

OPERATIONAL AUDIT

MAJOR COUNTY

For the fiscal year ended June 30, 2015



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



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

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

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Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

September 13, 2017

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

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

The goal of the State Auditor and Inspector is to promote accountability and fiscal integrity in state and local government. Maintaining our independence as we provide this service to the taxpayers of Oklahoma is of utmost importance.

We wish to take this opportunity to express our appreciation for the assistance and cooperation extended to our office during our engagement.

Sincerely,

A handwritten signature in blue ink that reads "Gary A. Jones". The signature is written in a cursive style with a long, sweeping tail on the letter "s".

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

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

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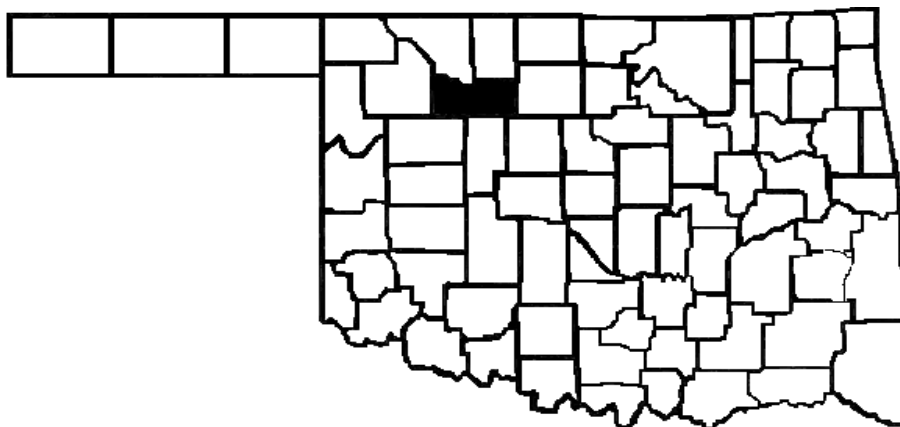
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**MAJOR COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**



Major County was created at statehood from the southern portion of Woods County, Oklahoma Territory, and named for John C. Major, a member of the Oklahoma Constitutional Convention.

Fairview, the county seat, takes its name from its scenic location east of the Glass Mountains, a major tourist attraction in the county. Several companies manufacture products ranging from drilling equipment to industrial loaders and steel truck bodies.

The Major County Historical Society Museum, built to promote interest in the history of the area, is located just east of Fairview. *Glass Mountain Country* is a history book written about Major County.

Active civic organizations in the county include the Lion's Club, chamber of commerce, Ambucs, and Rotary Club. Annual events of interest include Fairview Follies in August, Wranglers Rodeo in July, National John Deere Two Cylinder Show also in July, Major County Fair in September, and an Old Time Threshing Bee also in September.

For more county information, call the County Clerk's office at 580/227-4732.

County Seat – Fairview

Area – 580.13 Square Miles

County Population – 7,750
(2014 est.)

Farms – 901

Land in Farms – 537,111 Acres

Primary Source: Oklahoma Almanac 2015-2016

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

Board of County Commissioners

District 1 – John A. Haworth
District 2 – Kelly D. Wahl
District 3 – Travis Rohla

County Assessor

Donise Rogers

County Clerk

Kathy McClure

County Sheriff

Steven P. Randolph

County Treasurer

Sandra K. Goss

Court Clerk

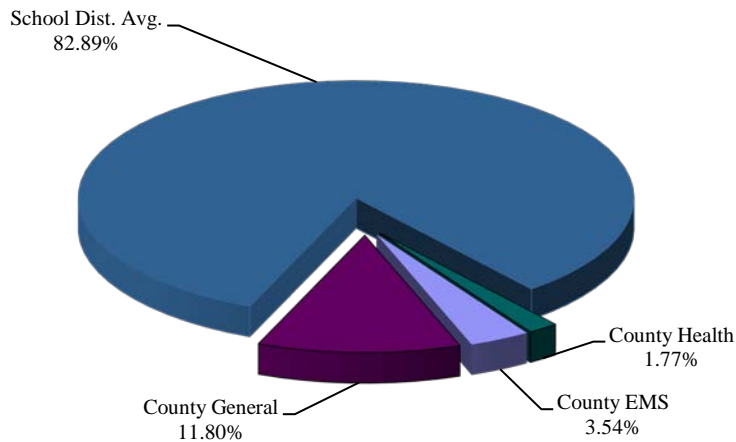
Shauna N. Hoffman

District Attorney

Chris Boring

**MAJOR COUNTY, OKLAHOMA
AD VALOREM TAX DISTRIBUTION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of a property is \$1,000.00 and the millage rate is 1.00, then the tax on that property is \$1.00. This chart shows the different entities of the County and their share of the various millages as authorized by the Constitution.



