



LATIMER COUNTY

Operational Audit

For the fiscal year ended June 30, 2018

Cindy Byrd, CPA
State Auditor & Inspector

**LATIMER COUNTY OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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June 6, 2019

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

Transmitted herewith is the audit report of Latimer County for the fiscal year ended June 30, 2018.

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



**LATIMER COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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**LATIMER COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Board of County Commissioners

District 1 – Jeremy Bullard
District 2 – John Medders
District 3 – Rodger Kimble

County Assessor

Chris Church

County Clerk

Erin Adams

County Sheriff

Jesse James

County Treasurer

DeLana Moon

Court Clerk

Melinda Brinlee

District Attorney

Jeff Smith

**LATIMER COUNTY, OKLAHOMA
SALES TAX DISTRIBUTION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Sales Tax

Sales Tax of March 5, 2013

The voters of Latimer County approved the following continuation of existing sales tax:

- A continuation of the sales tax of 1/2 cent for the sole benefit of general government for a period of five (5) years.
- A continuation of the sales tax of 3/4 cent for the sole benefit of the Latimer County Hospital for a period of five (5) years.
- A continuation of the sales tax of 1/4 cent for the sole benefit to continue the maintenance and operation of a solid waste system for a period of five (5) years.

Sales Tax of June 24, 2014

The voters of Latimer County approved the following amendment of an existing sales tax:

- An amendment of the sales tax order of said County which provides for the levy and collection of a one percent (1%) sales tax on certain sales providing that the purpose of said sales tax shall be to operate, maintain, equip, and improve the Latimer County Hospital and to retire indebtedness incurred for that purpose, to replace the present three-fourths percent (3/4%) sales tax for the said Hospital; providing that said one percent (1%) sales tax shall continue to be levied so long as the Latimer County Hospital Trust Authority remains in effect; fixing effective date; making provisions cumulative; and providing severability of provisions.

Sales Tax of November 8, 2016

The voters of Latimer County approved the following amendment of an existing sales tax:

- Shall the 1/4 cent Sales Tax in Latimer County currently used by the Latimer County Government for the establishment, maintenance and operation of a solid waste system be redirected and divided for a period of five (5) years as follows:
 - 1/8% to the Latimer County General Fund.
 - 1/16% to Latimer County Solid Waste Trust Authority.
 - 1/16% to Latimer County 911.

These funds are accounted for in the Sales Tax Cash fund.

During the fiscal year the County collected \$1,162,997 in total sales tax.

**LATIMER COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Presentation of Apportionments, Disbursements, and Cash Balances of County Funds for the Fiscal Year Ended June 30, 2018

	Beginning Cash Balances July 1, 2017	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2018
Combing Information:				
County Funds:				
County General	\$ 300,508	\$ 1,137,749	\$ 984,338	\$ 453,919
County Highway	2,760,945	2,385,903	2,410,403	2,736,445
County Health	122,603	161,906	149,719	134,790
Sheriff Cash	29,822	141,879	136,210	35,491
Sales Tax Cash	1,056,739	1,183,865	1,151,777	1,088,827
Solid Waste Cash	424,319	416,455	517,566	323,208
E-911 Cash	13,396	168,788	162,956	19,228
County Sinking	21	-	-	21
Civil Defense	10,339	32,517	40,659	2,197
County Clerk Cash	27,035	7,153	7,019	27,169
County Treasurer Cash	9,659	1,400	1,318	9,741
Department of Corrections Cash	23,424	17,064	33,407	7,081
Drug Buy Cash	290	-	40	250
County Assessor Cash	2,575	4,605	5,554	1,626
County Insurance	6,852	25,944	19,449	13,347
REAP Grant	-	99,703	99,703	-
County Treasurer Resale Property	68,901	60,520	59,003	70,418
RM&P Cash	76,456	13,470	8,611	81,315
Flood Plain Cash	6,543	200	-	6,743
OLETS Cash	995	4,800	4,370	1,425
Jail Bond Cash	2,781	1,687	3,318	1,150
Tourism Trust Authority	55,605	48,022	51,089	52,538
County Extension Agent Cash	8,991	1,234	512	9,713
Free Fair Cash Account	5,128	-	2,010	3,118
Court Clerk Payroll	10,577	65,022	71,120	4,479
CDBG-1020	-	4,000	4,000	-
Sheriff Commissary	11,933	21,072	14,448	18,557
County Sheriff Vest Fund	55	-	-	55
I.S.A.D.V. Grant	-	21,585	19,774	1,811
Sheriff Unclaimed Property	-	2,123	1,682	441
Combined Total - All County Funds	\$ 5,036,492	\$ 6,028,666	\$ 5,960,055	\$ 5,105,103

