



MARSHALL COUNTY

Operational Audit

For the fiscal year ended June 30, 2017

Cindy Byrd, CPA
State Auditor & Inspector

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

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Cindy Byrd, CPA | State Auditor & Inspector

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May 13, 2019

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

Transmitted herewith is the audit report of Marshall 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,

A handwritten signature in blue ink that reads "Cindy Byrd".

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR



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

Board of County Commissioners

District 1 – Don “Salty” Melton
District 2 – Joshua Cantrell
District 3 – Chris Duroy

County Assessor

Debbie Croasdale

County Clerk

Ann Hartin

County Sheriff

Danny Cryer

County Treasurer

Laura Larkin

Court Clerk

Wanda Pearce

District Attorney

Craig Ladd

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

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**INTRODUCTORY SECTION
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Sales Tax

Sales Tax on Lodging August 27, 2002

The voters of Marshall County approved a five percent (5%) lodging tax to be collected for an unlimited duration. The proceeds from such tax shall be used for the promotion of tourism in Marshall County (20%) and the maintenance and operation of Marshall County (80%). These funds are accounted for in cash funds as reported on the County's financial statement as County General Revolving and Tourism Revolving.

Sales Tax of November 2, 2004

The voters of Marshall County approved a continuation of a 1/2 percent (.50%) sales tax on November 2, 2004 to be collected for an unlimited duration. This sales tax was established to provide revenue for the County Sheriff for the general operational expenses of the Marshall County jail. These funds are accounted for in a cash fund as reported on the County's financial statement as Sheriff Sales Tax.

Sales Tax of December 12, 2006

The voters of Marshall County approved a one percent (1%) sales tax on December 12, 2006 commencing April 1, 2009 for ten (10) years, expiring on March 30, 2019. This sales tax was established to provide revenue for the County Hospital for capital expenditures and indigent care. These funds are accounted for in a cash fund as reported on the County's financial statement as Hospital Sales Tax.

Sales Tax of June 24, 2014

The voters of Marshall County approved a permanent one quarter percent (.25%) sales tax on June 24, 2014. This sales tax was established to provide revenue for the Marshall County Fire Departments and the Marshall County Fire and Safety Association. These funds are accounted for in cash funds as reported on the County's financial statement as: Hauani Creek Volunteer Fire Department, Tri City Volunteer Fire Department, Soldier/Caney Creek Fire Department, Lebanon Volunteer Fire Department, Willis/Powell Volunteer Fire Department, Madill Fire Department, Kingston Fire Department, Enos/Cardinal Cove Volunteer Fire Department, Buncombe Creek Volunteer Fire Department, Texoma Volunteer Fire Department, and Marshall County Fire and Safety.

**MARSHALL COUNTY
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Sales Tax of October 13, 2015

The voters of Marshall County approved a one quarter percent (.25%) sales tax on October 13, 2015 to be used for the design, construction, financing, furnishing and equipping, capital facilities and improvements, equipment, fixtures, site preparation, street improvements and continuing maintenance and operations expenses for a detention facility located in Marshall County, Oklahoma. One quarter (.25%) of the one quarter cent (.25%) will terminate at 20 years from the effective date of the tax (January 1, 2016) or at the date of retirement of all debt related thereto, whichever occurs earlier; three-sixteenths (3/16) of one cent to remain for an unlimited duration for operations and maintenance of the detention facility. These funds are accounted for in a cash fund as reported on the County's financial statement as 1/4 Cent Jail-Building.

During the fiscal year the County collected \$2,794,304 in total sales tax and \$129,504 in lodging tax.

