

OPERATIONAL AUDIT

MARSHALL COUNTY

For the fiscal year ended June 30, 2015



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

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

This publication, issued by the Oklahoma State Auditor and Inspector's Office as authorized by 19 O.S. § 171, has not been printed, but is available on the agency's website (www.sai.ok.gov) and in the Oklahoma Department of Libraries Publications Clearinghouse Digital Prairie Collection (<http://digitalprairie.ok.gov/cdm/search/collection/audits/>) pursuant to 65 O.S. § 3-114.



Oklahoma State Auditor & Inspector

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

January 23, 2017

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

Transmitted herewith is the audit report of Marshall 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, reading "Gary A. Jones". The signature is fluid and cursive, with the first name "Gary" being the most prominent.

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

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

TABLE OF CONTENTS

OPERATIONAL AUDIT REPORT

Introductory Section (Unaudited)

Statistical Information.....	ii
County Officials.....	iii
Ad Valorem Tax Distribution	iv
Sales Tax Distribution.....	v
Assessed Value of Property Trend Analysis.....	vi
County Payroll Expenditures Analysis	vii
County General Fund Analysis	viii
County Highway Fund Analysis	ix

Presentation of Apportionments, Disbursements, and Cash Balances of County Funds for Fiscal Year Ended June 30, 2015	1
---	---

Description of County Funds and Transfers	2
---	---

Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis—General Fund	6
--	---

Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis—County Health Department Fund.....	7
--	---

Purpose, Scope, and Sample Methodology.....	8
---	---

Objectives and Results of Operational Audit.....	9
--	---

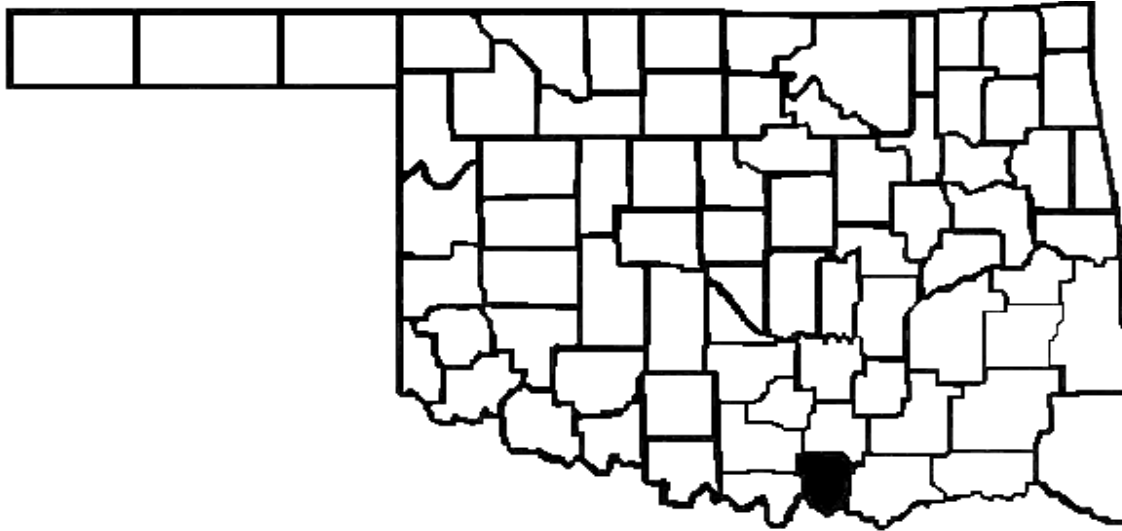
REPORT ON STATUTORY COMPLIANCE - OTHER MATTERS

Statutory Report.....	14
-----------------------	----

Schedule of Findings and Responses	15
--	----

INTRODUCTORY SECTION
UNAUDITED INFORMATION ON PAGES ii - ix
PRESENTED FOR INFORMATIONAL PURPOSES ONLY

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



Created at statehood from Pickens County in the Chickasaw Nation, Indian Territory, this smallest county in the state was settled by the Chickasaws beginning in 1837 with the removal from their eastern homes. A member of the Oklahoma Constitutional Convention, George A. Henshaw of Madill, succeeded in giving the county his mother's maiden name, Marshall. The county seat, Madill is named for George A. Madill of St. Louis, an attorney for the railroad.