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

**LATIMER COUNTY
DESCRIPTION OF COUNTY FUNDS
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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 – accounts for ad valorem, officers’ fees, interest earnings, and miscellaneous collections of the County. Disbursements are for the general operations of the County.

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

County Health – 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.

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

Sales Tax Cash – accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the sales tax resolution, to be used for general government, hospital, and solid waste purposes.

Solid Waste Cash – accounts for the collection of fees for the services provided by solid waste and disbursed for operation of Latimer County Solid Waste.

E-911 Cash – accounts for monies received from private telephone companies to be used for the operations of emergency 911 services.

County Sinking – accounts for the debt service receipts derived generally from a special ad valorem tax levy and from interest earned on investments of cash not immediately required for debt service payments.

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

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

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

**LATIMER COUNTY
DESCRIPTION OF COUNTY FUNDS
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Department of Corrections Cash – accounts for monies received from the State of Oklahoma for the boarding and feeding of Department of Corrections' prisoners. Disbursements of funds are for jail operating expenses.

Drug Buy Cash – accounts for the monies received from the District Attorney to enable the County Sheriff to carry out undercover drug investigations.

County Assessor Cash – accounts for the collection of fees for copies and the disbursement of funds as restricted by state statute.

County Insurance – accounts for monies received from insurance companies for damages to county property.

REAP Grant – accounts for state grant funds received for various projects.

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

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

Flood Plain Cash – accounts for the collection from the sale of permits and disbursed for maintenance and operation of the emergency management office.

OLETS Cash – accounts for fees charged to local law enforcement agencies for dispatch services. These funds are used to help offset monthly Oklahoma Law Enforcement Telecommunications System (OLETS) fees and the maintenance and operation of the County Sheriff's office.

Jail Bond Cash – accounts for bond fees charged to inmates and is used for the operation of the County Sheriff's office.

Tourism Trust Authority – accounts for the excise tax collected on lodging to be used for the promotion and development of tourism and recreational activities for Latimer County.

County Extension Agent Cash – accounts for the collection of donations and disbursed for the operations of the county extension office.

Free Fair Cash Account – accounts the collection of donations to be used for the maintenance and operation of the fairground.

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

**LATIMER COUNTY
DESCRIPTION OF COUNTY FUNDS
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

CDBG-1020 – accounts for federal funds received to fund the improvements made to Fourche Maline Bridge.

Sheriff Commissary – accounts for monies received from the commissary sales and disbursement of funds for commissary expenses and jail operating expenses.

County Sheriff Vest Fund – accounts for donations received from citizens to be expended for personal protective gear for the Sheriff's Department.

I.S.A.D.V. Grant – accounts for grant funds received from LeFlore County Child Advocacy Center for the reimbursement of deputy salary for investigations related to sexual assault and domestic violence.

Sheriff Unclaimed Property – accounts for unclaimed inmate trust monies forfeited to the Sheriff's Office to be used as provided by law.

LATIMER COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
COUNTY GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 300,508	\$ 300,508	\$ -
Less: Prior Year Encumbrances	(17,664)	(10,837)	6,827
Beginning Cash Balances, Budgetary Basis	<u>282,844</u>	<u>289,671</u>	<u>6,827</u>
Receipts:			
Ad Valorem Taxes	563,297	615,259	51,962
Charges for Services	44,655	239,537	194,882
Intergovernmental Revenues	241,103	273,989	32,886
Miscellaneous Revenues	6,916	8,964	2,048
Total Receipts, Budgetary Basis	<u>855,971</u>	<u>1,137,749</u>	<u>281,778</u>
Expenditures:			
County Sheriff	305,743	285,369	20,374
County Treasurer	89,058	86,048	3,010
OSU Extension	518	505	13
County Clerk	121,808	118,225	3,583
Court Clerk	53,708	53,708	-
County Assessor	57,408	57,408	-
Revaluation of Real Property	197,739	192,269	5,470
General Government	272,920	152,836	120,084
Excise-Equalization Board	6,000	5,104	896
County Election Board	26,692	26,643	49
Recording Account	1,000	620	380
County Audit Budget Account	6,221	1,500	4,721
Total Expenditures, Budgetary Basis	<u>1,138,815</u>	<u>980,235</u>	<u>158,580</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	447,185	<u>\$ 447,185</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		<u>6,734</u>	
Ending Cash Balance		<u>\$ 453,919</u>	