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

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

	Beginning Cash Balances July 1, 2016	Receipts Apportioned	Transfers In	Disbursements	Ending Cash Balances June 30, 2017
County Funds:					
County General Fund	\$ 1,038,406	\$ 1,967,352	\$ -	\$ 1,963,492	\$ 1,042,266
County Highway Fund	812,942	2,142,119	-	2,216,786	738,275
Sheriff Prisoner Fund	15,121	131,230	-	122,582	23,769
County Health Department	260,187	322,611	-	326,694	256,104
Resale Property	675,148	128,047	29,905	82,447	750,653
Sheriff Service Fee	18,437	65,301	-	67,768	15,970
Community Service	191	-	-	-	191
Illegal Dumping Reward	10,000	-	-	-	10,000
Emergency 911	45,978	169,087	-	188,215	26,850
County Clerk Lien Fee	55,781	10,397	-	3,095	63,083
Treasurer Mortgage Tax Certification Fee	18,365	2,465	-	333	20,497
County Clerk Preservation Fund	29,100	17,763	-	30,035	16,828
County Assessor Visual Inspection	55,057	3,054	-	2,000	56,111
Lake Texoma Law	8,516	27,840	-	28,602	7,754
Flood Plain	2,946	-	-	-	2,946
Juvenile Attendant	140	-	-	-	140
Law Enforcement Grant	1,392	-	-	-	1,392
Tourism Revolving	55,040	25,901	-	50,861	30,080
County General Revolving	570,729	103,603	-	138,611	535,721
Sheriff Dispatch Grant	14	-	-	-	14
Sheriff Commissary Fund	14,435	70,122	-	74,033	10,524
Sheriff Jail Fund	395	1,969	-	2,225	139
Community Sentencing	13,008	10,717	-	18,781	4,944
Sheriff Sales Tax	112,228	698,577	-	706,742	104,063
Cardinal Cove Volunteer Fire Department Grant	9	-	-	-	9
Enos Volunteer Fire Department Grant	25	-	-	-	25
Fair Board Center	3,156	4,984	-	3,307	4,833
Hauani Creek Volunteer Fire Department	9,779	33,182	-	24,831	18,130
Tri City Volunteer Fire Department	45,244	33,182	-	30,444	47,982
Soldier/Caney Creek Volunteer Fire Department	44,494	33,182	-	58,001	19,675
Lebanon Volunteer Fire Department	38,951	33,182	-	32,050	40,083
Marshall County Expo	694	-	-	-	694
County Bridge and Road Improvement Fund	719,896	133,935	-	305,556	548,275
Sheriff City Reimbursement	17,498	97,500	-	103,260	11,738
INCA Home Grant	1,900	-	-	-	1,900
Southern Oklaoma Development Authority Grant	270	-	-	-	270
Willis/Powell Volunteer Fire Department	33,744	33,182	-	44,679	22,247
Madill Fire Department	60,990	33,182	-	48,451	45,721
Kingston Fire Department	13,328	33,182	-	27,820	18,690
Enos/Cardinal Cove Volunteer Fire Department	60,990	33,182	-	454	93,718
Buncombe Creek Volunteer Fire Department	60,990	33,182	-	46,481	47,691
Texoma Volunteer Fire Department	60,990	33,182	-	-	94,172
Marshall County Fire & Safety Fund	25,268	17,464	-	6,213	36,519
Local Law Enforcemnet Planning Commission (LEPC)	931	5,725	-	3,588	3,068
1/4 Cent Jail - Building	59,647	349,289	-	350,345	58,591
Hospital Sales Tax	117,888	1,397,154	-	1,404,632	110,410
Court Fund Payroll	75,823	104,890	-	85,758	94,955
Combined Total - All County Funds	\$ 5,266,061	\$ 8,340,916	\$ 29,905	\$ 8,599,172	\$ 5,037,710

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

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

Description of County Funds

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

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

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

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

Sheriff Prisoner Fund – accounts for monies collected from contracts received for housing inmates and disbursements are for the purpose of maintaining the jail.

County Health Department – 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.

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 statute.

Community Service – accounts for collection of funding through the State Department of Corrections for administrative expenses and supervision of offenders.

Illegal Dumping Award – accounts for monies received from donations and expended for information that leads to the capture of illegally dumping trash.

Emergency 911 – accounts for monies received from private telephone companies for the operations of emergency 911 services.

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

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

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

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

Lake Texoma Law – accounts for monies received from the Corps of Engineers for patrolling services.

Flood Plain – accounts for monies received from the U.S. Department of Defense for flood plain management.

Juvenile Attendant – account for all grants to support the programs and services provided at the juvenile detention facility.

Law Enforcement Grant – accounts for grant monies received from the U.S. Department of Justice Local Law Enforcement Block Grant Program and disbursed in accordance with grant agreement.

Tourism Revolving – accounts for 20% of the lodging sales tax to be used for the promotion of tourism in Marshall County.

