

COUNTY AUDIT

MAYES COUNTY

For fiscal year ended June 30, 2013



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



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

**MAYES COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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Oklahoma State Auditor & Inspector

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

November 13, 2014

TO THE CITIZENS OF
MAYES COUNTY, OKLAHOMA

Transmitted herewith is the audit of Mayes County, Oklahoma for the fiscal year ended June 30, 2013. The audit was conducted in accordance with 19 O.S. § 171.

A report of this type can be critical in nature. Failure to report commendable features in the accounting and operating procedures of the entity should not be interpreted to mean that they do not exist.

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

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

Sincerely,

A handwritten signature in blue ink that reads "Gary A. Jones".

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

**MAYES COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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**MAYES COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

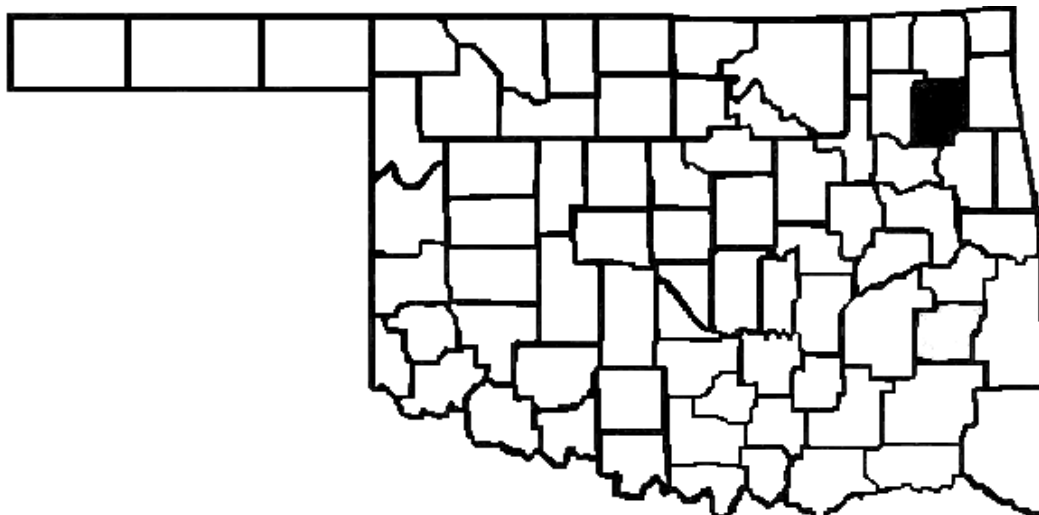
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**MAYES COUNTY, OKLAHOMA
STATISTICAL INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**



Created at statehood from lands lying within the Cherokee Nation, Indian Territory, the county was named for Samuel H. Mayes, Cherokee Chief.

The first permanent white settlement in Oklahoma was at Salina where the French established a trading post in 1769. Near Mazie is the site of Union Mission, established in 1820 by a Presbyterian missionary to the Osage Indians. The important Texas Trail followed the Grand River through the county, entering the state at the northeast corner and continuing south to the Red River.

Pryor, the county seat, was named for Nathaniel Pryor, a scout with the Lewis and Clark expedition who settled at Pryor's Creek, an Osage trading post a few miles southeast of the present town. Located 44 miles from Tulsa, Pryor is on U.S. 69 and S.H. 20, and is twenty miles from the Arkansas River Navigation Channel. Mid-America Industrial Park, the largest industrial park in the state, has more than 7,000 acres of industrial real estate and is home to nearly 80 industries.

Industry includes beef production and dairying. Major crops are soybeans, hay, sorghum, wheat, and corn.

The Mayes County Historical Society published *Historical Highlights of Mayes County*.

County Seat – Pryor

Area – 683.51 Square Miles

County Population – 41,168
(2012 est.)

Farms – 1,640

Land in Farms – 313,131 Acres

Primary Source: Oklahoma Almanac 2013-2014

Board of County Commissioners

District 1 – Alva Martin
District 2 – Darrell Yoder
District 3 – Ryan Ball

County Assessor

Lisa Melchior

County Clerk

Brittany True-Howard

County Sheriff

Mike Reed

County Treasurer

Demecia Franklin

Court Clerk

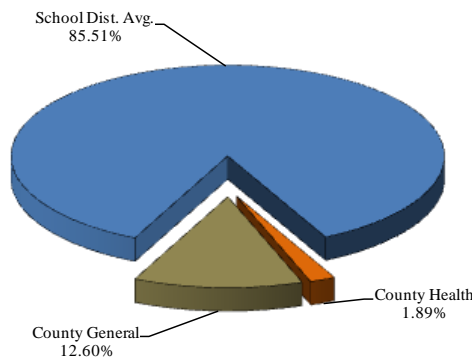
Lori Parsons

District Attorney

Janice Steidley

**MAYES COUNTY, OKLAHOMA
AD VALOREM TAX DISTRIBUTION
SHARE OF THE AVERAGE MILLAGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

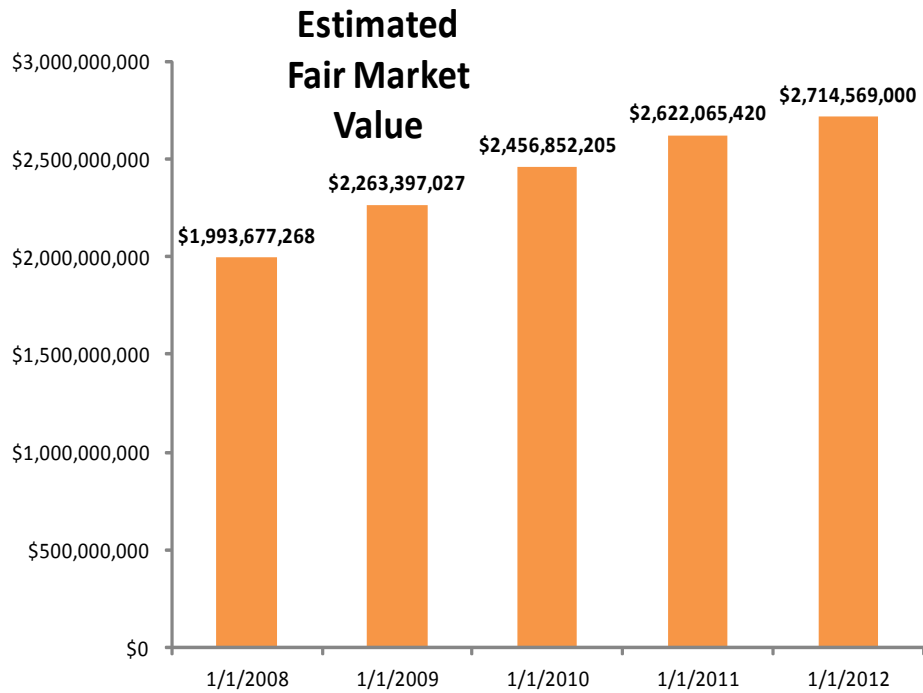
Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of a property is \$1,000.00 and the millage rate is 1.00, then the 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.	Career Tech	Common	Total
County General	10.33								
County Health	1.55								
		Pryor	I-01	35.79	5.11	16.85	11.33	4.13	73.21
		Adair	I-02	37.27	5.32	16.73	11.33	4.13	74.78
		Salina	I-16	36.18	5.17	19.14	11.33	4.13	75.95
		Locust Grove	I-17	36.47	5.21	25.80	11.33	4.13	82.94
		Chouteau-Mazie	I-32	36.07	5.15	6.66	11.33	4.13	63.34
		Spavinaw	D-21	35.99	5.14	0.00	11.33	4.13	56.59
		Wickliffe	D-35	36.46	5.21	0.00	11.33	4.13	57.13
		Osage	D-43	36.73	5.25	12.17	11.33	4.13	69.61
		Chelsea	R-3	37.00	5.29	17.75	11.33	4.13	75.50
		Inola	R-5	38.09	5.44	16.29	11.33	4.13	75.28
		Ketchum	C-6	36.15	5.16	5.94	11.33	4.13	62.71
		Big Cabin (Vinita)	C-65	37.40	5.34	18.91	11.33	4.13	77.11
		Disney (Jay)	D-1	35.79	5.11	10.91	11.33	4.13	67.27