Oil has played a colorful part in the county's history. Leases along the Red River led to the United States Supreme Court's final decision in the boundary dispute with Texas. Principal industries in the county are: Oklahoma Steel and Wire, W.W. Trailer, Clint Williams-Texoma Peanut Co., Madill Equipment, S & H Trailer, J & I Manufacturing and Contract Manufacturing. Also important are oil, agriculture, livestock, and tourism.

The Denison Dam, completed in 1944, created Lake Texoma with 91,200 acres of water. This lake attracts some 500,000 visitors annually and has made tourism a major industry in the county.

Native son, Raymond D. Gary of Madill, brought the spotlight of attention to the county when he became the fifteenth governor of Oklahoma during the years 1955-1959. For more county information, call the county clerk's office at 580/795-3220.

County Seat – Madill

Area – 426.95 Square Miles

County Population – 16,182
(2014 est.)

Farms – 525

Land in Farms – 191,836 Acres

Primary Source: Oklahoma Almanac 2015-2016

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

Board of County Commissioners

District 1 – Don “Salty” Melton
District 2 – Erin Lemons
District 3 – Chris Duroy

County Assessor

Debbie Croasdale

County Clerk

Ann Hartin

County Sheriff

Ed Kent

County Treasurer

Laura Larkin

Court Clerk

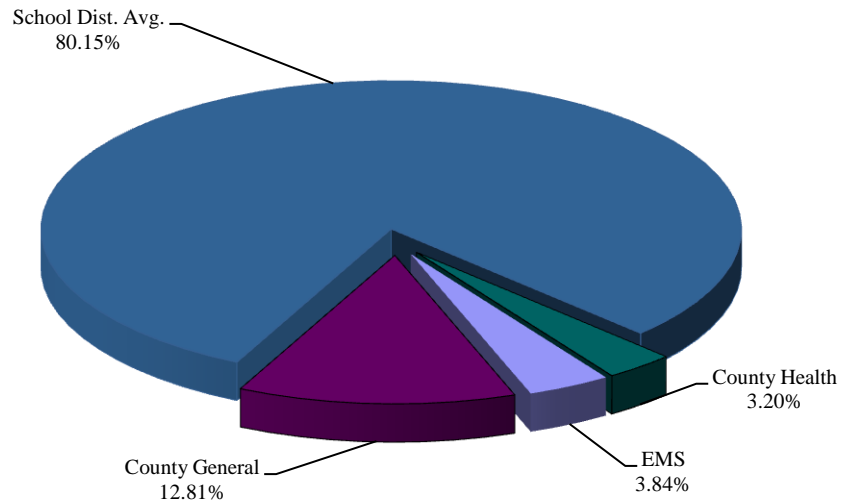
Wanda Pearce

District Attorney

Craig Ladd

**MARSHALL COUNTY, OKLAHOMA
AD VALOREM TAX DISTRIBUTION
SHARE OF THE AVERAGE MILLAGE
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.	Common	Total
County General	10.33							
County Health	2.58	Madill	I-2	36.08	5.15	19.22	4.13	64.58
EMS	3.10	Kingston	I-3	36.26	5.18	19.17	4.13	64.74

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

Sales Tax

Sales Tax on Lodging August 27, 2002

The voters of Marshall County approved a five percent (5%) sales tax on all lodging in the County 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 statements as County General Revolving and Tourism Revolving funds.

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. 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 cash funds as reported on the County's financial statements as Sheriff Sales Tax fund.

Sales Tax of December 12, 2006

The voters of Marshall County also approved a one percent (1%) sales tax on December 12, 2006. This sales tax was established to provide revenue for the County Hospital for capital expenditures and indigent care. These funds are accounted for in the trust and agency fund, County Hospital.