County-Wide Millages		School District Millages								
				Gen.	Bldg.	Skg.	EMS	Career Tech.	Common	Total
County General	10.54									
County Health	1.58	Ames/Cimarron	I-92	37.16	5.31	11.06	-	15.93	4.22	73.68
County EMS	3.16	Cleo Springs	I-4	37.33	5.33	9.82	-	13.69	4.22	70.39
		Fairview	I-84	36.79	5.26	14.88	-	13.69	4.22	74.84
		Ringwood/Meno	I-1	37.19	5.31	16.15	-	13.69	4.22	76.56
		Mooreland	J-2W	36.15	5.02	11.44	-	13.69	4.22	70.52
		Waynoka	J-3W	36.40	5.20	3.48	-	13.69	4.22	62.99
		Seiling	J-8D	36.50	5.21	3.31	-	13.69	4.22	62.93
		Okeene	J-9B	37.35	5.34	20.68	-	13.69	4.22	81.28
		Hennessey	J-16K	35.62	5.09	18.15	-	13.69	4.22	76.77
		Chisholm	J-42	39.92	5.70	19.33	-	15.93	4.22	85.10
		Drummond	J-85G	36.51	5.22	26.33	-	15.93	4.22	88.21
		Timberlake	J-93A	37.19	5.31	4.17	-	13.69	4.22	64.58
		Canton	J-105B	36.74	5.25	11.68	3.00	13.69	4.22	74.58

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

Sales Tax

Sales Tax of February 8, 2011

The voters of Major County approved a one-fourth of one cent (.25) county sales tax on February 8, 2011 effective date of April 1, 2012 with a duration of seven (7) years or until March 31, 2019. This sales tax was established for the purpose of subsidizing the required portion of financial support to the O.S.U. Cooperative Extension Service and 4-H program in Major County; for the purpose of upgrade, upkeep and maintenance of equipment and facilities of the fairgrounds in Major County; for the purpose of financial support to the Major County Free Fair and Jr. Livestock Show; and to be used for capital improvements, capital upgrades and maintenance & operations of the county courthouse in Major County. During the fiscal year, sales tax was transferred from the Sales Tax Revolving Fund into the following funds; Free Fair Sales Tax Fund, OSU Sales Tax Fund, and Courthouse Sales Tax Fund.

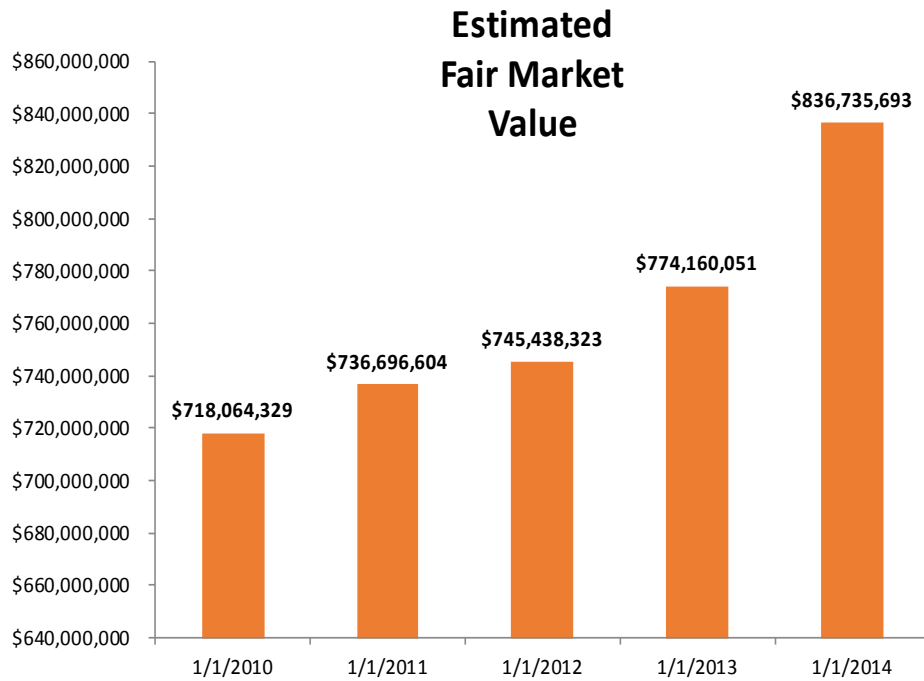
Sales Tax of January 14, 2014

The voters of Major County also approved a one-half of one cent (0.50) county sales tax on January 14, 2014 with an effective date of April 1, 2014 for an unlimited duration of time. This sales tax was established to fund the Major County Sheriff's Office for upgrade, upkeep, maintenance of the jail facilities, vehicles, maintenance operation and capital expenditures. This sales tax is accounted for in the Sheriff Sales Tax Fund.

During the fiscal year, the County collected \$996,672 in total sales tax.