**MAYES COUNTY, OKLAHOMA
 ASSESSED VALUE OF PROPERTY
 TREND ANALYSIS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

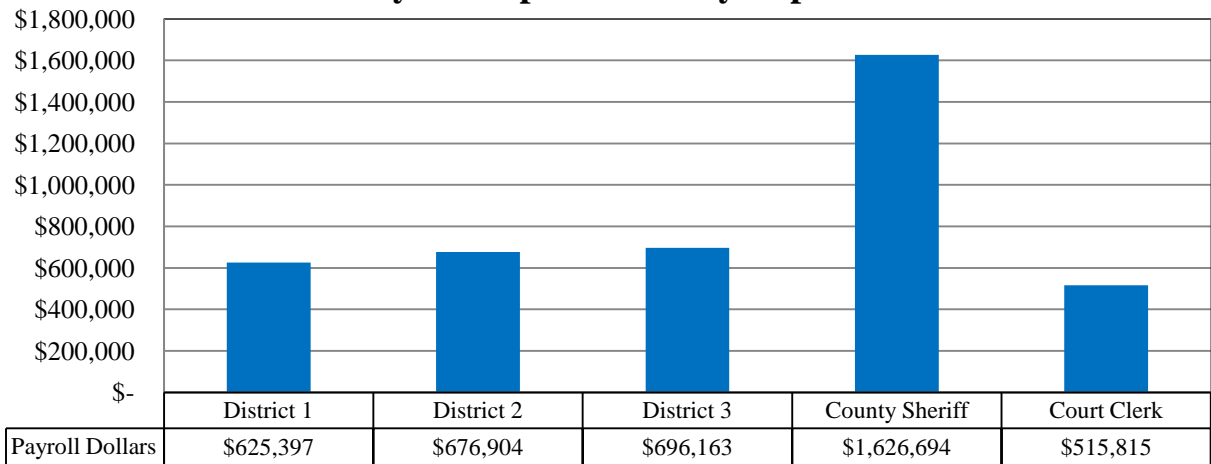
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2012	\$90,967,746	\$20,923,495	\$203,790,259	\$11,649,772	\$304,031,728	\$2,714,569,000
1/1/2011	\$83,331,157	\$22,473,482	\$199,545,390	\$11,678,702	\$293,671,327	\$2,622,065,420
1/1/2010	\$71,423,060	\$23,464,594	\$191,838,157	\$11,558,364	\$275,167,447	\$2,456,852,205
1/1/2009	\$66,492,751	\$19,233,943	\$179,048,108	\$11,274,335	\$253,500,467	\$2,263,397,027
1/1/2008	\$49,416,592	\$17,005,364	\$168,012,022	\$11,142,124	\$223,291,854	\$1,993,677,268



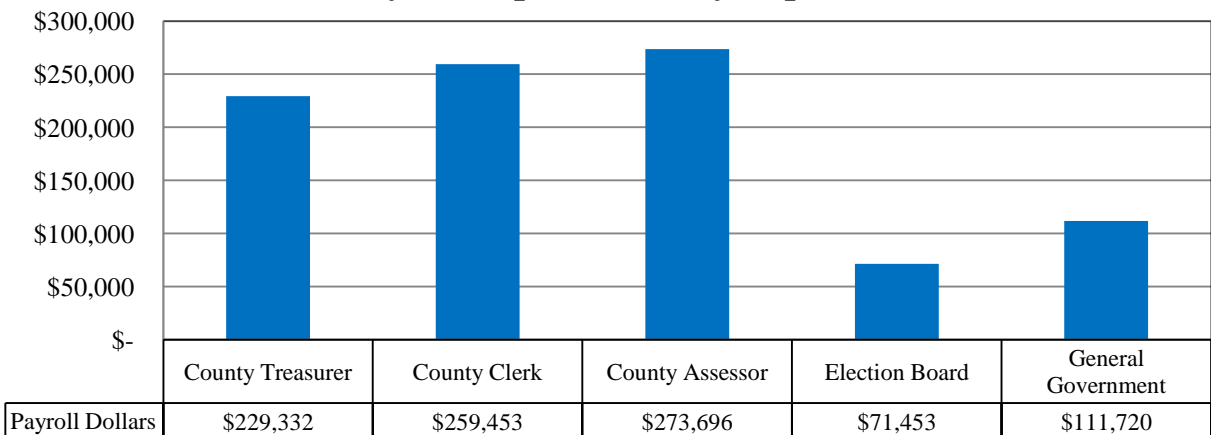
**MAYES COUNTY, OKLAHOMA
COUNTY PAYROLL EXPENDITURES ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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, 2013.

