



MAJOR COUNTY

Operational Audit

For the fiscal year ended June 30, 2017

Cindy Byrd, CPA
State Auditor & Inspector

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

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June 25, 2019

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

Transmitted herewith is the audit report of Major County for the fiscal year ended June 30, 2017.

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

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

Sincerely,



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR



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

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

Board of County Commissioners

District 1 – John Haworth
District 2 – Kent Schlotthauer
District 3 – Travis Rohla

County Assessor

Donise Rogers

County Clerk

Kathy McClure

County Sheriff

Steven Randolph

County Treasurer

Darinda Edwards

Court Clerk

Shauna Hoffman

District Attorney

Chris Boring

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

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. These funds are accounted for in the Free Fair Sales Tax Fund, OSU Sales Tax Fund, and the Courthouse Sales Tax Fund.

Sales Tax of January 14, 2014

The voters of Major County also approved a one-half of one cent (.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 and operation and capital expenditures. These funds are accounted for in the Sheriff Sales Tax Fund.

Sales Tax of March 1, 2016

The voters of Major County approved a one-half of one cent (.50) county sales tax on March 1, 2016 with an effective date of July 1, 2016 for a duration of ten (10) years or until July 1, 2026 and then decreasing to one-quarter of one cent (.25) thereafter for an unlimited duration of time. This sales tax was established for the purpose of funding the fire departments stationed within the boundaries of Major County. These funds are accounted for in the Ames FD Sales Tax, Cleo FD Sales Tax, Fairview FD Sales Tax, Isabella FD Sales Tax, Meno FD Sales Tax, Orion FD Sales Tax, Ringwood FD Sales Tax, Seiling FD Sales Tax, and Major County Fire Reserve funds.

During the fiscal year, the County collected \$1,617,921 in total sales tax.

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

Presentation of Apportionments, Disbursements, and Cash Balances of County Funds for the Fiscal Year Ended June 30, 2017

	Beginning Cash Balances July 1, 2016	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2017
Combining Information:				
County Funds:				
County General Fund	\$ 1,045,822	\$ 1,645,368	\$ 1,448,029	\$ 1,243,161
County Highway Cash	1,872,427	3,546,437	3,407,495	2,011,369
County Health Department	198,851	163,861	107,614	255,098
Resale Property	72,394	32,823	16,813	88,404
Sheriff Service Fee	69,045	84,594	70,191	83,448
County Clerk Lien Fee	87,374	53,587	30,372	110,589
Treasurer Mortgage Tax Certification Fee	8,796	1,500	1,277	9,019
Contract Board of Prisoners	18,215	7,504	4,985	20,734
OBA Donations for Court Areas	79	-	-	79
Assessor Revolving Fee	20,676	10,531	5,412	25,795
Courthouse Security	30,006	14,660	15,142	29,524
Special Response Team	5,126	22	5,108	40
Sheriff DARE	1,099	-	-	1,099
County Clerk Records Preservation Fee	39,303	28,125	10,543	56,885
Sales Tax Revolving Fund	2,649	-	-	2,649
Sheriff Commissary Fund	22,089	5,258	8,087	19,260
County Reward Fund	36	-	-	36
Wireless 911	9,498	161,015	142,704	27,809
LEPC Preparedness Fund	890	-	318	572
Major County LEPC Grant	1,227	1,000	706	1,521
Sheriff Sales Tax Fund	58,717	679,569	505,270	233,016
Free Fair Sales Tax Fund	120,398	134,343	65,677	189,064
OSU Sales Tax Fund	8,935	37,651	34,672	11,914
Courthouse Sales Tax Fund	179,647	175,694	52,453	302,888
Ames FD Sales Tax	-	74,968	637	74,331
Cleo FD Sales Tax	-	74,968	1,297	73,671
Fairview FD Sales Tax	-	74,968	32,121	42,847
Isabella FD Sales Tax	-	74,968	2,480	72,488
Meno FD Sales Tax	-	74,968	2,333	72,635
Orion FD Sales Tax	-	74,968	8,099	66,869
Ringwood FD Sales Tax	-	74,968	5,694	69,274
Seiling FD Sales Tax	-	37,484	-	37,484
Major County Fire Reserve	-	37,484	6,816	30,668
EMPG	-	5,443	1,626	3,817
Court Clerk Revolving Cash Fund	-	592	592	-
Combined Total - All County Funds	\$ 3,873,299	\$ 7,389,321	\$ 5,994,563	\$ 5,268,057