County General Revolving – accounts for 80% of the lodging sales tax to be used for the maintenance and operation of Marshall County.

Sheriff Dispatch Grant – accounts for state funds to be used for the incorporation of 911 dispatch for Marshall County.

Sheriff Commissary Fund – accounts for the collection of the sale of items to inmates and disbursements to purchase commissary goods from the vendor. Excess funds are used for jail operating expenses.

Sheriff Jail Fund – accounts for the collection of revenues for the housing of Department of Corrections' inmates and disbursements as restricted by state statute.

Community Sentencing – accounts for the collection of funding through the State Department of Corrections for administrative expenses and supervision of offenders.

Sheriff Sales Tax – accounts for sales tax collections designated for the maintenance and operation of the Marshall County Jail.

Cardinal Cove Volunteer Fire Department Grant – accounts for state grant funds received for fire equipment.

Enos Volunteer Fire Department Grant – accounts for state grant funds received for fire equipment.

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

Fair Board Center – accounts for the donations (and fund-raising activities) to be used toward the purchase of furniture, fixtures, supplies, etc. for the new Marshall County Expo facility.

Hauani Creek Volunteer Fire Department – accounts for sales tax collections and disbursements for the operation of the fire department.

Tri City Volunteer Fire Department – accounts for sales tax collections and disbursements for the operation of the fire department.

Soldier/Caney Creek Fire Department – accounts for sales tax collections and disbursements for the operation of the fire department.

Lebanon Volunteer Fire Department – accounts for sales tax collections and disbursements for the operation of the fire department.

Marshall County Expo – accounts for state grant funds received for construction of the expo building.

County Bridge and Road Improvement Fund – account for state, local, and miscellaneous receipts and disbursements for the purpose of constructing and maintaining county roads and bridges.

Sheriff City Reimbursement – accounts for collections from the cities of Madill and Kingston for housing city prisoners and disbursements are for operation of County jail.

INCA Home Grant – accounts for collection of funding through the State Department of Commerce for the construction of homes.

Southern Oklahoma Development Authority Grant – accounts for state grant funds received for repair of jail roof.

Willis/Powell Volunteer Fire Department – accounts for sales tax collections and disbursements for the operation of the fire department.

Madill Fire Department – accounts for sales tax collections and disbursements for the operation of the fire department.

Kingston Fire Department – accounts for sales tax collections and disbursements for the operation of the fire department.

Enos/Cardinal Cove Volunteer Fire Department – accounts for sales tax collections and disbursements for the operation of the fire department.

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

Buncombe Creek Volunteer Fire Department – accounts for sales tax collections and disbursements for the operation of the fire department.

Texoma Volunteer Fire Department – accounts for sales tax collections and disbursements for the operation of the fire department.

Marshall County Fire and Safety – accounts for sales tax collections and disbursements for the operation of the fire department.

Local Law Enforcement Planning Commission (LEPC) – accounts for grant monies received and the disbursement of funds for emergency planning, training, and equipment.

¼ Cent Jail – Building – accounts for sales tax collections and disbursements to build a jail or repay debt.

Hospital Sales Tax – account for sales tax collections and disbursed to the Hospital for operations as approved by the voters of Marshall County.

Court Fund Payroll – accounts for payroll and unemployment for the office of the Court Clerk.

Interfund Transfer

During the year, the County made the following transfer between cash funds.

- \$29,905 was transferred from the Excess Resale Fund (a trust and agency fund) into the Resale Property fund in accordance with 68 O.S. § 3131(C).

**MARSHALL COUNTY, OKLAHOMA
 COMBINING 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	\$ 1,049,154	\$ 1,038,406	\$ (10,748)
Less: Prior Year Outstanding Warrants	(78,165)	(78,165)	-
Less: Prior Year Encumbrances	(62,955)	(60,535)	2,420
Beginning Cash Balances, Budgetary Basis	908,034	899,706	(8,328)
Total Receipts, Budgetary Basis	1,887,484	1,967,352	79,868
Total Expenditures, Budgetary Basis	2,795,518	1,985,022	810,496
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	882,036	\$ 882,036
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Outstanding Warrants		84,323	
Add: Current Year Encumbrances		75,907	
Ending Cash Balance		\$ 1,042,266	