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

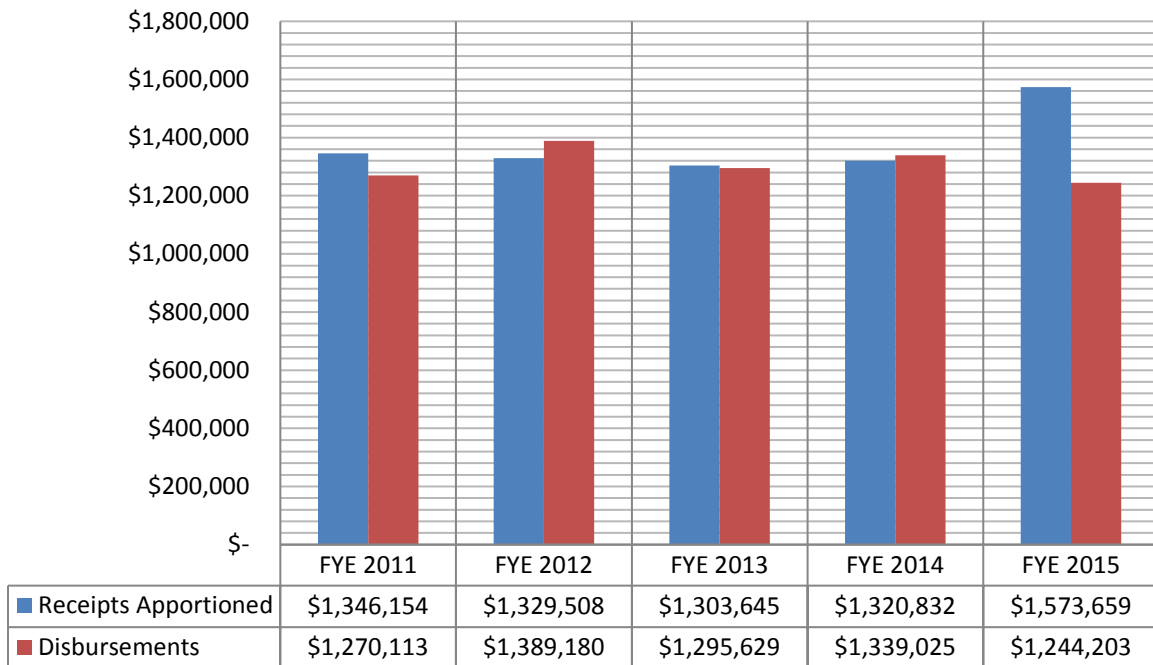
Valuation Date	Personal	Public Service	Real Estate	Total Exemptions	Net Value	Estimated Fair Market Value
1/1/2014	\$39,407,070	\$14,726,113	\$45,544,699	\$2,092,005	\$97,585,877	\$836,735,693
1/1/2013	\$36,928,780	\$10,264,967	\$43,287,266	\$2,107,962	\$88,373,051	\$774,160,051
1/1/2012	\$34,690,675	\$10,538,905	\$42,234,107	\$2,168,115	\$85,295,572	\$745,438,323
1/1/2011	\$34,566,253	\$11,364,359	\$40,999,566	\$2,127,426	\$84,802,752	\$736,696,604
1/1/2010	\$33,501,739	\$11,338,964	\$40,026,755	\$2,169,473	\$82,697,985	\$718,064,329



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

County General Fund

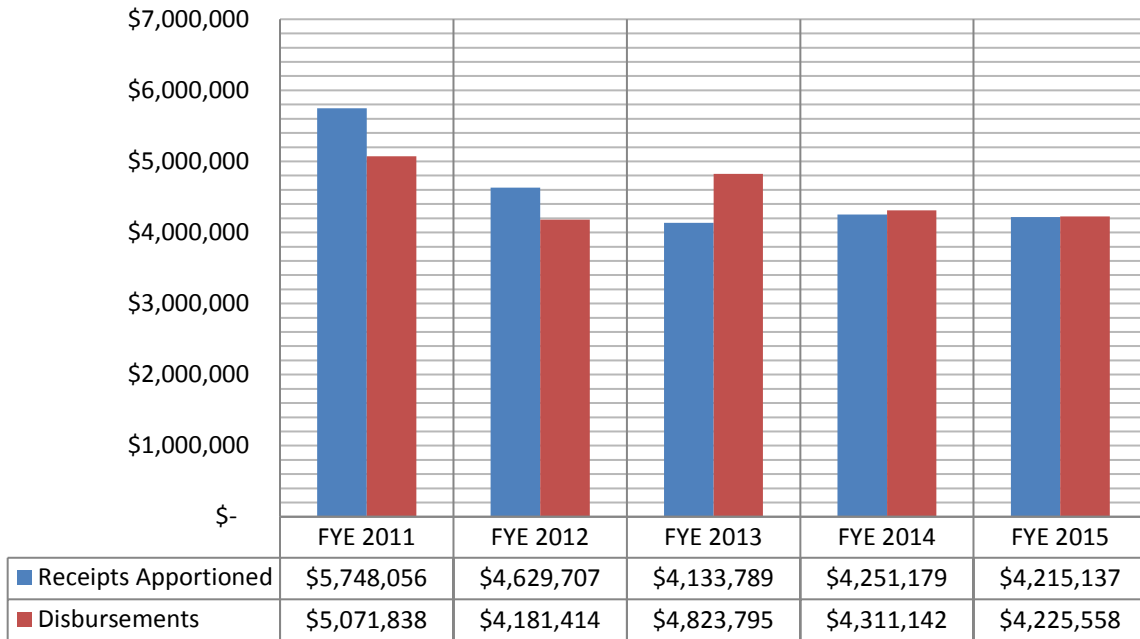
The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the county’s primary source of operating revenue. The County General Fund is typically used for county employees’ salaries plus many expenses for county maintenance and operation. It also provides revenue for various budget accounts and accounts that support special services and programs. The Board of County Commissioners must review and approve all expenditures made from the County General Fund. The primary revenue source for the County General Fund is usually the county’s ad valorem tax collected on real, personal (if applicable), and public service property. Smaller amounts of revenue can come from other sources such as fees, sales tax, use tax, state transfer payments, in-lieu taxes, and reimbursements. The chart below summarizes receipts and disbursements of the County’s General Fund for the last five fiscal years.