Payroll Expenditures by Department



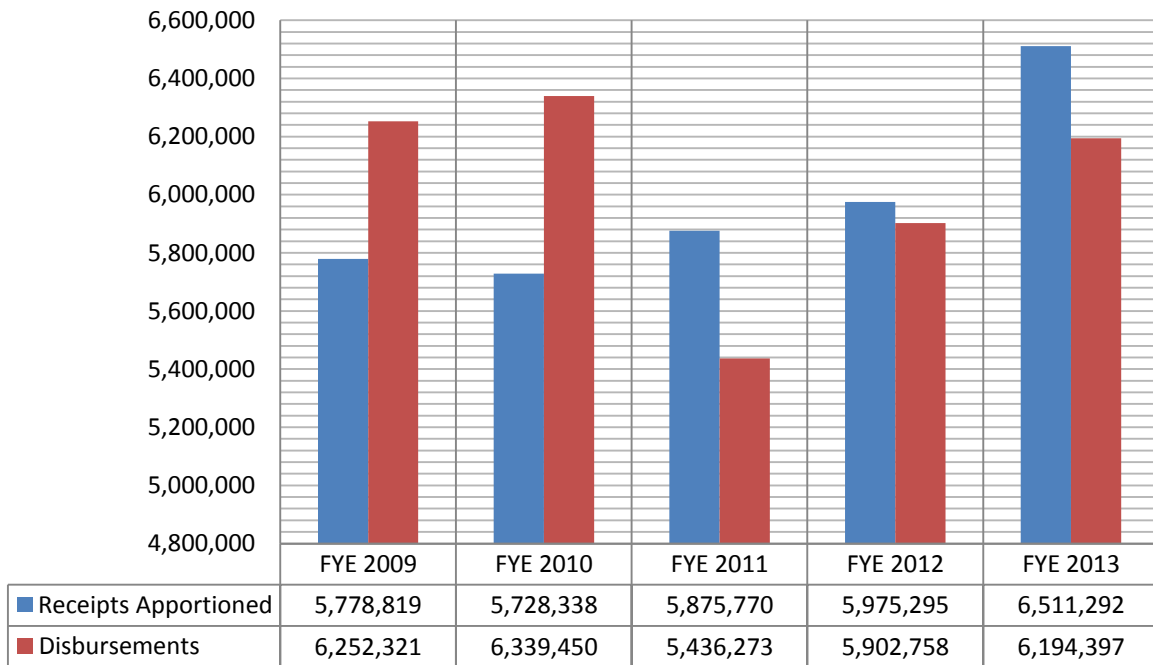
Payroll Expenditures by Department



**MAYES COUNTY, OKLAHOMA
COUNTY GENERAL FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

County General Fund

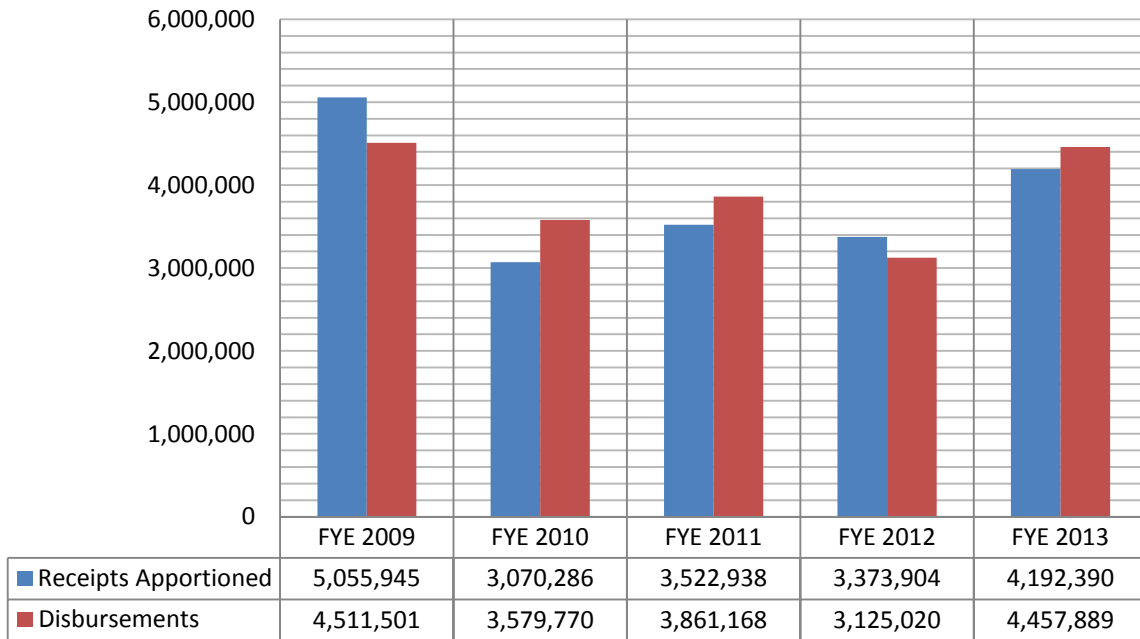
The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the county's primary source of operating revenue. The County General Fund is typically used for county employees' salaries plus many expenses for county maintenance and operation. It also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



**MAYES COUNTY, OKLAHOMA
COUNTY HIGHWAY FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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.



FINANCIAL SECTION



Oklahoma State Auditor & Inspector

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

Independent Auditor's Report

TO THE OFFICERS OF
MAYES COUNTY, OKLAHOMA

Report on the Financial Statement

We have audited the combined total—all county funds on the accompanying regulatory basis Statement of Receipts, Disbursements, and Changes in Cash Balances of Mayes County, Oklahoma, as of and for the year ended June 30, 2013, listed in the table of contents as the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the regulatory basis of accounting described in Note 1, and for determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the financial statement is prepared by Mayes County using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted accounting Principles” paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Mayes County as of June 30, 2013, or changes in its financial position for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined total of receipts, disbursements, and changes in cash balances for all county funds of Mayes County, for the year ended June 30, 2013, on the basis of accounting described in Note 1.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the combined total of all county funds on the financial statement. The Other Supplementary Information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statement.

The Other Supplementary Information, as listed in the table of contents, is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Other Supplementary Information, as listed in the table of contents, is fairly stated, in all material respects, in relation to the combined total—all county funds.

The information listed in the table of contents under Introductory Section has not been subjected to the auditing procedures applied in the audit of the financial statement, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2014, on our consideration of Mayes County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and in considering Mayes County's internal control over financial reporting and compliance.

A handwritten signature in blue ink, appearing to read "Gary A. Jones". The signature is fluid and cursive, with a long horizontal stroke at the end.

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

November 10, 2014

REGULATORY BASIS FINANCIAL STATEMENT

MAYES COUNTY, OKLAHOMA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS
(WITH COMBINING INFORMATION)—MAJOR FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Beginning Cash Balances July 1, 2012	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2013
Combing Information:						
Major Funds:						
County General Fund	\$ 1,773,224	\$ 6,511,292	\$ 650,000	\$ 650,000	\$ 6,194,397	\$ 2,090,119
Highway Cash	1,405,263	4,192,390	350,000	350,000	4,457,889	1,139,764
County Health Department	552,899	423,199	-	-	555,183	420,915
Firefighters Fund Sales Tax	1,233,585	915,140	-	-	778,439	1,370,286
County Jail Sales Tax Revolving	133,405	456,272	-	-	442,826	146,851
Public Facility Authority Sales Tax	2,597,783	1,409,515	-	-	2,524,216	1,483,082
CBRI	811,673	335,464	-	-	139,010	1,008,127
Resale Property	542,512	283,932	303,362	300,000	282,462	547,344
County Sinking	-	4	-	-	-	4
Remaining Aggregate Funds	1,209,746	1,432,661	-	-	1,622,858	1,019,549
Combined Total - All County Funds	\$ 10,260,090	\$ 15,959,869	\$ 1,303,362	\$ 1,300,000	\$ 16,997,280	\$ 9,226,041

The notes to the financial statement are an integral part of this statement.

**MAYES COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

1. Summary of Significant Accounting Policies

A. Reporting Entity

Mayes County is a subdivision of the State of Oklahoma created by the Oklahoma Constitution and regulated by Oklahoma Statutes.