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

**MARSHALL 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	\$ 274,578	\$ 260,187	\$ (14,391)
Less: Prior Year Outstanding Warrants	(29)	-	29
Less: Prior Year Encumbrances	(65,387)	(64,548)	839
Beginning Cash Balances, Budgetary Basis	209,162	195,639	(13,523)
 Total Receipts, Budgetary Basis	 307,345	 322,611	 15,266
 Total Expenditures, Budgetary Basis	 516,507	 280,688	 235,819
 Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	 \$ -	 237,562	 \$ 237,562
 Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		18,157	
Add: Current Year Outstanding Warrants		385	
Ending Cash Balance		\$ 256,104	

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

PURPOSE, SCOPE, AND GENERAL METHODOLOGY

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

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

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

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

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

**MARSHALL 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.

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.

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

- Evaluated significant internal controls related to preparing the Treasurer's Monthly Reports, which included:
 - Reviewing a random sample of five (5) Treasurer's monthly reports (41.67% of months in the population tested) to ensure the monthly reports were signed and approved by someone other than the preparer, reconciled to the general ledger, and reconciled to the bank statement.
- Reconciled total collections from the monthly reports to the apportionment's ledger for each month and to the annual summary of the Treasurer's reports.
- Confirmed \$7,212,174 in cash receipts (86.47% of total cash receipts) received from the Oklahoma Tax Commission, Federal grantor agencies, and the State Treasurer's Office, and determined that these receipts were apportioned to the proper fund in the proper amount.
- Reconciled the general ledger of cash and investments at June 30 to the annual summary of the Treasurer's reports.
- Confirmed all cash and investment balances.
- Re-performed the June 30 bank reconciliation and confirmed reconciling items.
- Reviewed bank balances of all accounts at June 30 on the Treasurer's general ledger to ensure that investments were adequately secured as required by 62 O.S. § 517.4.
- Examined the Treasurer's total cash disbursements and compared it to the County Clerk's total checks and cash vouchers issued to ensure the totals reconciled.

FINDINGS AND RECOMMENDATIONS

Finding 2017-007 – Internal Control Weakness Over Bank Reconciliations (Repeat Finding)

Condition: Upon inquiry and the observation of records, it was noted that bank reconciliations were not reviewed and approved by someone other than the preparer.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure all accounts are reconciled, approved, and the amounts recorded on the bank accounts are complete and accurate.

**MARSHALL COUNTY
OPERATIONAL AUDIT
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Effect of Condition: The condition could result in unrecorded transactions, misstated financial reports, clerical errors, or misappropriation of funds not being detected in a timely manner.

Recommendation: The Oklahoma State Auditor and Inspector's Office (OSAI) recommends that bank reconciliations be signed and approved by someone other than the preparer.

Management Response:

County Treasurer: We will implement procedures to ensure the review of bank reconciliations.

Criteria: Accountability and stewardship are overall goals of management in accounting of funds. To help ensure a proper accounting of funds, the duties of receiving, receipting, recording, depositing cash and checks, reconciliations, and transaction authorization should be segregated. Further, all bank accounts should be reconciled in a timely manner and reconciliations should be properly reviewed.

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

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

Objective 2 Methodology: To accomplish objective 2, we performed the following:

- Evaluated significant internal controls related to sales tax, which included:
 - Reviewing sales tax collections to ensure the collection was apportioned and appropriated in accordance with the sales tax ballot and that the apportionment and appropriation were reviewed and approved.
 - Reviewing a random sample of sales tax disbursements totaling \$385,210 (13.85% 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.

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

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 provided reasonable assurance that expenditures, including payroll, were accurately reported in the accounting records.

The County’s financial operations did not comply with 19 O.S. § 1505, which prescribes the procedures for requisition, purchase, and receipt of supplies, material, and equipment.

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

- Evaluated significant internal controls related to the expending of County funds through purchase orders, which included reviewing a random sample of purchase orders totaling \$145,531 (3.81% 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 judgmental sample of 5 payroll claims (5.21% 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.
 - Ensure that the total payroll paid was compared and agreed to the payroll claim.

FINDINGS AND RECOMMENDATIONS

Finding 2017-003 — Inadequate Internal Controls and Noncompliance Over the Disbursement Process (Repeat Finding)

Condition: The audit of forty (40) disbursements reflected nine (9) disbursements were not encumbered prior the receiving of goods and/or services.