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

County Highway Fund

The County receives major funding for roads and highways from a state imposed fuel tax. Taxes are collected by the Oklahoma Tax Commission. Taxes are imposed on all gasoline, diesel, and special fuel sales statewide. The County's share is determined on formulas based on the County population, road miles, and land area and is remitted to the County monthly. These funds are earmarked for roads and highways only and are accounted for in the County Highway Fund. The chart below summarizes receipts and disbursements of the County's Highway Fund for the last five fiscal years.



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

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

	Beginning Cash Balances July 1, 2014	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2015
Combining Information:						
County Funds:						
County General Fund	\$ 310,917	\$ 1,573,659	\$ 150,000	\$ 150,000	\$ 1,244,203	\$ 640,373
County Highway Cash	2,019,193	4,215,137	150,000	150,000	4,225,558	2,008,772
County Health Department	98,399	160,166	-	-	151,725	106,840
Resale Property	64,244	23,868	6,910	-	41,394	53,628
Sheriff Service Fee	61,558	90,544	-	-	71,839	80,263
County Clerk Lien Fee	55,184	39,337	-	-	14,288	80,233
Treasurer Mortgage Tax Certification Fee	8,306	1,660	-	-	822	9,144
Contract Board of Prisoners	17,881	7,257	-	-	4,474	20,664
OBA Donations for Court Areas	79	-	-	-	-	79
Assessor Visual Inspection	1,151	-	-	-	1,151	-
Assessor Revolving Fee	16,548	5,934	-	-	5,823	16,659
Courthouse Security	41,019	13,936	-	-	8,572	46,383
Special Response Team	3,021	5,000	-	-	2,840	5,181
Sheriff DARE	1,099	-	-	-	-	1,099
County Clerk Records Preservation Fee	48,291	28,106	-	-	60,266	16,131
Sales Tax Revolving Fund	161,274	-	-	146,204	12,421	2,649
Sheriff Commissary Fund	4,705	6,739	-	-	1,000	10,444
County Reward Fund	21	-	-	-	-	21
Wireless 911	10,524	163,130	-	-	163,232	10,422
LEPC Preparedness Fund	1,000	300	-	-	-	1,300
Major County LEPC Grant	428	1,000	-	-	554	874
Sheriff Sales Tax Fund	62,537	664,481	-	-	605,678	121,340
Free Fair Sales Tax Fund	-	116,477	28,402	-	56,444	88,435
OSU Sales Tax Fund	-	30,000	682	-	24,859	5,823
Courthouse Sales Tax Fund	-	185,714	117,120	-	129,930	172,904
Combined Total - All County Funds	\$ 2,987,379	\$ 7,332,445	\$ 453,114	\$ 446,204	\$ 6,827,073	\$ 3,499,661

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

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

Description of County Funds

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

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

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

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

County Health Department – accounts for ad valorem tax collections and fees for service collected, disbursements are made to operate the County Health Department.

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

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

County Clerk Lien Fee – accounts for fees for copies and lien collections and disbursements 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.

Contract Board of Prisoners – accounts for the collection of monies from the Oklahoma Department of Corrections and disbursements are used for the operations of the jail.

OBA Donations for Court Areas – accounts for a donation from the Oklahoma Bar Association for the improvement of the County courtrooms.

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

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

Courthouse Security – accounts for monies received through the court system to be disbursed for security improvements and operations for the County Courthouse.