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

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

Description of County Funds

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

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

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

County Highway 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 disposition of same as restricted by state statute.

Sheriff Service Fee – accounts for the collection and disbursement 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 collections 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 Revolving Fee – accounts for the collection of fees for copies and disbursements as 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
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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 perform 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.

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 disbursed 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 the 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
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Ames FD Sales Tax – accounts for sales tax collections to be disbursed according to the sales tax ballot requirements for funding the Ames Fire Department.

Cleo FD Sales Tax – accounts for sales tax collections to be disbursed according to the sales tax ballot requirements for funding the Cleo Springs Fire Department.

Fairview FD Sales Tax – accounts for sales tax collections to be disbursed according to the sales tax ballot requirements for funding the Fairview Fire Department.

Isabella FD Sales Tax – accounts for sales tax collections to be disbursed according to the sales tax ballot requirements for funding the Isabella Fire Department.

Meno FD Sales Tax – accounts for sales tax collections to be disbursed according to the sales tax ballot requirements for funding the Meno Fire Department.

Orion FD Sales Tax – accounts for sales tax collections to be disbursed according to the sales tax ballot requirements for funding the Orion Fire Department.

Ringwood FD Sales Tax – accounts for sales tax collections to be disbursed according to the sales tax ballot requirements for funding the Ringwood Fire Department.

Seiling FD Sales Tax – accounts for sales tax collections to be disbursed according to the sales tax ballot requirements for funding the Seiling Fire Department.

Major County Fire Reserve – accounts for sales tax collections to be disbursed according to the sales tax ballot requirements for funding of joint expenditures for Fire Departments stationed within the boundaries of Major County.

EMPG – accounts for Federal grant money to enhance the County's Emergency Management.

Court Clerk Revolving Cash Fund – accounts for funds deposited by the Court Clerk and disbursed for Safety Awards for Court Clerk employees.

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

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 1,045,822	\$ 1,045,822	\$ -
Less: Prior Year Outstanding Warrants	(75,538)	(75,538)	-
Less: Prior Year Encumbrances	(66,405)	(55,617)	10,788
Beginning Cash Balances, Budgetary Basis	903,879	914,667	10,788
Receipts:			
Ad Valorem Taxes	1,048,586	1,092,123	43,537
Charges for Services	-	175,049	175,049
Intergovernmental Revenues	-	306,853	306,853
Miscellaneous Revenues	-	71,343	71,343
Total Receipts, Budgetary Basis	1,048,586	1,645,368	596,782
Expenditures:			
District Attorney - County	2,000	2,000	-
County Sheriff	97,297	91,296	6,001
County Treasurer	105,896	103,374	2,522
County Clerk	192,697	186,719	5,978
Court Clerk	156,852	132,096	24,756
County Assessor	105,896	104,624	1,272
Revaluation of Real Property	128,600	125,134	3,466
General Government	510,215	205,663	304,552
Excise - Equalization Board	5,000	3,556	1,444
County Election Board	72,168	66,783	5,385
Insurance - Benefits	510,000	331,231	178,769
Emergency Management/911/Safety	54,900	51,908	2,992
County Audit Budget Account	10,944	1,987	8,957
Total Expenditures, Budgetary Basis	1,952,465	1,406,371	546,094
Excess of Receipts and Beginning Cash			
Balances Over Expenditures, Budgetary Basis	\$ -	1,153,664	\$ 1,153,664
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Outstanding Warrants		27,251	
Add: Current Year Encumbrances		62,246	
Ending Cash Balance		\$ 1,243,161	