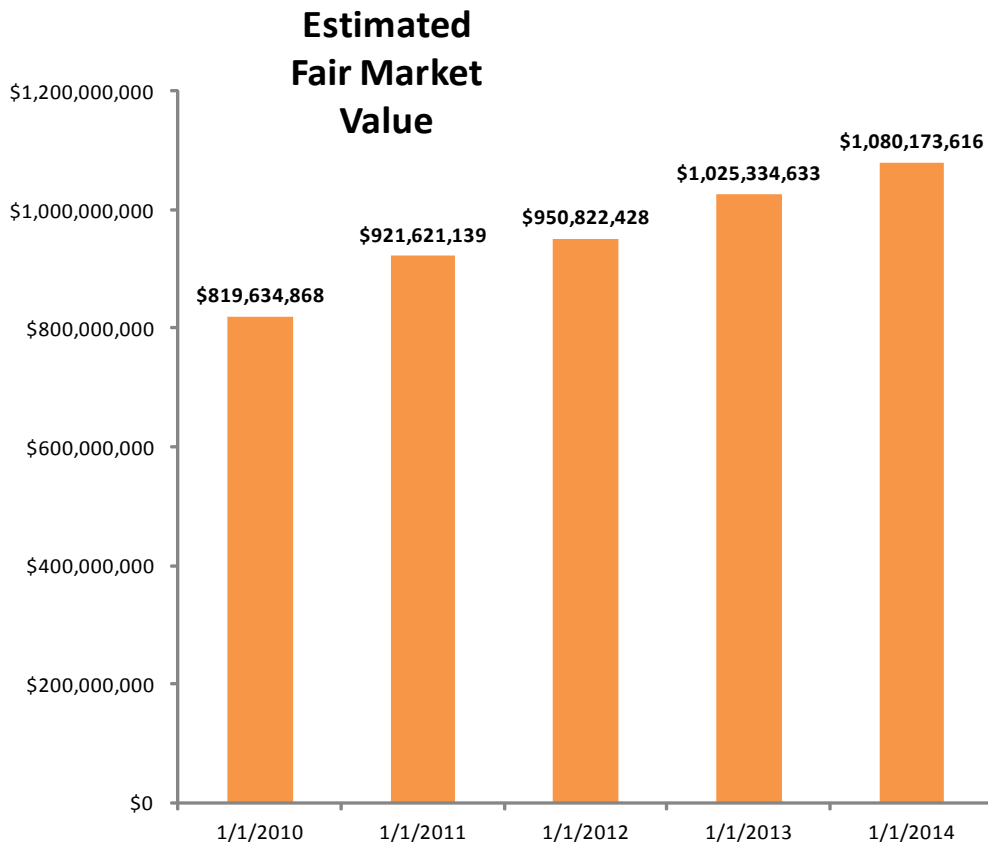
Sales Tax of June 24, 2014

The voters of Marshall County also 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 statements as: Marshall County Fire & Safety, Hauani Creek Volunteer Fire Department Grant, Tri City Volunteer Fire Department Grant, Soldier/Caney Creek Fire Department, Lebanon Volunteer Fire Department Grant, Willis/Powell Volunteer Fire Department Grant, Madill Fire Department, Texoma Volunteer Fire Department, Buncombe Creek Volunteer Fire Department, Kingston Fire Department, and Enos/Cardinal Cove Volunteer Fire Department.

During the fiscal year, the County collected \$2,620,419 in total sales tax.

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

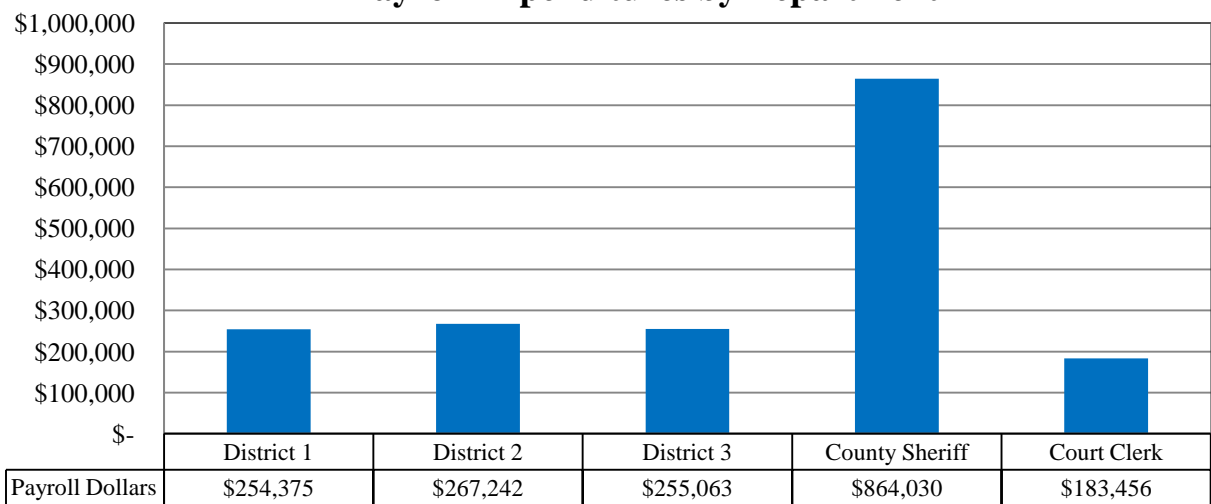
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2014	\$29,655,304	\$7,222,501	\$86,340,968	\$4,191,484	\$119,027,289	\$1,080,173,616
1/1/2013	\$26,064,856	\$7,638,349	\$83,946,125	\$4,174,676	\$113,474,654	\$1,025,334,633
1/1/2012	\$21,975,316	\$8,201,022	\$79,786,068	\$4,067,017	\$105,895,389	\$950,822,428
1/1/2011	\$21,561,657	\$8,311,046	\$76,846,115	\$4,096,829	\$102,621,989	\$921,621,139
1/1/2010	\$17,842,791	\$6,316,602	\$70,436,940	\$3,932,180	\$90,664,153	\$819,634,868