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 statute.

Effect of Condition: These conditions resulted in noncompliance with state statute, and could result in inaccurate records, incomplete information, or misappropriation of assets.

Recommendation: OSAI recommends the County implement a system of internal controls over the disbursement process to ensure compliance with state statute. Further, OSAI recommends encumbrances be made prior to the receipt of goods and/or services in accordance with 19 O.S. § 1505 (C)(3).

Management Response:

Chairman, Board of County Commissioners: The Board of County Commissioners will express to fellow County Officials the importance of county funds being encumbered prior to the receipt of goods and/or services in accordance with Oklahoma Statutes.

County Clerk: Permission to my office for the encumbrance of funds after receiving goods and services was approved by the District Attorney. We are working to ensure all offices encumber funds prior to the receiving of goods and services.

County Sheriff: Permission to my office for the County Clerk to encumber funds after receiving of goods and services was approved by the District Attorney.

Criteria: An important aspect of internal controls is the safeguarding of assets. Internal controls constitute a process affected by an entity’s governing body, management and other personnel, designed to provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, or misappropriation.

Further, Title 19 O.S. § 1505 prescribes the procedures for requisition, purchase, and receipt of supplies, material, and equipment.

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 and Monitoring have not been designed.

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

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

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

Management Response:

Chairman, Board of County Commissioners: The Board of County Commissioners will work toward assessing and identifying risks to design written county-wide controls. We have set up quarterly meetings, with all elected officials to discuss and take action regarding risk assessment and monitoring.

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

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

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

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

Other Item(s) Noted:

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

Finding 2017-002 – Inadequate Internal Controls Over Information Technology – County Clerk and County Treasurer (Repeat Finding)

Condition: Upon review of the computer systems within the offices of the County Treasurer and County Clerk, it was noted there does not appear to be adequate controls in place to safeguard data from unauthorized modification, loss, or disclosure. The specifics of the condition have been sanitized to protect the County pursuant to the provision of 51 O.S. § 24A.28.

Cause of Condition: Policies and procedures have not been designed and implemented to prevent unauthorized access to data.

Effect of Condition: This condition could result in compromised security for the computers, computer programs, and data.

Recommendation: OSAI recommends the County comply with the best practices presented in the criteria. The specifics of the recommendation have been sanitized to protect the County pursuant to the provision of 51 O.S. § 24A.28.

Management Response:

County Treasurer: I will implement controls.

County Clerk: I will implement controls.

Criteria: According to the standards of the Information Systems Audit and Control Association (CobiT, Deliver and Support Ds5), the need to maintain the integrity of information and protect IT assets requires a security management process. This process includes establishing and maintaining IT security roles and responsibilities, policies, standards, and procedures. Security management also includes performing

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security monitoring and periodic testing and implementing corrective actions for identified security weaknesses or incidents. Effective security management protects all IT assets to minimize the business impact of security vulnerabilities and incidents.

REPORT ON STATUTORY COMPLIANCE – OTHER MATTERS

Marshall County
Board of County Commissioners
Marshall County Courthouse
Madill, Oklahoma 73446

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 Marshall 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

May 9, 2019



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SCHEDULE OF FINDINGS AND RESPONSES

Finding 2017-004 – Inadequate Internal Controls and Noncompliance Over Inmate Trust Fund Checking Account and Sheriff Commissary (Repeat Finding)

Condition: Upon inquiry and observation of the Inmate Trust Fund Checking Account and Sheriff Commissary, one individual is primarily responsible for inputting inmate deposits into the Commissary system, preparing deposit slips, depositing with the financial institution, preparing checks, posting transactions to inmate records, and reconciling the Inmate Trust Fund Checking Account ledger to the bank statement at the end of each month.

Also, the County Sheriff did not file an annual report for the Sheriff Commissary with the Board of County Commissioners by January 15, 2016.

Cause of Condition: Procedures have not been designed and implemented to ensure that controls are in place with regards to the Inmate Trust Fund Checking Account and Sheriff Commissary.

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, misstated financial reports, clerical errors, or misappropriation of funds not being detected in a timely manner. Further, this condition resulted in noncompliance with state statutes.