The accompanying financial statement presents the receipts, disbursements, and changes in cash balances of the total of all funds under the control of the primary government. The general fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund, where its use is restricted for a specified purpose. Other funds established by statute and under the control of the primary government are also presented.

The County Treasurer collects and remits material amounts of intergovernmental revenues and ad valorem tax revenue for other budgetary entities, including school districts, and cities and towns. The cash receipts and disbursements attributable to those other entities do not appear in funds on the County's financial statement; those funds play no part in the County's operations. Any trust or agency funds maintained by the County are not included in this presentation.

B. Fund Accounting

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 included as combining information within the financial statement:

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

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

County Health Department – accounts for monies collected on behalf of the County Health Department from ad valorem taxes, and state and local revenues.

Firefighters Fund Sales Tax – revenues are from sales tax. Disbursements are at the discretion of the County Commissioners.

County Jail Sales Tax Revolving – revenues are from a county sales tax. Disbursements are for salaries at the jail.

Public Facility Authority Sales Tax – revenues are from a county sales tax. Disbursements are for payments on revenue bonds and also for improvements of county facilities.

**MAYES COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

CBRI – revenues are from the Oklahoma Department of Transportation. Disbursements are for roadways and bridges within the County.

Resale Property – revenues are from interest and penalties on ad valorem collections. Disbursements are to offset the expense of collecting delinquent ad valorem taxes.

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

C. Basis of Accounting

The financial statement is prepared on a basis of accounting wherein amounts are recognized when received or disbursed. This basis of accounting differs from accounting principles generally accepted in the United States of America, which require revenues to be recognized when they become available and measurable or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred. This regulatory basis financial presentation is not a comprehensive measure of economic condition or changes therein.

Title 19 O.S. § 171 specifies the format and presentation for Oklahoma counties to present their financial statement in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) or on a regulatory basis. The County has elected to present their financial statement on a regulatory basis in conformity with Title 19 O.S. § 171. County governments (primary only) are required to present their financial statements on a fund basis format with, at a minimum, the general fund and all other county funds, which represent ten percent or greater of total county revenue. All other funds included in the audit shall be presented in the aggregate in a combining statement.

D. Budget

Under current Oklahoma Statutes, a general fund and a county health department fund are the only funds required to adopt a formal budget. On or before the first Monday in July of each year, each officer or department head submits an estimate of needs to the governing body. The budget is approved for the respective fund by office, or department and object. The County Board of Commissioners may approve changes of appropriations within the fund by office or department and object. To increase or decrease the budget by fund requires approval by the County Excise Board.

For the highway funds and other funds, which are not required to adopt a formal budget, appropriations are made on a monthly basis, according to the funds then available.

**MAYES COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

E. Cash and Investments

For the purposes of financial reporting, "Ending Cash Balances, June 30" includes cash and cash equivalents and investments as allowed by statutes. The County pools the cash of its various funds in maintaining its bank accounts. However, cash applicable to a particular fund is readily identifiable on the County's books. The balance in the pooled cash accounts is available to meet current operating requirements.

State statutes require financial institutions with which the County maintains funds to deposit collateral securities to secure the County's deposits. The amount of collateral securities to be pledged is established by the County Treasurer; this amount must be at least the amount of the deposit to be secured, less the amount insured (by, for example, the FDIC).

The County Treasurer has been authorized by the County's governing board to make investments. Allowable investments are outlined in statutes 62 O.S. § 348.1 and § 348.3.

All investments must be backed by the full faith and credit of the United States Government, the Oklahoma State Government, fully collateralized, or fully insured. All investments as classified by state statute are nonnegotiable certificates of deposit. Nonnegotiable certificates of deposit are not subject to interest rate risk or credit risk.

2. Ad Valorem Tax

The County's property tax is levied each October 1 on the assessed value listed as of January 1 of the same year for all real and personal property located in the County, except certain exempt property. Assessed values are established by the County Assessor within the prescribed guidelines established by the Oklahoma Tax Commission and the State Equalization Board. Title 68 O.S. § 2820.A. states, ". . . Each assessor shall thereafter maintain an active and systematic program of visual inspection on a continuous basis and shall establish an inspection schedule which will result in the individual visual inspection of all taxable property within the county at least once each four (4) years."

Taxes are due on November 1 following the levy date, although they may be paid in two equal installments. If the first half is paid prior to January 1, the second half is not delinquent until April 1. Unpaid real property taxes become a lien upon said property on October 1 of each year.

3. Other Information

A. Pension Plan

Plan Description. The County contributes to the Oklahoma Public Employees Retirement Plan (the Plan), a cost-sharing, multiple-employer defined benefit pension plan administered by the

**MAYES COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Oklahoma Public Employees Retirement System (OPERS). Benefit provisions are established and amended by the Oklahoma Legislature. The Plan provides retirement, disability, and death benefits to Plan members and beneficiaries. Title 74, Sections 901 through 943, as amended, establishes the provisions of the Plan. OPERS issues a publicly available financial report that includes financial statements and supplementary information. That report may be obtained by writing OPERS, P.O. Box 53007, Oklahoma City, Oklahoma 73105 or by calling 1-800-733-9008.

Funding Policy. The contribution rates for each member category are established by the Oklahoma Legislature and are based on an actuarial calculation which is performed to determine the adequacy of contribution rates.

B. Other Post Employment Benefits (OPEB)

In addition to the pension benefits described in the Pension Plan note, OPERS provides post-retirement health care benefits of up to \$105 each for retirees who are members of an eligible group plan. These benefits are funded on a pay-as-you-go basis as part of the overall retirement benefit. OPEB expenditure and participant information is available for the state as a whole; however, information specific to the County is not available nor can it be reasonably estimated.

C. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, primarily the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time; although, the County expects such amounts, if any, to be immaterial.

As of the end of the fiscal year, there were no claims or judgments that would have a material adverse effect on the financial condition of the County; however, the outcome of any lawsuit would not be determinable.

D. Sales Tax

On December 3, 1985, Mayes County voters approved a sales tax of one-quarter of one percent (1/4%) on a permanent basis. The revenue from the sales tax is designated in trust for the establishment and operation of an ambulance service for the people of Mayes County. These funds are accounted for within the County General Fund.

In addition, on December 3, 1985, a sales tax of three-eighths of one percent (3/8%) was approved on a permanent basis for allocation specifically for the construction, maintenance and improvement of the road system of Mayes County. These funds are accounted for in the County General Fund.

**MAYES COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

On November 5, 2002, voters approved a one-quarter of one percent (1/4%) sales tax on a permanent basis to be divided equally between fourteen fire departments in Mayes County, Oklahoma. These funds are accounted for in the Firefighters Fund Sales Tax fund.

On October 14, 1997, voters approved one-half of one percent (0.5%) sales tax for the construction and maintenance of the Mayes County Jail. Three-eighths of one percent (0.375%) shall be used to pay the indebtedness incurred by the Mayes County Criminal Justice Authority to construct and equip the jail facility, and one-eighth of one percent (.125) shall continue on a permanent basis to be used for the maintenance and operation of the jail facility. These funds are accounted for in the County Jail Sales Tax Revolving fund.