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

Special Response Team – accounts for donations for the Fairview Police Department and Major County Sheriff Tactical Team to purchase guns, vests, and ammunition for the tactical team to go out on warrant arrests and special assignments.

Sheriff DARE – accounts for donations received and expended to educate children on drug awareness.

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

Sales Tax Revolving Fund – accounts for the prior year balance to allow encumbered purchase orders to clear the account. For fiscal year 2015, separate cash funds were established for each entity receiving sales tax per the sales tax ballot.

Sheriff Commissary Fund – accounts for the profits on the sale of items to inmates and disbursements to purchase commissary goods from the vendor and jail operating expenses.

County Reward Fund – accounts for fines imposed for littering and expended for rewards of an arrest or conviction or for evidence leading to an arrest.

Wireless 911 – accounts for fees within the County for the operation of the emergency 911 service.

LEPC Preparedness Fund – accounts for donations received to inform Major County residents of emergency preparedness.

Major County LEPC Grant – accounts for State of Oklahoma grant money disbursed to make Major County residents aware of emergency preparedness and to pay for advertising for mandatory meetings.

Sheriff Sales Tax Fund – accounts for sales tax collections to be disbursed according to sales tax ballot requirements for the operation of the County Sheriff's Office.

Free Fair Sales Tax Fund – accounts for sales tax collections to be disbursed according to the sales tax ballot requirements for the upgrade, upkeep, and maintenance of equipment and facilities of the fairgrounds, Free Fair, and Jr. Livestock show.

OSU Sales Tax Fund – accounts for sales tax collections to be disbursed according to the sales tax ballot requirements to fund OSU Cooperative Extension Services and the 4-H program.

Courthouse Sales Tax Fund – accounts for sales tax collections to be disbursed according to the sales tax ballot requirements for capital improvements and capital upgrades of the County Courthouse.

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

Interfund Transfers

The following interfund transfers were made during the fiscal year.

- \$6,910 was transferred to the Resale Property fund from the current tax account (a Trust and Agency Fund) to account for an insufficient check.
- \$150,000 was transferred from the County Highway Cash fund to the County General Fund as a temporary transfer to cover insufficient funds in the County General Fund as provided by Title 68 O.S. § 3021.
- \$150,000 was transferred from the County General Fund to the County Highway Cash fund as repayment for a temporary transfer of funds used to cover insufficient funds in the County General Fund as provided by Title 68 O.S. § 3021.
- \$146,204 was transferred from the Sales Tax Revolving Fund to the following funds; Free Fair Sales Tax Fund in the amount of \$28,402, OSU Sales Tax Fund in the amount of \$682, and Courthouse Sales Tax Fund in the amount of \$117,120 as provided by Title 68 O.S. § 1370E to establish separate sales tax cash funds.

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

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 310,917	\$ 310,917	\$ -
Less: Prior Year Outstanding Warrants	(50,550)	(50,550)	-
Less: Prior Year Encumbrances	(12,333)	(8,566)	3,767
Beginning Cash Balances, Budgetary Basis	<u>248,034</u>	<u>251,801</u>	<u>3,767</u>
Receipts:			
Ad Valorem Taxes	935,050	1,064,851	129,801
Charges for Services	143,500	180,515	37,015
Intergovernmental Revenues	184,908	295,990	111,082
Miscellaneous Revenues	23,750	32,303	8,553
Total Receipts, Budgetary Basis	<u>1,287,208</u>	<u>1,573,659</u>	<u>286,451</u>
Expenditures:			
District Attorney	2,000	2,000	-
County Sheriff	43,800	43,800	-
County Treasurer	98,336	91,574	6,762
County Clerk	185,281	185,167	114
Court Clerk	123,000	120,600	2,400
County Assessor	97,300	94,061	3,239
Revaluation of Real Property	122,800	122,032	768
General Government	321,943	237,644	84,299
Excise-Equalization Board	3,500	2,657	843
County Election Board	59,923	55,528	4,395
Insurance Benefits	467,600	284,701	182,899
County Audit Budget Account	9,759	-	9,759
Total Expenditures, Budgetary Basis	<u>1,535,242</u>	<u>1,239,764</u>	<u>295,478</u>
Excess of Receipts and Beginning Cash			
Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	585,696	<u>\$ 585,696</u>
Interfund Transfers			
Transfer In		150,000	
Transfer Out		<u>(150,000)</u>	
Net Interfund Transfers		-	
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Outstanding Warrants		52,088	
Add: Current Year Encumbrances		2,589	
Ending Cash Balance		<u>\$ 640,373</u>	