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, 2017

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 198,851	\$ 198,851	\$ -
Less: Prior Year Outstanding Warrants	(701)	(701)	-
Less: Prior Year Encumbrances	(9,814)	(5,023)	4,791
Beginning Cash Balances, Budgetary Basis	188,336	193,127	4,791
Receipts:			
Ad Valorem Taxes	157,188	163,715	6,527
Intergovernmental Revenues	-	146	146
Miscellaneous Revenues	7,675	-	(7,675)
Total Receipts, Budgetary Basis	164,863	163,861	(1,002)
Expenditures:			
County Health Budget Account	353,199	132,898	220,301
Total Expenditures, Budgetary Basis	353,199	132,898	220,301
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	224,090	\$ 224,090
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		19,917	
Add: Current Year Outstanding Warrants		11,091	
Ending Cash Balance		\$ 255,098	

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

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

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, 2017. 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, 2017**

Objective 1:	To determine the receipts apportioned, disbursements, and cash balances are accurately presented on the County Treasurer's monthly reports for FY 2017.
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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 2017-005 – 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, undetected errors, or misappropriation of funds.

Recommendation: The Oklahoma State Auditor and Inspector's Office (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 reconciliation should be maintained and evidenced with initials and date.

Management Response:

County Clerk: I will start working to reconcile 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. Further, reconciliations should be performed on a monthly basis and document evidence of a review by someone other than the preparer.

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

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; however, internal controls regarding the apportionment and appropriation of sales tax collections could be strengthened.

FINDINGS AND RECOMMENDATIONS

Finding 2017-007 – Inadequate Internal Controls Over Sales Tax Apportionments and Appropriations (Repeat Finding)

Condition: Upon inquiry of the County Officials and staff, and observation of records, the following weaknesses were noted:

- The recalculation of sales tax funds apportioned and appropriated was not documented.
- The Board of County Commissioners (BOCC) has not passed a resolution specifying how the collections of the 1/4 cent sales tax approved by voters on February 8, 2011 are to be divided between O.S.U. Cooperative Extension, Major County Free Fair, and the Major County Courthouse.
- The BOCC has not passed a resolution specifying how the collections of the 1/2 cent sales tax approved by voters on March 1, 2016 are to be divided between fire departments that are stationed within the boundaries of Major County.
- Of the one-hundred and twenty-six (126) tested, one (1) instance was noted that the County Treasurer apportioned more sales tax funds than collected in the amount of \$756.
- Of the three-hundred and nineteen (319) tested, six (6) instances were noted that the County Clerk appropriated more sales tax funds than apportioned, totaling \$756.

Cause of Condition: Policies and procedures have not been designed and implemented to provide adequate internal controls over the sales tax apportionments and appropriations.

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

Recommendation: OSAI recommends the County design and implement procedures to ensure sales tax funds are properly apportioned and appropriated. Additionally, OSAI recommends the BOCC approve a resolution specifying how the sales tax collections are to be divided between the O.S.U. Cooperative Extension, the Major County Free Fair, Major County Courthouse, and the fire departments.

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

Management Response:

District 1, Chairman: The Board has passed a resolution dividing the sales tax money.

District 2: A resolution has been completed and the proper division of funds is now being correctly handled by the County Treasurer.

District 3: I was not here during this fiscal year. The board has passed a resolution to apportion sales tax money.

County Treasurer: There is now a review of sales tax apportionments and both the preparer and reviewer initial the documents. We will correct the apportionment error of the sales tax funds.

County Clerk: The County Clerk's office will implement a procedure to ensure the accuracy of appropriations entered into the system. We will correct the appropriation error of the sales tax funds.