On February 12, 2005, the voters approved to use the three-eighths of one percent used to construct and equip the jail facility, (on the payment in full of said indebtedness) to pay the debt service on bonds or notes issued by the Mayes County Public Facility Authority to acquire, construct and equip the Mayes County Courthouse Facility and for payment of operation and maintenance expenses on said county courthouse facility, payment of improvements for other county facilities and acquisition of land and construction of additional parking for the new county courthouse. The sales tax terminates at the earliest possible date that revenues are sufficient to retire said bonds or notes. These funds are accounted for in the Public Facility Authority Sales Tax fund.

E. Interfund Transfers

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

- The Highway Cash fund made an interfund loan to the County General Fund in the amount of \$350,000. As in accordance with 68 O.S. § 3021, the interfund loan was repaid by the County General Fund within the current year.
- The Resale Property fund made an interfund loan to the General Fund in the amount of \$300,000. As in accordance with 68 O.S. § 3021, the interfund loan was repaid by the General Fund within the current year.
- The County transferred \$3,362 from the Excess Resale Property fund, a trust and agency fund, to the Resale Property Fund as authorized by 68 O.S. § 3131.

OTHER SUPPLEMENTARY INFORMATION

**MAYES COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 1,773,224	\$ 1,773,224	\$ -
Less: Prior Year Outstanding Warrants	(64,282)	(64,282)	-
Less: Prior Year Encumbrances	(114,343)	(105,009)	9,334
Beginning Cash Balances, Budgetary Basis	<u>1,594,599</u>	<u>1,603,933</u>	<u>9,334</u>
Receipts:			
Ad Valorem Taxes	2,757,841	2,749,284	(8,557)
Charges for Services	128,769	148,008	19,239
Intergovernmental Revenues	847,839	1,246,226	398,387
Sales Tax	1,868,575	2,277,820	409,245
Miscellaneous Revenues	50,337	89,954	39,617
Total Receipts, Budgetary Basis	<u>5,653,361</u>	<u>6,511,292</u>	<u>857,931</u>
Expenditures:			
County Sheriff	1,016,041	1,015,726	315
County Treasurer	134,336	133,836	500
County Commissioners	254,514	251,309	3,205
OSU Extension	46,660	43,440	3,220
County Clerk	237,377	219,900	17,477
Court Clerk	202,014	202,014	-
County Assessor	196,646	188,942	7,704
Revaluation of Real Property	252,105	238,518	13,587
General Government	1,067,680	475,329	592,351
Excise-Equalization Board	3,500	1,850	1,650
County Election Board	94,115	87,111	7,004
Insurance - Benefits	1,098,647	1,024,573	74,074
Purchasing Agent	34,628	34,561	67
MESTA	869,759	869,759	-
Charity	300	300	-
Recording Account	12,000	6,456	5,544
Highway Budget Account	1,637,820	1,398,484	239,336
County Audit Budget Account	55,946	2,855	53,091
Free Fair Budget Account	33,872	33,872	-
Total Expenditures, Budgetary Basis	<u>7,247,960</u>	<u>6,228,835</u>	<u>1,019,125</u>

Continued on next page

**MAYES COUNTY, OKLAHOMA
 COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
 CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
 GENERAL FUND - CONTINUED
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	General Fund		
	Budget	Actual	Variance
Continued from previous page			
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	1,886,390	\$ 1,886,390
Operating Transfers:			
Operating Transfers In		650,000	
Operating Transfers Out		(650,000)	
Net Operating Transfers		-	
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Cancelled Warrants		140	
Add: Current Year Outstanding Warrants		58,251	
Add: Current Year Encumbrances		145,338	
Ending Cash Balance		\$ 2,090,119	

**MAYES 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, 2013**

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 552,899	\$ 552,899	\$ -
Less: Prior Year Outstanding Warrants	(110,785)	(110,785)	-
Less: Prior Year Encumbrances	(8,646)	(3,336)	5,310
Beginning Cash Balances, Budgetary Basis	433,468	438,778	5,310
Receipts:			
Ad Valorem Taxes	413,810	412,527	(1,283)
Charges for Services	10,025	10,076	51
Intergovernmental Revenues	-	287	287
Miscellaneous Revenues	309	309	-
Total Receipts, Budgetary Basis	424,144	423,199	(945)
Expenditures:			
Health and Welfare	857,612	580,901	276,711
Total Expenditures, Budgetary Basis	857,612	580,901	276,711
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	281,076	\$ 281,076
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		138,097	
Add: Current Year Outstanding Warrants		1,742	
Ending Cash Balance		\$ 420,915	

MAYES COUNTY, OKLAHOMA
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS—
REMAINING AGGREGATE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Beginning Cash Balances July 1, 2012	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2013
Remaining Aggregate Funds:				
Sheriff Commissary Fund	\$ 85,352	\$ 37,728	\$ 11,273	\$ 111,807
Sheriff Service Fee	271,134	401,676	404,561	268,249
Sheriff Revolving	213,607	447,015	469,196	191,426
Treasurer Mortgage Tax Certification Fee	5,008	9,265	9,911	4,362
Mayes County Community Sentencing Program (MCCSP)	107,985	44,469	86,815	65,639
County Clerk Record Management & Preservation Fee	71,619	36,250	38,906	68,963
County Clerk Lien Fee	105,346	16,960	22,898	99,408
Assessor Revolving Fund	11,199	3,925	2,796	12,328
E-911	69,761	225,987	260,845	34,903
Sheriff Community Service Sentencing Program	108,765	28,443	80,839	56,369
Flood Plain Board	1,662	700	848	1,514
Wireless E-911	139,662	180,202	215,283	104,581
County Bridge Improvements 103 (C103)	18,646	41	18,687	-
Combined Total - Remaining Aggregate Funds	\$ 1,209,746	\$ 1,432,661	\$ 1,622,858	\$ 1,019,549

**MAYES COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

1. Budgetary Schedules

The Comparative Schedules of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis for the General Fund and the County Health Department Fund present comparisons of the legally adopted budget with actual data. The "actual" data, as presented in the comparison of budget and actual, will differ from the data as presented in the Combined Statement of Receipts, Disbursements, and Changes in Cash Balances with Combining Information because of adopting certain aspects of the budgetary basis of accounting and the adjusting of encumbrances and outstanding warrants to their related budget year.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in these funds. At the end of the year unencumbered appropriations lapse.

2. Remaining County Funds

Remaining aggregate funds as presented on the financial statement are as follows:

Sheriff Commissary Fund – revenues are from profits derived from the sale of commissary items to jail inmates. Disbursements are for the operations and improvements of jail facilities.

Sheriff Service Fee – revenues are from fees charged for serving summons and notices. Disbursements are for any lawful expense of the Sheriff's office.

Sheriff Revolving – revenues are from various fees collected by the Sheriff. Disbursements are for any legal expense of the Sheriff's office.

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.