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

**MAJOR COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
COUNTY HEALTH DEPARTMENT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 98,399	\$ 98,399	\$ -
Less: Prior Year Outstanding Warrants	(25)	(25)	-
Less: Prior Year Encumbrances	(2,331)	(1,534)	797
Beginning Cash Balances, Budgetary Basis	96,043	96,840	797
Receipts:			
Ad Valorem Taxes	140,169	159,252	19,083
Charges for Services	-	236	236
Intergovernmental Revenues	-	678	678
Miscellaneous Revenues	-	-	-
Total Receipts, Budgetary Basis	140,169	160,166	19,997
Expenditures:			
County Health Budget Account	236,212	165,871	70,341
Total Expenditures, Budgetary Basis	236,212	165,871	70,341
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	91,135	\$ 91,135
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		3,989	
Add: Current Year Outstanding Warrants		11,716	
Ending Cash Balance		\$ 106,840	

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

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

PURPOSE, SCOPE, AND SAMPLE METHODOLOGY

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

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

In planning and conducting our audit, we focused on the major financial related areas of operations based on assessment of materiality and risk for the fiscal year ended June 30, 2015. Our audit procedures included:

- Inquiries of appropriate personnel,
- Inspections of documents and records,
- Observations of the County's operations,
- Reconciling total apportionments, disbursements, and balances presented on the County's Presentation of Apportionments, Disbursements, and Cash Balances of County Funds for the fiscal year to the County Treasurer's and County Clerk's financial ledgers,
- Confirming third party confirmations to the financial ledgers,
- Selecting representative samples to determine disbursements were made in accordance with state statutes, approved ballots, and county purchasing procedures, and
- Gaining an understanding of the County's internal controls as it relates to each audit objective.

To ensure the samples were representative of the population and provided sufficient, appropriate evidence, both random sample and judgmental sample methodologies were used. We identified specific attributes for testing each of the samples and when appropriate, we projected our results to the population.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, errors or fraud may occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that conditions may change or compliance with policies and procedures may deteriorate.

This report is a public document pursuant to the Oklahoma Open Records Act (51 O.S. § 24A.1 et seq.), and shall be open to any person for inspection and copying.

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

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

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

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

Conclusion: With respect to the items tested, the County complied with 68 O.S. § 1370E, which requires the sales tax collections to be deposited in the general revenue or Sales Tax Revolving Fund of the County and be used only for the purpose for which such sales tax was designated.

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

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

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

Conclusion: The County's internal controls do not provide reasonable assurance that expenditures, including payroll, were accurately reported in the accounting records. Internal controls should be strengthened with regard to safeguarding signature stamps and filing the designating requisitioning and receiving officers in the County Clerk's office.

FINDINGS AND RECOMMENDATIONS

Finding 2015-4 - Inadequate Internal Controls and Noncompliance Over the Disbursement Process (Repeat Finding)

Condition: Upon inquiry and observation of the disbursement process, the following exceptions were noted:

- There are two signature stamps for the County Clerk's signature. One stamp is used by the County Clerk and one stamp is used by the 1st Deputy.
- Free Fair does not have designated requisitioning and receiving officers filed in the County Clerk's Office.

Cause of Condition: Policies and procedures have not been implemented over requisitioning in the disbursement process. Policies and procedures have not been designed and implemented over signature stamps or requisitioning and receiving officers.

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

Recommendation: The Oklahoma State Auditor and Inspector's Office (OSAI) recommends the following internal controls which comply with 19 O.S. § 1505A and 1505E. All offices should have designated requisitioning and receiving officers filed with the County Clerk's office. Only designated requisitioning officers should initiate the purchase of goods and/or services. Signature stamps should be kept secured and only used by the barer of the signature and timesheets should be filed and approved prior to disbursing payroll warrants to employees.

Management Response:

Chairman of the BOCC: We have designated requisitioning and receiving officers for all funds.

County Clerk: I have my signature laser printed on the warrants now so we will only have one signature stamp and the first Deputy will sign her name from this point forward.

County Assessor: I will make my 1st Deputy the purchasing/requisitioning agent and make my 2nd Deputy my receiving agent.

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

An important aspect of internal control is the safeguard of assets. Internal controls over safeguarding of assets constitute a process, affected by the entity's governing body, management, and other personnel,

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designed to provide reasonable assurance regarding prevention or untimely detection of unauthorized acquisition, use, or disposition of the entity's assets, and safeguarding assets from loss, damage, or misappropriation.

Title 19 O.S. § 1505A states in part, the procedure for requisitioning items for county offices shall be as follows:

1. The requesting department shall prepare a requisition form in triplicate. The requisition shall contain any specifications for an item as deemed necessary by the requesting department.

Title 19 O.S. § 1505E states in part, the procedure for the receipt of items shall be as follows:

1. A receiving officer for the requesting department shall be responsible for receiving all items delivered to that department.

Other Item(s) Noted:

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

Finding 2015-10 - Inadequate Internal Controls Over the Distribution of 911 Fees (Repeat Finding)

Condition: The County has an inter-local agreement with the City of Enid for 911 Emergency Services. The County distributes the 911 fees collected in Major County to the City of Enid with a remittance warrant, which does not require the approval of the Board of County Commissioners

Cause of Condition: Management was not aware that the 911 fees collected and remitted to the City of Enid required approval of the Board of County Commissioners.

