

OPERATIONAL AUDIT

MAYES COUNTY

For the fiscal year ended June 30, 2014



*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 OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

April 17, 2018

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

Transmitted herewith is the audit report of Mayes County for the fiscal year ended June 30, 2014.

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

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

Sincerely,

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

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

**MAYES COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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.....	vii
County General Fund Analysis	viii
County Highway Fund Analysis	ix
 Presentation of Apportionments, Disbursements, and Cash Balances of County Funds for Fiscal Year Ending June 30, 2014.....	 1
 Description of County Funds and Transfers	 2
 Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis—County General Fund.....	 5
 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.....	20
Schedule of Findings and Responses.....	21

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

**MAYES COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**



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 forty-four 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 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

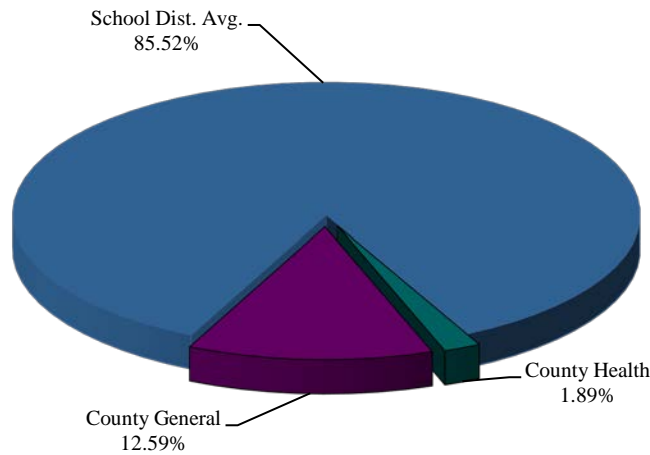
Tamara Qualls

District Attorney

Janice Steidley

**MAYES COUNTY, OKLAHOMA
AD VALOREM TAX DISTRIBUTION
SHARE OF THE AVERAGE MILLAGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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	16.70	11.33	4.13	73.06
		Adair	I-02	37.27	5.32	17.61	11.33	4.13	75.66
		Salina	I-16	36.18	5.17	18.18	11.33	4.13	74.99
		Locust Grove	I-17	36.47	5.21	26.48	11.33	4.13	83.62
		Chouteau-Mazie	I-32	36.07	5.15	6.43	11.33	4.13	63.11
		Jay (Delaware)	D-1	35.79	5.11	10.85	11.33	4.13	67.21
		Spavinaw	D-21	35.99	5.14	-	11.33	4.13	56.59
		Wickliffe	D-35	36.46	5.21	-	11.33	4.13	57.13
		Osage	D-43	36.73	5.25	13.38	11.33	4.13	70.82
		Chelsea (Rogers)	R-3	37.00	5.29	19.84	11.33	4.13	77.59
		Inola (Rogers)	R-5	38.09	5.44	15.56	11.33	4.13	74.55
		Ketchum (Craig)	C-6	36.15	5.16	5.85	11.33	4.13	62.62
		Vinita (Big Cabin) (Craig)	C-65	37.40	5.34	17.29	11.33	4.13	75.49

**MAYES COUNTY, OKLAHOMA
SALES TAX DISTRIBUTION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Sales Tax

Sales Tax of December 3, 1985

On December 3, 1985, voters of Mayes County 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 county road system of Mayes County. These funds are accounted for within the County General Fund.

Sales Tax of October 14, 1997

On October 14, 1997, voters of Mayes County approved a permanent one-eighth of one percent (1/8%) sales tax to be used for the maintenance and operation of the jail facility. These funds are accounted for within the County Jail Sales Tax Revolving fund.

Sales Tax of November 5, 2002

On November 5, 2002, voters of Mayes County approved a permanent one-quarter of one percent (1/4%) sales tax to be divided equally between the following fourteen fire departments in Mayes County, Oklahoma:

1. Adair
2. Cabin Creek
3. Chimney Rock
4. Chouteau
5. Diamond-Head Lone Chapel
6. Disney
7. Langley
8. Locust Grove
9. Osage-Pleasant View
10. Pryor
11. Salina
12. Spavinaw
13. Sportsman Acres
14. Strang

These funds are accounted for within the Firefighters Fund Sales Tax fund.