Mayes County Community Sentencing Program (MCCSP) – revenues are from a defendant pay program for participant collections. Disbursements are for expenses to operate the Community Sentencing Program.

County Clerk Record Management & Preservation Fee – accounts for fees collected for instruments filed in the County Clerk's office as restricted by statute for preservation of records.

County Clerk Lien Fee – revenues are from a fee charged by the County Clerk for filing liens. Disbursements are for any lawful expense of the County Clerk's office.

**MAYES COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Assessor Revolving Fund – revenues are from any and all fees collected by the County Assessor. Disbursements are to maintain electronic databases and geographic information systems in the Assessor’s office.

E-911 – accounts for the collection of fees charged on telephone bills for the County’s emergency 911 system. The fees go straight to Mayes County from the telephone companies. Disbursements are for expenditures related to providing these services.

Sheriff Community Service Sentencing Program – revenues are from state funds reimbursing the supervision expense of people sentenced to community service and for transporting juveniles and the disbursement of the funds as restricted by statute.

Flood Plain Board – revenues are from fees that are charged when an individual applies for a flood plain permit. Disbursements are to pay some of the Emergency Management Director’s expenses in order to operate and for a portion of the Director’s salary.

Wireless E-911 – accounts for the collection of fees charged on telephone bills for the County’s emergency 911 system. The substate planning district collects the fees and then sends them to Mayes County. Disbursements are for expenditures related to providing these services.

County Bridge Improvements 103 (C103) – revenues are from a one-time allocation of excess money from the State of Oklahoma, per legislative action. Disbursements are for bridge improvements.

INTERNAL CONTROL AND COMPLIANCE SECTION



Oklahoma State Auditor & Inspector

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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

TO THE OFFICERS OF
MAYES COUNTY, OKLAHOMA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined total—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Mayes County, Oklahoma, as of and for the year ended June 30, 2013, which comprises Mayes County's financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated November 10, 2014.

Our report included an adverse opinion on the financial statement because the statement is prepared using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. However, our report also included our opinion that the financial statement does present fairly, in all material respects, the receipts, disbursements, and changes in cash balances – regulatory basis of the County for the year ended June 30, 2013, on the basis of accounting prescribed by Oklahoma state law, described in Note 1.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered Mayes County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of Mayes County's internal control. Accordingly, we do not express an opinion on the effectiveness of Mayes County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses: 2013-1, 2013-2, 2013-11, and 2013-12.

A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses to be significant deficiency: 2013-3.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mayes County's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters regarding statutory compliance that we reported to the management of Mayes County, which are included in Section 2 of the schedule of findings and responses contained in this report.

Mayes County's Responses to Findings

Mayes County's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. Mayes County's responses were not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is also 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.



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

November 10, 2014

**MAYES COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

SECTION 1—Findings related to the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Finding 2013-1 – Inadequate Segregation of Duties – County Treasurer (Repeat Finding)

Condition: A lack of segregation of duties exists in the Treasurer’s office because all employees open mail, total remittances, receipt monies, mail billings, and prepare, sign, and post vouchers. All employees can change the tax penalty amount when a payment is made. These changes are not tracked. Furthermore, one employee receipts monies and performs the reconciliations for the County General Fund account on a daily and monthly basis.

Furthermore, while the Treasurer’s office reconciles the County’s *General* and *Depository* bank accounts on a monthly basis, the reconciliation is signed by the preparer only with no indication of a review performed by someone other than the preparer.

Cause of Condition: Policies and procedures have not been designed to adequately segregate the duties over the receiving, depositing, and reconciliation processes within the office of the County Treasurer.

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. Furthermore, a reconciliation process in which no one reviews the reconciliation performed could result in material errors in the reconciliation going undetected.

Recommendation: OSAI recommends management be aware of these conditions and realize that concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. The most effective controls lie in management’s overseeing of office operations and a periodic review of operations. OSAI recommends management provide segregation of duties so that no one employee is able to perform all accounting functions. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risks involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office, and having management review and approval of accounting functions.

Management Response:

County Treasurer: Management is aware of this condition and will work to implement compensating controls to mitigate the risk involved with a concentration of duties. We will also start initialing and dating the date that bank reconciliations are reviewed by someone other than the preparer.

Criteria: Effective internal controls require that key functions within a process be adequately segregated to allow for prevention and detection of errors and possible misappropriation of funds.

**MAYES COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Finding 2013-2 – Inadequate Internal Controls Over the Payroll Process (Repeat Finding)

Condition: Upon inquiry and observation of the County’s payroll process, it was noted that one person enrolls new employees, reviews the payroll claims, updates the master payroll file, issues and prints payroll warrants, and removes terminated employees from the system.

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

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

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

OSAI also recommends the following key account functions of the payroll process be adequately segregated:

- Posting new hires and/or making payroll changes to the payroll system.
- Maintaining personnel files.
- Preparing end of month payroll reports.

Management Response:

County Clerk: Compensating controls over payroll will be implemented where possible. The key payroll processes will be separated as much as possible and all reviews will be documented and dated. Each officer approves the payroll claims for their employees. It is their responsibility to verify who is being paid, how many employees they have, and check the wages each time they approve the claims. This is the officer’s opportunity to verify what the payroll clerk has prepared.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. Internal controls should be designed to analyze and check accuracy, completeness, and authorization of payroll calculations and/or transactions. To help ensure a proper accounting of funds, the duties of processing, authorizing, and payroll distribution should be segregated.

Finding 2013-3 – Inadequate Internal Controls and Noncompliance Over Purchasing (Repeat Finding)

Condition: While testing sixty-six (66) purchase orders, we noted the following:

- One (1) purchase order was not timely encumbered.
- One (1) purchase order did not have proper supporting documentation.

**MAYES COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Cause of Condition: The County did not follow the policies and procedures designed by state statutes regarding the purchasing process.

Effect of Condition: This condition resulted in noncompliance with state statutes, laws, regulations or legislative intent, and could result in inaccurate records, incomplete information, or a misappropriation of assets.

Recommendation: OSAI recommends that the County adhere to state purchasing guidelines. Purchase orders should be encumbered before goods or services are ordered and proper supporting documentation should be maintained.

Management Response:

County Commissioner District 1, 2, and 3: This has been corrected. We will continue to make sure that all purchase orders are timely encumbered and that we have all documentation attached.

County Clerk: I will express to fellow County Officials the importance of county funds being encumbered prior to the receipt of goods and/or services and the importance of having a receiving report attached. I will make a notation on the purchase orders that are not in compliance.

Criteria: Effective internal controls require that management properly implement procedures to ensure that purchases comply with 19 O.S. § 1505C, 19 O.S. § 1505E, and 19 O.S. § 1505F.

Finding 2013-11 – Inadequate Internal Controls Over Reporting Federal Expenditures (Repeat Finding)

Condition: Upon inquiry of County personnel, observation and review of documents regarding the reporting of federal expenditures, we identified the following Federal programs that were not listed accurately on the County’s Schedule of Expenditures of Federal Awards.

