count and retained to show the design and implementation of internal controls by the County Commissioners.

Management Response:

District 1 County Commissioner: In the future, District 1 will perform a monthly physical inventory of consumable items.

District 2 County Commissioner: I will make sure a physical inventory is performed monthly.

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District 3 County Commissioner: We will retain evidence of sticking the tank and monitoring our fuel usage. We will also perform and maintain a monthly physical inventory verification.

Criteria: An important aspect of internal controls is the safeguarding of assets. Internal controls 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 acquisition, use or disposition of consumable inventory.

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



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