**MAYES COUNTY, OKLAHOMA
SALES TAX DISTRIBUTION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

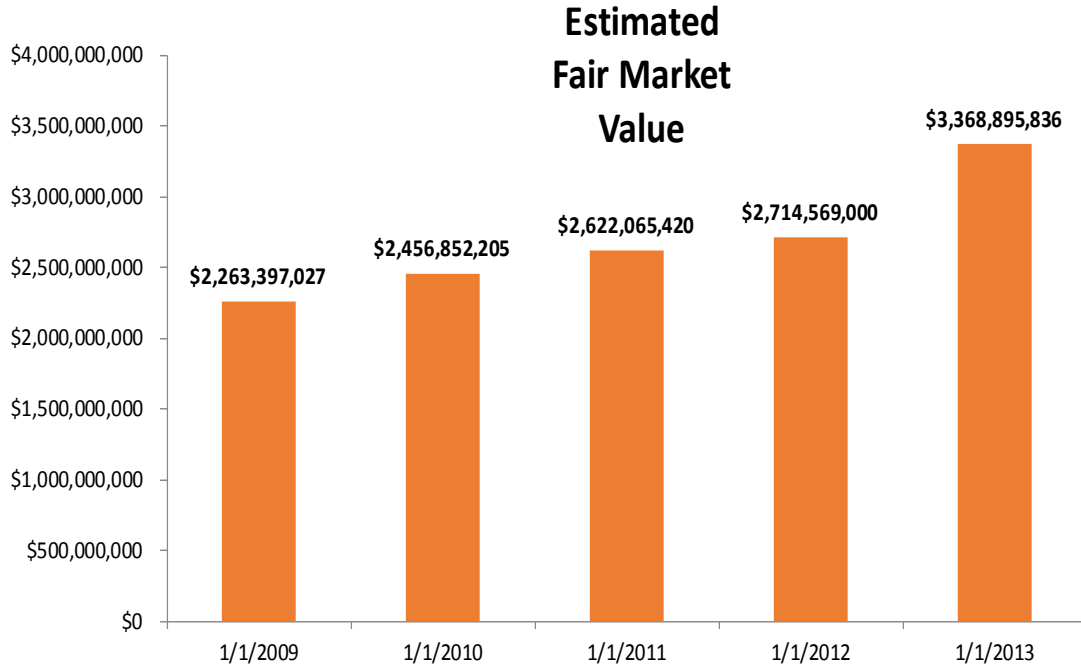
Sales Tax of February 12, 2005

On February 12, 2005, voters of Mayes County approved a three-eighths of one percent (3/8%) sales tax 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, 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 facility. The sales tax terminates at the earliest possible date that revenues are sufficient to retire said bonds or notes. These funds are accounted for within the Public Facility Authority Sales Tax fund.

During the fiscal year, the County collected \$5,476,560 in total sales tax.

**MAYES COUNTY, OKLAHOMA
 ASSESSED VALUE OF PROPERTY
 TREND ANALYSIS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