Effect of Condition: This condition resulted in the Board of County Commissioners not approving the distribution of the 911 fees collected in Major County.

Recommendation: OSAI recommends the County implement internal controls over the 911 fees collected and distributed by establishing a 911 Fee cash fund and distributing the collections by purchase order and warrant approved by the Board of County Commissioners.

Management Response:

County Treasurer: We have implemented internal controls and have established the City of Enid 911 fund to collect 911 fees and distribute the fees through a purchase order with the Board of County Commissioners approval.

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District 3 County Commissioner: When we receive the monthly allocations from the Oklahoma Tax Commission, we will issue a purchase order to be paid to Enid/Garfield/Major 911.

County Clerk: I agree with both of the above statements.

Criteria: Based on Title 63 O.S. § 2813, the governing body, in this case the Board of County Commissioners, is responsible for the fees collected and how they are spent. Therefore, the distribution of 911 Fees should be made by purchase order that is approved by the Board of County Commissioners.

Accountability and stewardship are overall goals of management in the account of funds. Internal controls should be designated to analyze and check accuracy, completeness, and authorization of disbursements or transactions.

REPORT ON STATUTORY COMPLIANCE – OTHER MATTERS



Oklahoma State Auditor & Inspector

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Major County
Board of County Commissioners
Major County Courthouse
Fairview, Oklahoma 73737

Dear Chairman:

For the purpose of complying with 19 O.S. § 171 and 20 O.S. § 1312, we have performed statutory procedures regarding the following offices and departments for the fiscal year ended June 30, 2015:

- All County Offices - Fixed Assets procedures (19 O.S. § 178.1, 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 Major County.

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

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

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

August 28, 2017

SCHEDULE OF FINDINGS AND RESPONSES

Finding 2015-5 – Inadequate Internal Controls Over the Court Clerk Collections, Disbursements and District Court Case Balances (Repeat Finding)

Condition: Upon inquiry of the Court Clerk’s office, we noted the following weaknesses with regard to internal controls related to the disbursements process over the Court Fund and Court Clerk Revolving Fund claims:

Court Fund and Court Clerk Revolving Fund claims process:

- One employee was responsible for:
 - Preparing the claim,
 - Signing the claim for approval,
 - Entering the information into the computer system to prepare vouchers,
 - Printing and signing the vouchers,
 - Taking vouchers to County Treasurer to be registered,
 - Distributing the vouchers to vendors,
 - Checking the goods/services to the invoice for accuracy, and
 - Signing the claim as acknowledgment of goods/services.

Upon observation and review of documentation, and test work performed with regard to the review of Court Clerk’s District Court case balances we determined the following:

- There were cases that dated back to 1974 which still have account balances. There was no evidence that the activity in these older cases had been reviewed periodically to determine the status of the case balance.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure adequate internal controls over collections and segregation of duties over the Court Fund and Court Clerk Revolving Fund expenditure processes. Policies and procedures have not been designed and implemented to review and monitor case balances on a periodic basis to determine the propriety of older case balances.

Effect of Condition: A single person having responsibility for more than one area of recording, authorization, custody of assets, and execution of transactions could result in unrecorded transactions, undetected errors, or misappropriation of funds not being detected in a timely manner.

Recommendation: OSAI recommends the Court Clerk design and implement procedures to ensure a proper segregation of duties over the disbursements processes that include the following accounting functions:

- Preparation of claims,
- Entering the claim into the computer system,
- Initiation of payment and printing the voucher,

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- Signing of vouchers,
- Acknowledgment of receipt of goods/services, and
- Submitting the payment to the vendor.

OSAI recommends the Court Clerk's office review older case balances periodically to determine the cause of the case balance and if possible, dispose of these balances.

Management Response:

Court Clerk: I will figure out a way to implement segregation of duties over the Court Fund claims and Revolving Fund claims processes. I will discontinue the \$175.00 change drawer effective September 1, 2016. I will review the case balances and see what procedures can be performed to possibly dispose of these case balances.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, key duties and responsibilities should be segregated among different individuals to reduce the risk of error or fraud. No one individual should have the ability to authorize transactions, have physical custody of assets, and record transactions.

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. To help ensure a proper accounting of funds, older court case balances should be monitored and periodically reviewed to determine the status of the balance and any additional procedures requiring court action.