Recommendation: OSAI recommends management be aware of these conditions and realize that a concentration of duties and responsibilities 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. Also, it is recommended that someone other than the preparer review the monthly bank reconciliation.

Further, OSAI recommends the County Sheriff file an annual report for the Commissary Fund with the Board of County Commissioners in accordance with 19 O.S. §180.43(D).

Management Response:

County Sheriff: We will work to rectify these issues.

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 transactions. To help ensure a proper accounting of funds, the duties of processing and authorizing should be segregated. Also, internal controls should be designed to analyze and check accuracy, completeness, and authorization of disbursement calculations and/or transactions.

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

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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."

Finding 2017-005 – Inadequate Internal Controls Over the Court Clerk Revolving Fund and Court Fund Expenditure Processes (Repeat Finding)

Condition: Upon inquiry and observation of the Court Clerk Revolving Fund, it was noted that the Court Clerk solely performs key duties with no independent verification of accuracy. The Court Clerk initiates and prepares the claim, attaches and verifies supporting documentation to claim, signs the claim along with the District Judge or Associate District Judge, prepares the purchase order that must be attached to the claim for the County Clerk, and prepares the Court Clerk Revolving Fund Quarterly Reports.

Further, with regards to the Court Fund, the Court Clerk initiates and prepares the claims, attaches and verifies supporting documentation to the claim, prints and signs the vouchers, mails the vouchers to the vendors, reconciles with the County Treasurer, and prepares the Court Fund Quarterly Reports.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure proper segregation of duties over both the Court Clerk Revolving Fund and the Court Fund expenditures processes.

Effect of Condition: A lack of internal controls and 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, misstated financial reports, clerical errors, or misappropriation of funds not being detected in a timely manner.

Recommendation: OSAI recommends management be aware of these conditions and determine how to implement controls over the expenditure process to safeguard assets and to properly segregate duties. OSAI further recommends implementing compensating procedures to mitigate the risks involved with a concentration of duties. Compensating procedures would include separating key processes and/or critical functions of the office and having management review and approve the accounting functions. OSAI recommends the Court Clerk design and implement policies and procedures to ensure proper internal controls over the Court Clerk Revolving Fund and the Court Fund expenditure processes in accordance with 19 O.S. § 220 and 20 O.S. § 1304.

Management Response:

Court Clerk: We will work to resolve these issues.

Criteria: Accountability and stewardship are overall goals of management in accounting of funds. Internal controls over safeguarding of assets constitute a process, affected by the entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding the prevention and detection of error and/or fraud and to safeguard an entity's assets from loss, damage, or misappropriation.

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Title 19 O.S. § 220 provides guidance with regard to the expenditure process for the Court Clerk Revolving Fund.

Title 20 O.S. § 1304 provides guidance with regard to the expenditure process for the Court Fund.

Finding 2017-013 – Inadequate Internal Controls and Noncompliance Over Fixed Asset Inventory (Repeat Finding)

Condition: Upon inquiry and observation of fixed assets inventory, we noted the following:

- The County Sheriff did not perform an annual count of fixed assets.
- The County Treasurer did not file the annual count of fixed assets with the County Clerk.

Cause of Condition: Policies and procedures have not been designed and implemented by county officers for the accurate reporting of fixed assets, as well as procedures to ensure compliance with state statutes.

Effect of Condition: This condition could result in misuse or loss of equipment.

Recommendation: OSAI recommends that management implement a system of internal controls to ensure compliance with 19 O.S. § 178.1 and 19 O.S. § 178.2. Further, yearly counts of fixed asset items should be filed with the County Clerk.

Management Response:

County Sheriff: We will perform an annual count of fixed assets and maintain signed documentation of and file a copy with the County Clerk.

County Treasurer: We will maintain signed documentation of a periodic fixed assets inventory count and file a copy with the County Clerk.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. An important aspect of internal controls is the safeguarding of assets. Internal controls over safeguarding of assets constitute a process, affected by an entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from misappropriation.

Title 19 O.S. § 178.1 requires the board of county commissioners in each county of this state to take or cause to be taken, an inventory of all working tools, apparatus, machinery and equipment.

Title 19 O.S. § 178.2, which prescribes, "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."

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



Cindy Byrd, CPA | State Auditor & Inspector

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