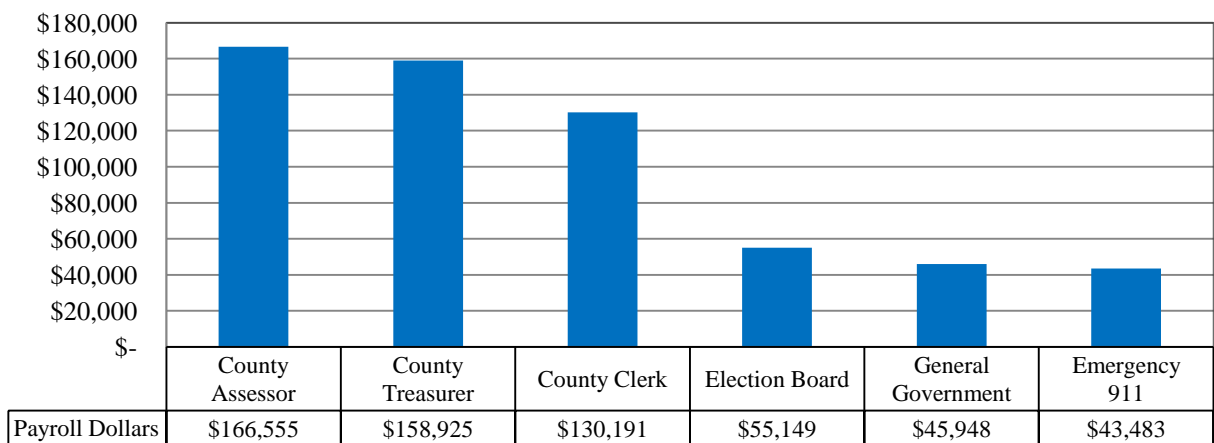
**MARSHALL COUNTY, OKLAHOMA
COUNTY PAYROLL EXPENDITURES ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

County officers' salaries are based upon the assessed valuation and population of the counties. State statutes provide guidelines for establishing elected officers' salaries. The Board of County Commissioners sets the salaries for all elected county officials within the limits set by the statutes. The designated deputy or assistant's salary cannot exceed the principal officer's salary. Salaries for other deputies or assistants cannot exceed the principal officer's salary. The information presented below is for the fiscal year ended June 30, 2015.