Criteria: Accountability and stewardship are overall goals in evaluating management's accounting of funds. Internal controls should be designed and implemented to analyze and check accuracy and completeness. To help ensure proper accounting of funds, a recalculation of the sales tax apportionment should be independently performed and documented. Further, sales tax collections should 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.
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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.
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Conclusion: The County's internal controls provide reasonable assurance that expenditures, including payroll, were accurately reported in the accounting records.

The County's financial operations complied with 19 O.S. § 1505, which requires that disbursements be properly supported and charged to the appropriate fund and account.

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

All Objectives:

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

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

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

Cause of Condition: Policies and procedures have not been designed and implemented to address risks of the County, to ensure communication of their policies to employees and to monitor policies approved by management.

Effect of Condition: These conditions could result in unrecorded transactions, undetected errors, or misappropriations of funds.

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

OSAI further recommends the County address how to best ensure the proper distribution of the handbook to ensure effective communication of their policies.

Management Response:

District 1, Chairman: The Officers are meeting and using the checklist provided by the Oklahoma State Auditor and Inspector's office.

County Treasurer: The County Officers have been working on county-wide controls and have been using the Oklahoma State Auditor and Inspector's checklist.

County Clerk: The County Officers have started working on county-wide controls using the checklist provided by the Oklahoma State Auditor and Inspector's Office.

Criteria: Internal control is an integral component of an organization's management that provides reasonable assurance that the objectives of effectiveness and efficiency of operations, reliability of financial reporting and compliance with laws and regulations are being met. Internal control comprises the plans, methods, and procedures used to meet missions, goals, and objectives. Internal control also serves as the first line of defense in safeguarding assets and preventing and detecting errors and fraud. County

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management is responsible for designing a county-wide internal control system comprised of Risk Assessment, Information and Communication, and Monitoring for the achievement of these goals.

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

Information and Communication is a component of internal control which should provide for a county to run and control its operations. A county must have relevant, reliable information, both financial and nonfinancial. The information should be recorded and communicated to management and others within the county who need it and in a form and within a time frame that enables them to carry out their internal control and operational responsibilities. In addition, the county needs to make sure that the forms of communication are broad-based and that information technology management assures useful, reliable, and continuous communications.

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

REPORT ON STATUTORY COMPLIANCE – OTHER MATTERS

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, 2017:

- All County Offices - Fixed Assets procedures (19 O.S. § 178.1, 19 O.S. § 178.2, and 69 O.S. § 645).
- All County Offices - Consumable Inventories procedures (19 O.S. § 1502 and 19 O.S. § 1504).
- Court Clerk procedures (20 O.S. § 1304 and 19 O.S. § 220).
- Inmate Trust Fund procedures (19 O.S. § 531 and 19 O.S. § 180.43).

Our statutory compliance engagement was limited to the procedures related to the statutes above and was less in scope than an audit performed in accordance with generally accepted auditing standards. Accordingly, we do not express an opinion on any basic financial statement of 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.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

June 17, 2019



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

SCHEDULE OF FINDINGS AND RESPONSES

Finding 2017-008 – Inadequate Internal Controls and Noncompliance Over Inmate Trust Fund Checking Account and Sheriff Commissary Fund (Repeat Finding)

Condition: Upon inquiry of County Sheriff employees, and observation and testwork of the Inmate Trust Fund Checking Account and the Sheriff's Commissary Fund, the following weaknesses were noted:

Inmate Trust Fund Checking Account

- The Inmate Trust Fund Checking Account was not reconciled.
- Individual inmate trust fund balances are not being reconciled to the bank statement.
- Collections are not deposited daily.
- Twenty-eight (28) checks, totaling \$2,110.12, were issued to the commissary provider which is not allowable by state statute.

Sheriff Commissary Fund

- The Annual Commissary Report was not filed with the Board of County Commissioners by January 15th in accordance with state statutes.

Cause of Condition: Policies and procedures have not been designed and implemented over the County Sheriff's Inmate Trust Fund Checking Account and 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 and Sheriff Commissary Fund, there is an increased risk of misappropriation of funds.