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

LATIMER 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, 2018

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 122,603	\$ 122,603	\$ -
Less: Prior Year Encumbrances	(7,535)	(2,778)	4,757
Beginning Cash Balances, Budgetary Basis	115,068	119,825	4,757
Receipts:			
Ad Valorem Taxes	144,218	144,218	-
Charges for Services	-	17,688	17,688
Total Receipts, Budgetary Basis	144,218	161,906	17,688
Expenditures:			
County Health Budget Account	259,286	146,941	112,345
Total Expenditures, Budgetary Basis	259,286	146,941	112,345
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	134,790	\$ 134,790
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Ending Cash Balance		\$ 134,790	

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

**LATIMER COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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, 2018.

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.

**LATIMER COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Objective 1: To determine the receipts apportioned, disbursements, and cash balances are accurately presented on the County Treasurer's monthly reports for FY 2018.

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 three (3) Treasurer's monthly reports (25% 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 four (4) bank statements and related bank reconciliations (6.67% 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 \$4,290,044 in cash receipts (71% 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.
- Prepared a general ledger schedule of cash and investments at June 30 to ensure the schedule reconciled 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.

**LATIMER COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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 \$64,080 (5.50% 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.

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.

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

Conclusion: The County's internal controls do not provide reasonable assurance that expenditures, including payroll, were accurately reported in the accounting records.

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

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

**LATIMER COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

- Evaluated significant internal controls related to the expending of County funds through purchase orders, which included reviewing a random sample of purchase orders totaling \$23,164 (0.38% 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 payroll expenditures, which included reviewing a random sample of 40 payroll claims (0.19% 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 2018-002 – Inadequate Internal Controls and Noncompliance Over the Disbursement Process (Repeat Finding)

Condition: Upon inquiry and observation of the County’s disbursement process, it was noted that the Purchasing Deputy prepares purchase orders, encumbers purchase orders, prepares the warrants, maintains ledgers, and distributes checks.

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

- Three (3) were not signed by an approved requisitioning officer.
- Five (5) were not encumbered before receiving goods or services.
- One (1) encumbrance was not approved.
- Two (2) were not reviewed and authorized to supporting documentation.

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

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

Recommendation: The Oklahoma State Auditor and Inspector’s Office (OSAI) recommends management be aware of this condition and determine if duties can be properly segregated. In the event that segregation

**LATIMER COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risks involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office and having management review and approve accounting functions.

OSAI recommends the County adhere to state purchasing guidelines to ensure encumbrances are made before goods or services are ordered and adequate supporting documentation is maintained. Additionally, all documentation should be reviewed for accuracy, encumbrances approved, and requisitions should be made by an approved officer.

Management Response:

County Clerk We will make corrective measures to ensure that the requisitioning officer signs the purchase orders. We will also ensure that all encumbrances are made prior to goods and services being received and that adequate documentation is attached. Additionally, we will ensure that the purchasing policies and procedures are reimplemented to all departments within the County. The County Clerk will make sure that all purchase orders are authorized by proper signatures.

Chairman of the Board of County Commissioners: The BOCC will make sure that all departments are aware of state purchasing guidelines and will implement the accurate approval of encumbrances. Additionally, I will ensure the proper requisitioning officer signs for approval.

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 process, authorizing, and distribution should be segregated.

Further, Title 19 O.S. § 1505 prescribes the procedures for the requisition, purchase, and receipt of goods and services.

Finding 2018-003 – Inadequate Internal Controls Over Payroll Process (Repeat Finding)

Condition: The Payroll Clerk enrolls new employees, inputs payroll information into the system, and prepares the state and federal tax reports. In addition, the Payroll Clerk processes the payroll claims, prints and reviews payroll verification reports for errors, and prints payroll warrants.