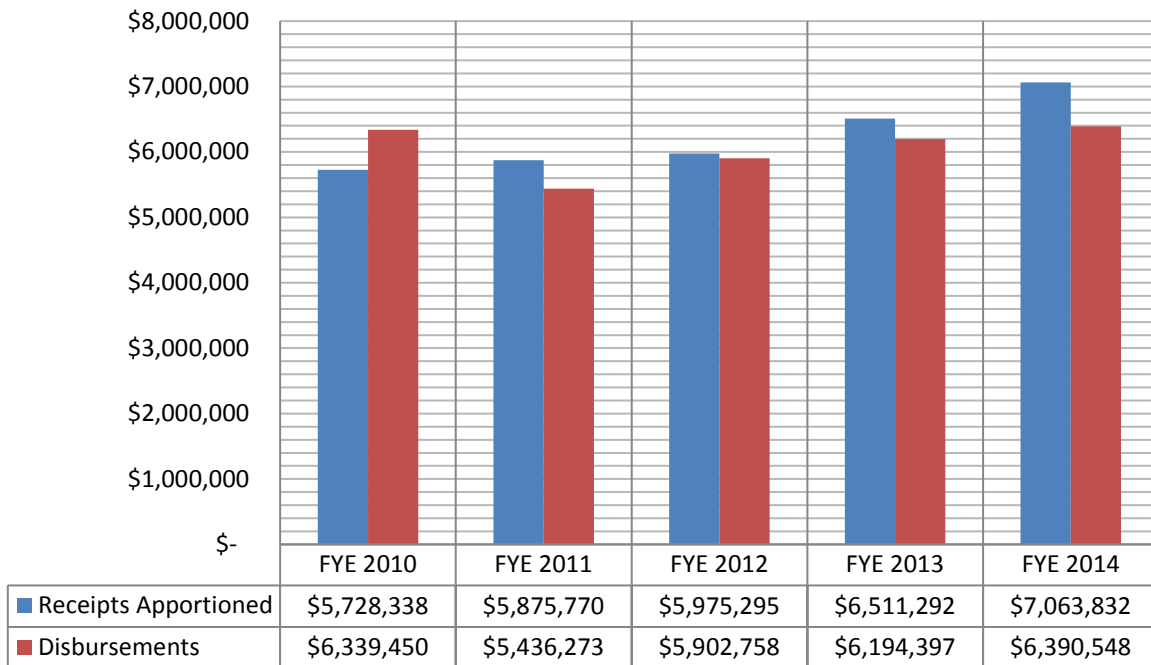
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2013	\$144,364,350	\$19,137,047	\$220,947,093	\$11,615,888	\$372,832,602	\$3,368,895,836
1/1/2012	\$90,967,746	\$20,923,495	\$203,790,259	\$11,649,772	\$304,031,728	\$2,714,569,000
1/1/2011	\$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



**MAYES COUNTY, OKLAHOMA
COUNTY GENERAL FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

County General Fund

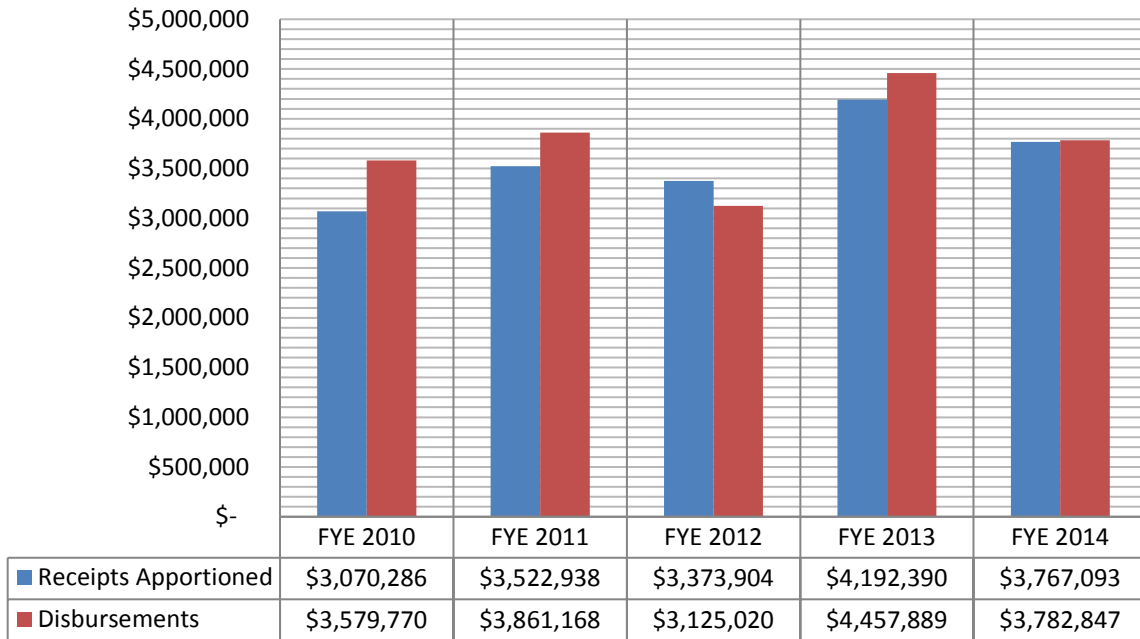
The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the county’s primary source of operating revenue. The County General Fund is typically used for county employees’ salaries plus many expenses for county maintenance and operation. It also 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, 2014**

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.