The County reported a \$1,000,000 payment from the Cherokee Nation for road and bridge construction as a federal award. Examination of available documents demonstrated that the payment was not a federal award and should not be included on the County’s Schedule of Expenditures of Federal Awards (SEFA). The County also over-reported the federal expenditures for #97.036 in the amount of \$121,082.

CFDA Number	Program	Actual Expenditures	Expenditures Reported	Expenditures Over Reported
15.226	PILOT	\$49,405.00	\$ 57,121.40	\$ 7,716.40
97.036	FEMA Disaster Grant	–	121,082.30	121,082.30
N/A	Cherokee Nation	–	1,000,000.00	1,000,000.00
Total		<u>\$49,405.00</u>	<u>\$1,00,178,203.70</u>	<u>\$ 1,128,798.70</u>

**MAYES COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Cause of Condition: The County has not designed and implemented formal internal controls for the reporting of federal expenditures. The County Clerk was not provided with accurate documentation of federal expenditures. Without accurate documentation of federal expenditures the County Clerk cannot create an accurate Schedule of Federal Awards.

Effect of Condition: Lack of internal controls over federal program expenditures could lead to erroneous reporting and/or material misstatement of the County's Schedule of Expenditures of Federal Awards, and increases the potential for material noncompliance.

Recommendation: OSAI recommends the County establish procedures to ensure all federal awards are properly accounted for and reported on the Scheduled of Expenditures of Federal Awards. OSAI also recommends that the Mayes County Board of County Commissioners assign someone from each District the responsibility of keeping accurate records of federal awards received and expended and to provide these expenditures to the County Clerk's office.

Management Response:

County Commissioner District 1, 2, and 3: We had reported the \$1,000,000 payment from the Cherokee Nation for road and bridge construction as a Federal award. We will implement controls to help make sure we are in compliance with all grant requirements and that federal funds are expended in accordance with grant agreements and in a timely manner. We will ensure that employees have the current and correct compliance supplement to work from. Furthermore, we will work with the County Treasurer's and County Clerk's offices to ensure that the federal expenditures are accurately presented on the Schedule of Expenditures of Federal Awards.

County Clerk: I will work with all County Officials that receive federal awards to ensure that adequate documentation is filed in my office in order to prepare the County's Schedule of Expenditures of Federal Awards.

Criteria: Internal controls are 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 controls comprise the plans, methods, and procedures used to meet missions, goals, and objectives. Internal controls also serves as the first line of defense in safeguarding assets and preventing and detecting errors and fraud.

According to OMB Circular A-133§__.300 the auditee shall: Identify, in its accounts, all Federal awards received and expended and the Federal programs under which they are received.

Finding 2013-12 – Inadequate County-Wide Controls (Repeat Finding)

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

Cause of Condition: Procedures have not been designed to address risks of the County.

**MAYES COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

Recommendation: OSAI recommends that the County design 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:

County Commissioner District 1, 2, and 3, County Clerk, and County Treasurer Assessor, County Sheriff, Court Clerk: We will set up quarterly meetings, during the County Commissioners' meeting, 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.

**MAYES COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

SECTION 2—This section contains certain matters not required to be reported in accordance with *Government Auditing Standards*. However, we believe these matters are significant enough to bring to management’s attention. We recommend that management consider these matters and take appropriate corrective action.

Finding 2013-5 – Inadequate Internal Controls and Noncompliance Over Fixed Assets (Repeat Finding)

Condition: Upon inquiry and observation, the following weakness over fixed assets inventories was noted:

- The County has not designed procedures to perform and document an annual physical inventory of all fixed assets.

Additionally, we selected a sample of thirty (30) fixed asset items from the inventory records and visually verified each item. The following exceptions were noted:

District 1:

- 5 items had the incorrect serial numbers on the inventory records,
- 2 items had the incorrect County identification numbers.
- The District’s Inventory listing does not document cost of each item.

District 2:

- 1 item had the incorrect serial number on the inventory records,
- 4 items had the incorrect County identification numbers.
- The District’s Inventory listing does not document cost of each item.

District 3:

- 7 items had the incorrect serial numbers on the inventory records,
- 2 items had the incorrect County identification numbers.

Additionally, we selected a sample of thirty (30) fixed asset items from the District Barns and traced to the inventory records. The following exceptions were noted:

District 1:

- 4 items did not have “Property of Mayes County” clearly marked.
- 1 item was not marked with a County ID number.

District 2:

- 6 items did not have “Property of Mayes County” clearly marked.
- 2 items were not marked with a County ID numbers.

**MAYES COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

District 3:

- 11 items did not have “Property of Mayes County” clearly marked.
- 7 items were not marked with a County ID numbers.
- 6 items were not listed on the County’s inventory records.

Cause of Condition: Policies and procedures have not been designed and implemented with regard to effective internal controls over safeguarding of fixed assets by performing an annual physical inventory count, and creating and maintaining of a fixed asset inventory record.

Effect of Condition: Failure to maintain accurate records of fixed asset inventories and perform a periodic physical inventory of fixed asset inventories could result in inaccurate records, unauthorized use, or misappropriation of fixed asset inventories.

Recommendation: OSAI recommends the County comply with 19 O.S. § 178.1 by maintaining inventory records and properly marking assets with county identification numbers, and performing and documenting a periodic inventory of fixed assets. The verification should be performed by an individual independent of the fixed asset recordkeeping process. Additionally, OSAI recommends the County comply with 69 O.S. § 645 by designing procedures to ensure that all equipment is properly marked with county identification numbers and “Property of Mayes County.”

Management Response:

County Commissioner District 1: This has been corrected. We have updated our inventory and we will maintain documentation of the annual inventory.

County Commissioner District 2: We are currently working to update inventory records, and we will perform an annual inventory and maintain documentation.

County Commissioner District 3: We are currently working to update inventory records, and we will perform an annual inventory and maintain documentation.

County Treasurer: We will perform an annual inventory and maintain documentation.

County Assessor: We will perform an annual inventory and maintain documentation.

County Sheriff: We will perform an annual inventory and maintain documentation.

County Clerk: We will maintain documentation of our annual inventory.

Court Clerk: We will perform an annual inventory and maintain documentation.

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, use or disposition of fixed assets, and safeguarding items from loss, damage, or misappropriation.

**MAYES COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Finding 2013-6 – Inadequate Internal Controls and Noncompliance Over Consumable Inventories (Repeat Finding)

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

- **District 1, 2, and 3:** The consumable inventory process is not adequately segregated. One individual verifies the goods were received, records the items on the inventory cards, and performs a visual verification of the items on hand.

Also, of the twenty-four (24) consumable items tested, the following was noted:

District Office	Description	Amount on Inventory	Amount Visually Verified	Variance Noted Long (Short)
District 1	Low #2 Diesel	594 gallons	994 gallons	400 gallons
District 1	5/8" Grader Blades	12 blades	10 blades	(2) blades
District 1	3x12x16 Bridge Timbers	16 boards	12 boards	(4) boards
District 2	Diesel Fuel	5,137 gallons	4,932 gallons	(205) gallons
District 2	Unleaded Fuel	1,340 gallons	1,310 gallons	(30) gallons
District 3	18" corrugated pipe	16 feet	30 feet	14 feet
District 3	3/4" grader blades	20 blades	18 blades	(2) blades
District 3	Unleaded Fuel	1,112 gallons	922 gallons	(190) gallons
District 3	Diesel Fuel	1,596 gallons	498 gallons	(1,098) gallons

Cause of Condition: Procedures have not been designed and implemented by county officers for the accurate reporting of consumable inventory items.