Cause of Condition: Policies and procedures have not been designed and implemented with regards to segregation of duties and/or compensating controls of the payroll process.

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

Recommendation: OSAI recommends management be aware of these conditions and determine if duties can be properly segregated. In the event that segregation of duties is not possible due to limited personnel,

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OSAI recommends implementing compensating controls to mitigate the risks involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office, and having management review and approval of accounting functions.

Management Response:

County Clerk: At this time, I verify timesheets and will start verifying all payroll affidavits. I will work on any other changes that can be made in the future to implement additional controls.

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.

REPORT ON STATUTORY COMPLIANCE – OTHER MATTERS

Latimer County
Board of County Commissioners
Latimer County Courthouse
Wilburton, Oklahoma 74578

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, 2018:

- All County Offices - Fixed Assets procedures (19 O.S. § 178.1, 19 O.S. § 178.2, and 69 O.S. § 645).
- 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 Latimer 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 6, 2019



SCHEDULE OF FINDINGS AND RESPONSES

Finding 2018-005 – Inadequate Internal Controls and Noncompliance Over the Inmate Trust Fund Checking Account and Sheriff Commissary Fund (Repeat Finding)

Condition: Upon inquiry of County personnel, observation, and review of documents regarding the Inmate Trust Fund Checking Account and Sheriff Commissary Fund, the following weaknesses were noted:

- One employee performs all of the daily activity in the Inmate Trust Fund Checking Account such as reconciling receipts issued to deposits, preparing deposit slips, taking deposits to the bank reconciling bank account, posts disbursements to inmate records, and issuing checks. In addition, this employee has custody of the bank statements.
- Reconciliation of the phone cards is not performed.
- The Inmate Trust Fund Checking Account balance is not reconciled to the total of inmates' balances.
- A detailed listing of outstanding checks is not maintained with the bank reconciliation.
- Two signatures on checks were not obtained for approval of disbursement.

Further, the Sheriff does not file an annual report for the Sheriff Commissary Fund with the Board of County Commissioners by January 15th of each year.

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 and could result in misappropriation of funds, inaccurate records, and incomplete information.

Recommendation: OSAI recommends management be aware of these conditions and realize that a concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. Management should provide segregation of duties so that no one employee is able to perform all accounting functions. OSAI recommends that checks require two authorized signatures and restrict any employee with check printing capabilities from being authorized signers of the account.

OSAI also recommends the following:

- 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, with documentation that the reconciliation was reviewed and approved by someone other than the preparer.
- An inventory of phone cards received and sold should be maintained and reconciled on a monthly basis.
- The Sheriff should file a report of the commissary with the County Commissioners by January 15th of the fiscal year in accordance with 19 O.S. § 180.43.

**LATIMER COUNTY, OKLAHOMA
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Management Response:

County Sheriff: Another employee will be assisting the administrative assistant with the key functions for the Inmate Trust Fund account. The administrative assistant will implement procedures to reconcile the phone cards. We are in the process of trying to reconcile the inmate balances to the checking account. We are creating new up to date accounting logs beginning January 2019. More signatures will be added to the Inmate Trust Fund checking account for the approval of disbursements. Additionally, we will begin preparing and filing an annual Commissary Fund Report by January 15th of each year.

Criteria: The overall goal of effective internal controls is to demonstrate accountability and stewardship. To help ensure a proper accounting of funds, no one individual should have the ability to authorize transactions, have physical custody of assets, and record transactions. In addition, two authorized signatures should be required on all inmate trust fund account checks and bank reconciliations should be performed each month. Additionally, all reconciliations should be reviewed and approved by someone other than the preparer.

Title 19 O.S. § 180.43(D) states in part, “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. § 531(A) states in part, “The county sheriff may establish a checking account, to be designated the “Inmate Trust Fund Checking Account [...]. The county sheriff shall deposit all monies collected from inmates incarcerated in the county jail into this checking account and may write checks to the Sheriff’s Commissary Account for purchases made by the inmate during his or her incarceration and to the inmate from unencumbered balances due the inmate upon his or her discharge.”

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