**MAYES COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Presentation of Apportionments, Disbursements, and Cash Balances of County Funds for Fiscal Year Ending June 30, 2014

	Beginning Cash Balances July 1, 2013	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2014
Combining Information:						
County Funds:						
County General Fund	\$ 2,090,119	\$ 7,063,832	\$ -	\$ -	\$ 6,390,548	\$ 2,763,403
Highway Cash	1,139,764	3,767,093	581,715	-	3,782,847	1,705,725
Sheriff Commissary Fund	111,807	36,065	-	-	113,644	34,228
County Health Department	420,915	475,550	-	-	601,389	295,076
Resale Property	547,344	241,651	68,873	-	267,575	590,293
Sheriff Service Fee	268,249	425,673	-	-	425,663	268,259
Sheriff Revolving	191,426	541,293	-	-	454,778	277,941
Treasurer Mortgage Tax Certification Fee	4,362	7,860	-	-	5,633	6,589
Mayes County Community Sentencing Program (MCCSP)	65,639	47,263	-	-	87,154	25,748
County Clerk Record Management & Preservation Fee	68,963	33,800	-	-	31,358	71,405
County Clerk Lien Fee	99,408	18,976	-	-	2,433	115,951
County Assessor Revolving Fund	12,328	4,741	-	-	4,412	12,657
E-911	34,903	112,546	-	-	116,510	30,939
Firefighters Fund Sales Tax	1,370,286	1,000,988	-	-	743,867	1,627,407
County Jail Sales Tax Revolving	146,851	498,345	-	-	583,200	61,996
County Sinking	4	-	-	-	4	-
Sheriff Community Service Sentencing Program	56,369	39,316	-	-	58,427	37,258
Flood Plain Board	1,514	2,525	-	-	1,750	2,289
Wireless E-911	104,581	181,437	-	-	194,174	91,844
Public Facility Authority Sales Tax	1,483,082	1,515,038	-	-	1,379,560	1,618,560
County Bridge and Road Improvement (CBRI)	1,008,127	588,909	-	-	363,983	1,233,053
Court Fund Payroll	83,777	313,664	-	-	307,096	90,345
Combined Total - All County Funds, as Restated	\$ 9,309,818	\$ 16,916,565	\$ 650,588	\$ -	\$ 15,916,005	\$ 10,960,966

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

**MAYES COUNTY
DESCRIPTION OF COUNTY FUNDS AND TRANSFERS
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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.

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

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

County Health Department – 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 disposition as restricted by statute.

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

Sheriff Revolving – accounts for the monies received from federal, state, and local municipalities for the boarding and feeding of prisoners 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.

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

County Clerk Record Management & Preservation Fee – accounts for fees collected for instruments filed with the County Clerk and the disbursement of funds as restricted by state statute to be used for preservation of records.

County Clerk Lien Fee – accounts for lien collections and disbursement of funds as restricted by state statute.

**MAYES COUNTY
DESCRIPTION OF COUNTY FUNDS AND TRANSFERS
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

County Assessor Revolving Fund – accounts for the collection of fees for copies and disbursement of funds as restricted by state statute.

E-911 – accounts for monies received from private telephone companies for the operations of emergency 911 system.

Firefighters Fund Sales Tax – accounts for the collections of sales tax revenue and the disbursement of funds as restricted by the sales tax ballot.

County Jail Sales Tax Revolving – accounts for the collections of sales tax revenue and the disbursement of funds as restricted by the sales tax ballot.

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.

Sheriff Community Service Sentencing Program – accounts for funds received from the state to reimburse the County for the cost incurred to supervise individuals sentenced to community service.

Flood Plain Board – accounts for the receipt of fees from flood plain permits. Disbursements are for lawful expenses of the flood plain office.

Wireless E-911 – accounts for the collection of fees charged on cellular telephone bills for the County's wireless emergency 911 system. Disbursements are for expenditures related to providing these services.

Public Facility Authority Sales Tax – accounts for the collections of sales tax revenue and the disbursement of funds as restricted by the sales tax ballot.

County Bridge and Road Improvement (CBRI) – accounts for state receipts and disbursements for the purpose of constructing and maintaining county roads and bridges.

Court Fund Payroll – accounts for funds deposited by the Court Clerk and disbursed for payroll for the Court Clerk's office.

Transfers

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

- \$68,873 was transferred from the Excess Resale Property fund, a trust and agency fund, to the Resale Property fund as authorized by 68 O.S. § 3131.