Payroll Expenditures by Department



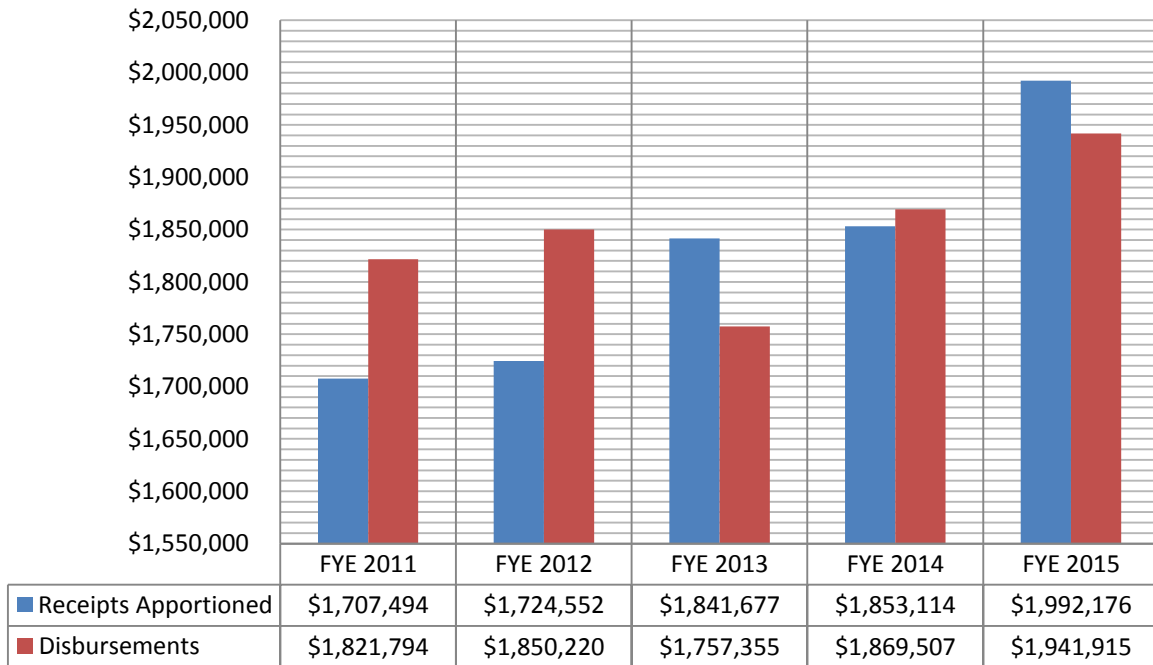
Payroll Expenditures by Department



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

County General Fund

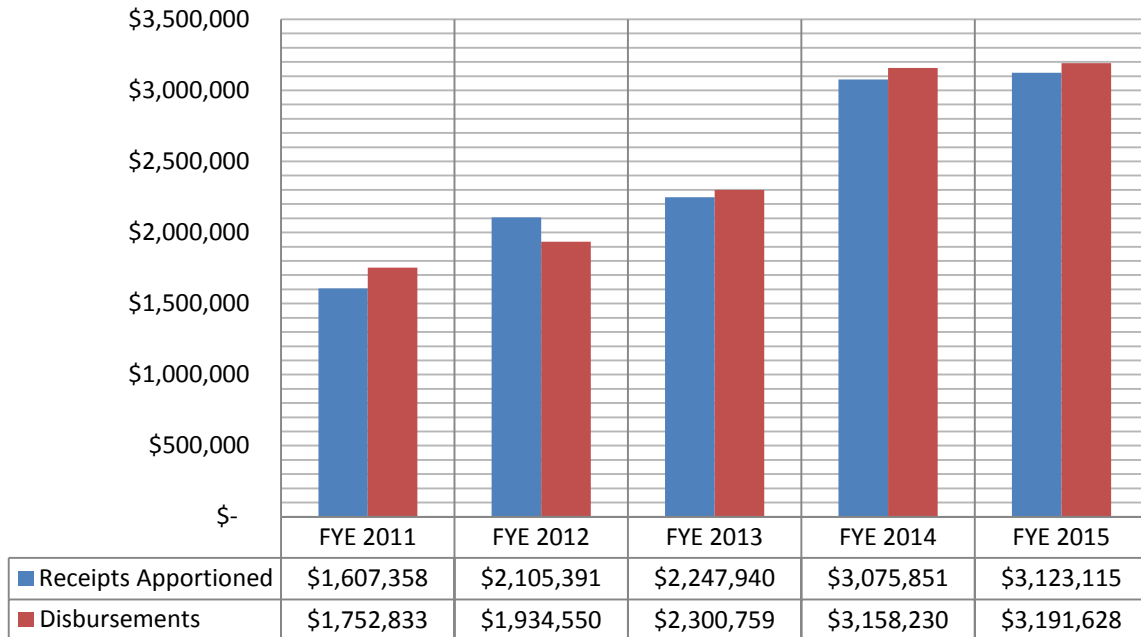
The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the county's primary source of operating revenue. The County General Fund is typically used for county employees' salaries plus many expenses for county maintenance and operation. It also 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.