Finding 2015-6 – Inadequate Internal Controls and Noncompliance Over the Inmate Trust Fund Checking Account and Sheriff Commissary Fund (Repeat Finding)

Condition: Upon inquiry, observation and test of documents of the Sheriff's Inmate Trust Fund Checking Account and Sheriff Commissary Fund, the following weaknesses in internal control and noncompliance were noted:

- Receipts are not issued for all inmate monies received.
- The Sheriff's office is not reconciling the inmate trust ledger balance to the bank statements.
- Deposits were not made daily. There were only thirty (30) deposits made into the Inmate Trust Fund Checking Account during the fiscal year.
- No evidence was present of a reconciliation performed between the vendor system reports of inmate account balances and the Inmate Trust Fund Checking Account bank balance.
- Inmate Trust Fund Checking Account checks issued to inmates upon release that have been paid by the bank but were not marked paid in the vendor system.
- The Sheriff's office is not following statutes regarding unclaimed funds.

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- An annual Commissary Report was not prepared and submitted to the Board of County Commissioners.

Cause of Condition: Policies and procedures have not been designed and implemented regarding the Inmate Trust Fund Checking Account fund and to accurately report the activity of the Sheriff Commissary Fund.

Effect of Condition: These conditions resulted in noncompliance with state statutes. Without proper accounting and safeguarding of the Inmate Trust Fund Checking Account, there is an increased risk of misappropriation of funds. Additionally, this condition resulted in noncompliance in reporting of the Sheriff Commissary Fund in the annual report filed with the Board of County Commissioners.

Recommendation: OSAI recommends the County Sheriff implement policies and procedures and to follow state statutes to ensure:

- A receipt is issued for all money received from or for an inmate.
- All money receipted is added to the inmate's account on the vendor system.
- Daily deposits are made when money is received from or for an inmate.
- Monthly bank reconciliations are performed between the vendor system reports and the Inmate Trust Fund Checking Account bank statement.
- Checks issued to inmates upon release are marked paid in the vendor system once the checks are listed on the bank statement as paid.
- Establish unclaimed property procedures for checks that are outstanding more than 6 months.
- Prepare an annual commissary report that identifies beginning commissary balance, deposits of commissary profits, expenditures of commissary funds and ending commissary balance and submit the report by January 15th of the following year in accordance with state statute.

Management Response:

County Sheriff: I will make sure an annual commissary report is prepared and submitted to the Board of County Commissioners. Deposits will be made when money is received and the bank statements will be reconciled monthly to the accounting system. I will establish a policy to handle unclaimed funds according to statute. We have implemented procedures for receipting in money and making sure all money is added to the inmate's account. We will implement procedures for checks issued to inmates upon release to be marked paid in the vendor system once the check clears the bank.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds.

Title 19 O.S. § 531 A. states, "Notwithstanding any other provisions of law, the county sheriff may establish a checking account, to be designated the "Inmate Trust Fund Checking Account", to be managed by the county sheriff and maintained separately from regular county funds. The checking account shall be subject to audit by the State Auditor and Inspector. The county sheriff shall deposit all monies collected from inmates incarcerated in the county jail into this checking account and may write checks to the Sheriff's Commissary Account

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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.”

Title 19 O.S. § 180.43 D. states, “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 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. The State Auditor and Inspector shall conduct an audit of the report in the same manner as other public records of the county. Nothing in this subsection shall circumvent the provisions of Section 73 of Title 7 of the Oklahoma Statutes.”

Title 22 O.S. § 1325 A. states, “Any sheriff's office or campus police agency as authorized under the Oklahoma Campus Security Act is authorized to dispose of by public sale, destruction, donation, or transfer for use to a governmental subdivision personal property which has come into its possession, or deposit in a special fund, as hereafter provided, all money or legal tender of the United States which has come into its possession, whether the property or money be stolen, embezzled, lost, abandoned or otherwise, the owner of the property or money being unknown or not having claimed the same, and which the sheriff or campus police agency has held for at least six (6) months, and such property or money, or any part thereof, being no longer needed to be held as evidence or otherwise used in connection with any litigation.”

Finding 2015-8 - Inadequate Internal Controls and Noncompliance Over Consumable Inventories

Condition: Upon inquiry and observation of the consumable inventory records, and test of consumable items, the following deficiency was noted:

- District 1 County Commissioner has not maintained accurate records of consumable inventory.
- Three (3) of the ten (10) items selected the quantity on hand did not agree to the inventory records.

Consumable Item	Amount on Inventory	Amount Visually Verified	Variance
18' Poly Pipe	276 ft.	96 ft.	(180) ft.
24" Poly Pipe	166 ft.	144 ft.	(22) ft.
3x12x20 Lumber	480 ft.	7,200 ft.	6,720 ft.

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

Effect of Condition: This condition has 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 that the County implement policies and procedures to ensure compliance with 19 O.S. § 1504A, which would provide assurance that the consumable items of the County are protected from loss and misuse.

Management Response:

District 1 County Commissioner: The correct inventory did not get transferred. We will correct any variance concerning consumable inventory.

Criteria: Internal controls over safeguarding of assets constitute a process, affected by an entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from misappropriation.

Title 19 O.S. § 1504A provides guidance with regard to accounting for the consumable items.



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