Recommendation: OSAI recommends the following:

- Inmate Trust Fund Checking Account monies should be maintained in a manner that reflects each inmate's trust deposits, disbursements, and account balances. The inmates' trust fund balances should be reconciled to the bank statements each month.
- Bank reconciliations be performed on a monthly basis.
- All collections be deposited daily.
- Expenditures should be made from the Inmate Trust Fund Checking Account in accordance with 19 O.S. § 531 (A).
- All money should be receipted, and receipts maintained.
- 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 each year.

Management Response:

County Sheriff: I was not in office during this fiscal year, but the Inmate Trust Fund Checking Account was reconciled back to 2008 to match every check written to the bank statements. For the unknown

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reconciling adjustments, this was a user error and has been corrected. We have started depositing daily. We will issue a check to the Sheriff's Commissary Fund for inmate commissary from the Inmate Trust Fund Checking Account and get a purchase order to pay the commissary providers. We will prepare the annual commissary report and present it to the BOCC by January 15th of each year.

Criteria: Effective accounting procedures and internal controls are necessary to ensure stewardship and accountability of public funds. Safeguarding controls are an important aspect of internal controls. Safeguarding controls relate to the prevention or timely detection of unauthorized transaction and unauthorized access to assets. Failure to perform tasks that are part of internal controls, such as reconciliations not performed or not timely prepared, are deficiencies in internal control. Further, reconciliations should be approved by someone other than the preparer.

Effective internal controls should provide procedures wherein receipts for the monies collected are maintained and available for inspection and deposits are made on a daily basis.

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 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."

Finding 2017-009 – Inadequate Internal Controls and Noncompliance Over Fixed Assets Inventory

Condition: Upon inquiry and observation of fixed assets records and inventory items, the following weaknesses were noted:

District 1:

- Of the twenty (20) items tested, four (4) items were not properly marked "Property of Major County" on both sides.
- One (1) of the twenty (20) items tested was not marked with the County inventory number.

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County Sheriff:

- Annual physical inventory verification was not performed.
- Inventory records were not filed with the County Clerk.
- Of the twenty (20) items tested, two (2) items were not marked with the County inventory number.
- Of the twenty (20) items tested, eight (8) were not listed on the County inventory.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure compliance with state statutes nor to fully identify fixed assets, maintain accurate inventory records, and safeguard fixed assets.

Effect of Condition: These conditions resulted in noncompliance with state statutes and could result in inaccurate fixed asset records and misuse or loss of fixed assets.

Recommendation: OSAI recommends management implement internal controls to ensure compliance with 19 O.S. § 178.1, 19 O.S. § 178.2, and 69 O.S. § 645, by maintaining inventory records and marking assets with county identification numbers and “Property of Major County.” OSAI recommends the County perform and document a periodic inventory of fixed assets and file the review with the County Clerk.

Management Response:

District 1: District 1 will put the County ID and “Property of Major County” stickers on the equipment.

County Sheriff: I was not in office during this fiscal year, but we are currently working on our fixed asset inventory. We will complete an annual inventory verification and file it with the County Clerk.

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. § 178.1 states in part, “The board of county commissioners in each county of this state shall take, or cause to be taken, an inventory of all working tools, apparatus, machinery and equipment belonging to the county or leased or otherwise let to it or to any department thereof, other than that which is affixed to and made a part of lands and buildings, the cost of which as to each complete working unit thereof is more than Five Hundred Dollars (\$500.00), and thereafter maintain or cause to be maintained a continuous inventory record thereof and of like tools, apparatus, machinery and equipment purchased, leased or otherwise coming into the custody of the county or of any office, board, department, commission...”

Title 19 O.S. § 178.2 states in part, “It shall be the duty and responsibility of each elected county official to create and maintain inventory records of said office. Such inventory shall be filed with the county clerk.”

Title 69 O.S. § 645 requires all county owned, rented, or leased road machinery or equipment be clearly and visibly marked “Property Of...”



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