**MARSHALL 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.



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

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

	Beginning Cash Balances July 1, 2014	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2015
Combining Information:						
Major Funds:						
County General Fund	\$ 1,089,567	\$ 1,992,176	\$ -	\$ -	\$ 1,941,915	\$ 1,139,828
County Highway Fund	1,050,506	3,123,115	200,000	-	3,191,628	1,181,993
Sheriff Prisoner Fund	68,244	129,724	-	-	152,525	45,443
County Health Fund	289,864	307,556	-	-	254,888	342,532
Resale Property	525,124	125,499	1,678	-	40,920	611,381
Sheriff Service Fee	18,228	62,986	-	-	61,793	19,421
Community Service	192	-	-	-	-	192
Illegal Dumping Reward	10,000	-	-	-	-	10,000
Emergency 911	107,292	178,650	-	-	254,214	31,728
County Clerk Lien Fee	67,137	13,484	-	-	14,119	66,502
Treasurer Mortgage Tax Certification Fee	17,961	2,230	-	-	3,808	16,383
County Clerk Preservation Fund	33,444	22,633	-	-	14,681	41,396
County Assessor Visual Inspection	47,915	4,264	-	-	-	52,179
Lake Texoma Law	6,331	27,840	-	-	28,469	5,702
Flood Plain	2,947	-	-	-	-	2,947
Juvenile Attendant	140	-	-	-	-	140
Law Enforcement Grant	1,392	-	-	-	-	1,392
Tourism Revolving	45,996	29,492	-	-	18,233	57,255
County General Revolving	577,771	117,969	-	-	141,314	554,426
Sheriff Dispatch Grant	14	-	-	-	-	14
Sheriff Commissary Fund	14,288	58,611	-	-	61,451	11,448
Sheriff Jail Fund	2,239	6,224	-	-	7,589	874
Community Sentencing	45,206	23,740	-	-	55,867	13,079
Sheriff Sales Tax	157,582	804,632	-	-	827,947	134,267
Cardinal Cove Volunteer Fire Department Grant	9	-	-	-	-	9
Enos Volunteer Fire Department Grant	25	-	-	-	-	25
Fair Board Center	4,271	1,240	-	-	-	5,511
Hauani Creek Volunteer Fire Department Grant	5	20,563	-	-	3,960	16,608
Tri City Volunteer Fire Department Grant	5	20,563	-	-	-	20,568
Soldier/Caney Creek Fire Department	5	20,563	-	-	-	20,568
Lebanon Volunteer Fire Department Grant	5	20,563	-	-	7,529	13,039
Marshall County Expo	29,262	2,600	-	-	27,370	4,492
XCDBG - Water Grant	-	224,999	-	-	224,999	-
County Bridge and Road Improvement Fund	654,587	310,617	-	200,000	43,741	721,463
B-Sheriff City Reimbursement	17,921	129,694	-	-	136,890	10,725
INCA Home Grant	1,900	-	-	-	-	1,900
B-Soda Grant	270	-	-	-	-	270
Willis/Powell Volunteer Fire Department Grant	3,136	23,538	-	-	16,702	9,972
EOC Rural Economic Action Plan Grant	26,102	7,993	-	-	34,095	-
Madill Fire Department	-	20,563	-	-	-	20,563
Kingston Fire Department	-	20,563	-	-	2,685	17,878
Enos/Cardinal Cove Volunteer Fire Department	-	20,563	-	-	-	20,563
Buncombe Creek Volunteer Fire Department	-	20,563	-	-	-	20,563
Texoma Volunteer Fire Department	-	20,563	-	-	-	20,563
Marshall County Fire & Safety	-	10,822	-	-	2,596	8,226
Combined Total - All County Funds	\$ 4,916,883	\$ 7,927,395	\$ 201,678	\$ 200,000	\$ 7,571,928	\$ 5,274,028

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, 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 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 funds from contracts received for housing inmates.

County Health Fund – accounts for monies collected on behalf of the county health department from ad valorem taxes and state and local revenues.

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 disbursement of Sheriff process service fees as restricted by state statute.

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

Illegal Dumping Reward – accounts for monies received from donations and expended for information that leads to the capture of those 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 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.

County Clerk Preservation Fund – accounts for fees collected for instruments filed in the County Clerk's office as restricted by state statute for preservation of records.

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

County Assessor Visual Inspection – accounts for the receipt and disbursement of funds by the County 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 – accounts 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 used for the County Sheriff's office.

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 the Sheriff shall be permitted to expend the funds to improve or provide jail services and shall be permitted to expend any surplus for administering expenses for training equipment, travel or for capital expenditures.

Sheriff Jail Fund – accounts for the receipt of state reimbursements and disbursements are for the operation of the jail.

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, 2015**

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 Grant – accounts for sales tax collections and expenditures for the operation of the fire department.

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

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

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

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

XCDBG – Water Grant – accounts for grant funds received for water infrastructure.

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

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

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

B-Soda Grant – accounts for state grant funds received for repair of jail roof.

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

EOC Rural Economic Action Plan Grant – accounts for state grant funds received for the remodeling of the Department of Corrections building.

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

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

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

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

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

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

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

Interfund Transfers

During the fiscal year, the County made the following transfers between cash funds.