Effect of Condition: These conditions resulted in noncompliance with state statutes. Opportunities for loss and misappropriation of county assets may be more likely to occur when the County does not have procedures in place to account for consumable inventories.

Recommendation: OSAI recommends management implement internal controls to ensure compliance with 19 O.S. § 1504A. These controls would include:

- Performing and documenting a periodic physical count of consumable inventories.
- Separating the key functions of receiving, maintaining and verifying consumable inventories.
- Maintaining a fuel log with all pertinent information and with a current balance.
- Reconciling fuel log periodically to fuel on hand and explain any variance or adjustments.

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Management Response:

County Commissioner District 1: We will work to implement a system of internal controls over the consumable inventory records. Regarding the fuel variance, there was an error in recording the correct amount of fuel delivered on October 6, 2013. The correct amount delivered was 994 gallon and it was recorded as 594.

County Commissioner District 2: According to the vendor's technicians the gauges are slightly off due to a gauge malfunction, and the recently purchased tanks. We have contacted the vendor for a recalibration of pumps and gauges. The vendor explained there is a tolerance measurement given for new tanks, due to heat and cold. The District barn plans to have these gauges replaced with digital gauges in the future to correct this malfunction. We will also work to implement a system of internal controls over the consumable inventory records.

County Commissioner District 3: We will work to implement a system of internal controls over the consumable inventory. Regarding the fuel variance, this was due to the loss of data when lightning struck the fuel recording system. The fuel usage and fuel logs are now reconciled on a monthly basis.

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, use or disposition of consumable items.

Finding 2013-7 – Inadequate Internal Controls Over Signature Stamp – Court Clerk (Repeat Finding)

Condition: Upon inquiry and observation it was noted that Mayes County District Judge signature stamps are kept in the Court Clerk's Office.

Cause of Condition: Policies and procedures have not been designed to ensure signature stamps are used only by the owner.

Effect of Condition: This condition could result in the unauthorized transactions and misappropriation of funds.

Recommendation: OSAI recommends that signature stamps only be used by the official. Officials who utilize signature stamps should ensure that the stamp is adequately safeguarded from unauthorized use.

Management Response:

Court Clerk: Due to the possible risk of fraudulent use of the stamp with expenditure items or other non-approved uses, the stamp will no longer be used by or kept in the Court Clerk's office.

Criteria: An 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,

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

Finding 2013-8 – Inadequate Internal Controls and Noncompliance Over the Inmate Trust and Sheriff Commissary Funds (Repeat Finding)

Condition: An examination of the Inmate Trust and Sheriff Commissary Funds reflected the following:

- The annual commissary report was not prepared.

On May 3, 2012, the former Sheriff of Mayes County entered into an agreement with a company to administer all the commissary inmate trust procedures. As of July 2012, the Sheriff's office no longer administers inmate funds, reconciles bank statements, tracks inmate records, or prepares the annual commissary report. We found no evidence that the agreement was ever approved by the Board of County Commissioners and the agreement does not certify that inmate funds will be bonded.

Cause of Condition: Policies and procedures have not been designed regarding the Sheriff Commissary Fund to ensure adequate controls are in place to safeguard assets.

Effect of Condition: These conditions resulted in noncompliance with state statutes. Also, without proper accounting and safeguarding of the Sheriff Commissary Fund there is an increased risk of misappropriation of funds.

Recommendation: OSAI recommends the following:

- The Sheriff should file a report of the commissary with the County Commissioners by January 15th of each year.
- Expenditures should be made from the Sheriff Commissary Fund in accordance with 19 O.S. § 180.43.

Further, OSAI recommends the Sheriff's office should seek legal counsel regarding the legality of their commissary service contract and approval from the Board of County Commissioners to continue operating under the contract.

Management Response:

County Sheriff: As of July 2012, the Mayes County Sheriff's Office has contracted with a Company to provide commissary products to inmates. As of that time, our office no longer administered the inmate trust fund or commissary accounting system.

Criteria: Effective accounting procedures and internal controls are necessary to ensure stewardship and accountability of public funds. Safeguarding controls are an aspect of internal controls. Safeguarding controls relate to the prevention or timely detection of unauthorized transaction and unauthorized access to assets. Failure to perform tasks that are part of internal controls, such as reconciliations not performed

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or not timely prepared, are deficiencies in internal control. Further, reconciliations should be performed on a monthly basis.

Effective internal controls should provide for procedures wherein receipts for the monies collected are maintained and available for inspection and deposits are made in a timely manner.

Title 19 O.S. § 180.43 E. and 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. § 531A 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 for unencumbered balances due the inmate upon his or her discharge.” In addition, Title 19 O.S. § 531 C. states in part, “...Banking fees on the account may be paid out of the Sheriff Commissary Account or the county sheriff’s Service Fee Cash Fund.”

Finding 2013-9 – Sale of Scrap Metals

Condition: There are multiple dump sites throughout District 3 where citizens may dispose of their garbage, including scrap metals. One of these dump sites is located on the District 3 County Barn. District employees have been allowed to sell the scrap metal taken to the County Barn dump site to local vendors. We noted no system or procedure whereby the County could distinguish between the sale of scrap metals belonging to the County and the sale of scrap metals that had been deposited on County property by local citizens.

Cause of Condition: Policies and procedures have not been designed governing scrap metal at the County Barn.

Effect of Condition: Without proper documentation of inventory records, the County runs the risk of scrap metal that belongs to the District Barn being sold to local vendors without the proceeds being deposited with the County.

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Recommendation: We recommend that the County seek advice from their legal counsel as to whether it is proper for the County barn to be a designated dumpsite for public use, and if scrap metal obtained from this dumpsite may be sold by County employees. We further recommend that the County implement a system or procedure to document that scrap metal belonging to the County is only sold after the County has solicited bids, or obtained phone quotes if no bids were received.

Management Response:

County Commissioner District 1: District 1 has dumpsters that are for public use located at the District yard. However, the District does not sell any scrap iron or any metal from the dumpsters. The dumpsters are delivered and picked up by the transfer station employees.

County Commissioner District 2: District 2 does not have dumpsters that are for public use located at the District yard. The public uses the dumpsters located at the transfer station.

County Commissioner District 3: District 3 does have dumpsters located at the District yard that are for public use. The scrap iron or any metal that is removed from the dumpsters is now sold after the County receives telephone quotes. The proceeds received from the sale of scrap iron or metal is now deposited with the County Treasurer.

Criteria: An 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 access, authorization, acquisition, use, or disposition of the entity's assets and safeguard assets from loss, damage, or misappropriation.



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