- \$1,678 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).
- \$200,000 was transferred from County Bridge and Road Improvement Fund to County Highway Fund for reimbursement for projects completed.

MARSHALL 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 Balance:	\$ 1,100,840	\$ 1,089,567	\$ (11,273)
Less: Prior Years Outstanding Warrants	(73,706)	(73,706)	-
Less: Prior Year Reserves	(67,789)	(56,983)	10,806
Beginning Cash Balances, Budgetary Basis	959,345	958,878	(467)
Receipt:			
Ad Valorem Taxes	1,157,475	1,226,735	69,260
Charges for Services	91,660	106,243	14,583
Intergovernmental Revenues	664,875	645,885	(18,990)
Miscellaneous Revenues	5,994	13,313	7,319
Total Receipts, Budgetary Basis	1,920,004	1,992,176	72,172
Expenditures:			
District Attorney	13,000	12,487	513
County Sheriff	190,909	190,569	340
County Treasurer	171,943	171,827	116
County Commissioners	279,629	275,791	3,838
OSU Extension	27,078	26,952	126
County Clerk	148,727	148,604	123
Court Clerk	115,098	112,508	2,590
County Assessor	104,124	104,122	2
Revaluation of Real Property	129,790	129,667	123
Emergency Management	25,002	-	25,002
General Government	1,563,874	688,671	875,203
Excise - Equalization Board	4,000	3,231	769
County Election Board	66,801	55,192	11,609
County Audit Budget Account	32,549	32,549	-
Free Fair Budget Account	6,825	6,825	-
Total Expenditures, Budgetary Basis	2,879,349	1,958,995	920,354
Excess of Receipts and Beginning Cash			
Balances Over Expenditures, Budgetary Basis	\$ -	992,059	\$ 992,059
Reconciliation to Statement of Receipts			
Disbursements, and Changes in Cash Balances			
Add: Current Year Reserves		71,414	
Add: Current Year Outstanding Warrants		76,355	
Ending Cash Balance		\$ 1,139,828	

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, 2015

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balance:	\$ 289,932	\$ 289,864	\$ (68)
Less: Prior Years Outstanding Warrants	(378)	-	378
Less: Prior Year Reserves	(3,946)	(3,946)	-
Beginning Cash Balances, Budgetary Basis	285,608	285,918	310
Receipts:			
Ad Valorem Taxes	289,088	306,386	17,298
Charges for Services	1,624	1,170	(454)
Total Receipts, Budgetary Basis	290,712	307,556	16,844
Expenditures:			
Health & Welfare	576,320	322,384	253,936
Total Expenditures, Budgetary Basis	576,320	322,384	253,936
Excess of Receipts and Beginning Cash Balances Over Disbursements, Budgetary Basis	\$ -	271,090	\$ 271,090
Reconciliation to Statement of Receipts Disbursements and Changes in Cash Balances:			
Add: Current Year Reserves		48,525	
Add: Current Year Outstanding Warrants		22,917	
Ending Cash Balance		\$ 342,532	

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

**MARSHALL 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.

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

**MARSHALL 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 for FY 2015; however, we noted some deficiencies in internal controls regarding the financial reporting process.

FINDINGS AND RECOMMENDATIONS

Finding 2015-7 - Internal Control Weaknesses Over Receipting Process and Bank Reconciliations

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

- The bank reconciliations are not reviewed and approved by someone other than the preparer.
- Voided receipts are 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. Further, policies and procedures have not been designed and implemented to ensure voided receipts are accurate.

Effect of Condition: This 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 & Inspector's Office (OSAI) recommends that bank reconciliations and voided receipts be signed and approved by someone other than the preparer.

Management Response:

County Treasurer: The County Treasurer will implement procedures to ensure the review of bank reconciliations, and that all voided receipts are initialed and dated by the reviewer.

Criteria: Accountability and stewardship are overall goals of management in the 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 reconciliation should be properly reviewed. Also, all voided receipts should be approved by someone other than the preparer.

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

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

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

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

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

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

Conclusion: With respect to the items tested, the County's internal controls did not provide reasonable assurance that expenditures (including payroll) were accurately reported in the accounting records and financial operations did not comply with significant laws and regulations.

FINDINGS AND RECOMMENDATIONS

Finding 2015-3 – Inadequate Internal Controls and Noncompliance Over the Disbursement Process (Repeat Finding)

Condition: The audit of forty (40) disbursements reflected the following:

- Fifteen (15) purchases orders were not encumbered before the goods or services were received.

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.

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

Effect of Condition: This condition resulted in noncompliance with state statute and could result in unrecorded transactions, undetected errors, inaccurate records, incomplete information, and misappropriation of funds.

Recommendation: OSAI recommends the County implement internal control procedures to ensure compliance with state statute.

Management Response:

County Clerk: I am aware of these conditions and we will emphasize the need for proper encumbrances of funds to all officials/departments as well as red stamp those purchase orders that are incorrect.

Chairman of the Board: 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 Sheriff: We will work to correct these issues and make sure that funds are encumbered prior to receiving the goods or services.

Criteria: An important aspect of internal control is the safeguarding of assets. 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 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. § 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 2015-1 – 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.

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

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 that 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:

Board of County Commissioners Chairman, County Clerk, and County Treasurer: We are aware of the condition and will work toward assessing and identifying risks to design written county-wide controls. We will set up quarterly meetings, with all elected officials to discuss and take action regarding risk management 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.

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.

Finding 2015-2 – Inadequate Internal Controls Over Information System Security – County Treasurer and County Clerk (Repeat Finding)

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

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

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

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

Recommendation: OSAI recommends the County comply with best practices presented in the criteria. The specifics of the recommendation has 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 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



Oklahoma State Auditor & Inspector

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

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, 2015:

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

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

January 17, 2017

**MARSHALL COUNTY, OKLAHOMA
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

SCHEDULE OF FINDINGS AND RESPONSES

Finding 2015-4 - Inadequate Internal Controls and Noncompliance Over Inmate Trust Fund Checking Account and Sheriff Commissary Fund (Repeat Finding)

Condition: Upon inquiry and observation of the Inmate Trust Fund Checking Account and Sheriff Commissary Fund, 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.

Additionally, we noted:

- The Sheriff's office does not file an annual report for the Commissary Fund with the Board of County Commissioners by January 15th of each year.
- In a test of 100% of disbursements, it was noted nine (9) checks were not issued in compliance with state statute.
- The Inmate Trust Fund Checking Account balance is not reconciled to the total of the inmates' balances.

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

Effect of Condition: These conditions resulted in noncompliance with state statutes. In addition, without proper accounting and safeguarding of the Inmate Trust Fund Checking Account, there is an increased risk of misappropriation of funds.

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 two people reconcile bank statements monthly to the inmate accounts as well as the ledger.

Further, OSAI recommends disbursements be made in accordance with 19 O.S. §531A and for the Sheriff's office to file an annual report for the Commissary Fund with the Board of County Commissioners by January 15th of each year in accordance with 19 O.S. §180.43D.

Management Response:

County Sheriff: I am aware of this condition and 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

**MARSHALL COUNTY, OKLAHOMA
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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 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 2015-5 - Inadequate Internal Controls and Noncompliance Over Fixed Assets

Condition: Upon inquiry and observation of fixed assets, we noted annual physical fixed assets inventory verifications were not retained or filed with the County Clerk’s office for the following offices:

- County Sheriff
- County Treasurer
- District 2
- District 3

Further, we noted that two (2) items in the County Assessor’s office were not identified with inventory numbers and two (2) items in District 2 were not properly marked with Property of Marshall County.

- County Assessor – Copier Canon Image Runner 3245i
- County Assessor – Copier Canon Image Runner C5240A
- District 2 – Hot Water Pressure Washer HTPW, HHS-2004
- District 2 – Zero Turn Radius 50 Riding Mower

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.

**MARSHALL COUNTY, OKLAHOMA
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Effect of Condition: This condition could result in misuse or loss of equipment in regards to fixed assets.

Recommendation: OSAI recommends that management implement internal controls to ensure compliance with 19 O.S. § 178.1 and 69 O.S. § 645 by maintaining inventory records and marking assets with county identification numbers and “Property Of.” OSAI recommends the performing and documenting a periodic inventory of fixed assets.

Management Response:

County Assessor: We will ensure that all fixed assets inventory items are marked with the assigned county asset number.

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

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

District 2: We will maintain signed documentation of a periodic fixed asset inventory count and file a copy with the County Clerk’s office. Further we will ensure that all fixed assets property is marked “Property of Marshall County.”

District 3: We will maintain signed documentation of a periodic fixed assets inventory count and file a copy with the County Clerk’s office.

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 misappropriations.

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



OFFICE OF THE STATE AUDITOR & INSPECTOR
2300 N. LINCOLN BOULEVARD, ROOM 100
OKLAHOMA CITY, OK 73105-4896

WWW.SAI.OK.GOV