**MAYES COUNTY
DESCRIPTION OF COUNTY FUNDS AND TRANSFERS
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

- \$581,715 was transferred from Emergency and Transportation Revolving (ETR), a trust and agency fund, to the Highway Cash fund to reimburse the Highway Cash fund for road and bridge projects.

Restatement of Fund Balance

During the fiscal year, the County had a reclassification of funds. Court Fund Payroll was reclassified as a county fund and represents payroll expenditures of County employees.

Prior year ending balance, as reported	\$9,226,041
Fund reclassified as County Funds:	
Court Fund Payroll reclassified from a	
Trust and Agency Fund to a County Fund	<u>83,777</u>
Prior year ending balance, as restated	<u>\$9,309,818</u>

MAYES 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, 2014

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 2,090,119	\$ 2,090,119	\$ -
Less: Prior Year Outstanding Warrants	(58,251)	(58,251)	-
Less: Prior Year Encumbrances	(145,338)	(122,463)	22,875
Beginning Cash Balances, Budgetary Basis	<u>1,886,530</u>	<u>1,909,405</u>	<u>22,875</u>
Receipts:			
Ad Valorem Taxes	2,755,946	3,114,473	358,527
Charges for Services	129,667	148,424	18,757
Intergovernmental Revenues	770,493	1,206,166	435,673
Sales Tax	2,050,038	2,489,345	439,307
Miscellaneous Revenues	61,551	105,424	43,873
Total Receipts, Budgetary Basis	<u>5,767,695</u>	<u>7,063,832</u>	<u>1,296,137</u>
Expenditures:			
County Sheriff	1,015,147	1,007,900	7,247
County Treasurer	143,836	133,836	10,000
County Commissioners	237,928	231,927	6,001
OSU Extension	49,740	49,485	255
County Clerk	240,641	228,713	11,928
Court Clerk	202,398	202,385	13
County Assessor	199,664	186,907	12,757
Revaluation of Real Property	230,482	209,522	20,960
General Government	1,456,327	465,753	990,574
Excise-Equalization Board	3,500	1,555	1,945
County Election Expense	91,501	81,284	10,217
Insurance - Benefits	1,105,908	1,046,176	59,732
Purchasing Agent	34,628	34,537	91
MESTA	983,713	983,713	-
Charity	300	-	300
Recording Account	12,000	6,334	5,666
Highway Budget Account	1,727,269	1,549,422	177,847
County Audit Budget Account	83,495	53,842	29,653
Free Fair Budget Account	34,000	34,000	-
Provision for Interest	-	-	-
Total Expenditures, Budgetary Basis	<u>7,852,477</u>	<u>6,507,291</u>	<u>1,345,186</u>

Continued on next page

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

MAYES COUNTY, OKLAHOMA
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
COUNTY GENERAL FUND - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	General Fund		
	Budget	Actual	Variance
Continued from previous page			
Excess of Receipts and Beginning Cash			
Balances Over Expenditures, Budgetary Basis	<u>\$ (198,252)</u>	2,465,946	<u>\$ 2,664,198</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Cancelled Vouchers		209	
Add: Current Year Outstanding Warrants		55,469	
Add: Current Year Encumbrances		<u>241,779</u>	
Ending Cash Balance		<u>\$ 2,763,403</u>	

Footnote: Budgeted expenditures exceeded budgeted revenues and cash balances by \$198,252. This amount is the General Fund estimated value of surplus tax in process (5-year exempt manufacturing for a major employer of the County) that the County expected to receive from the state. However, as of 6/30/14 the County had not received these funds from the state resulting in the variance between expenditures and revenues.

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

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, 2014

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 420,915	\$ 420,915	\$ 167
Less: Prior Year Outstanding Warrants	(1,742)	(1,742)	-
Less: Prior Year Encumbrances	(138,097)	(134,627)	20,156
Beginning Cash Balances, Budgetary Basis	281,076	284,546	3,470
Receipts:			
Ad Valorem Taxes	428,408	467,322	38,914
Charges for Services	-	7,736	7,736
Intergovernmental Revenues	-	385	385
Miscellaneous Revenues	7,843	107	(7,736)
Total Receipts, Budgetary Basis	436,251	475,550	39,299
Expenditures:			
County Health Budget Account	747,074	509,743	237,331
Total Expenditures, Budgetary Basis	747,074	509,743	237,331
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ (29,747)	250,353	\$ 280,100
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		6,306	
Add: Current Year Outstanding Warrants		38,417	
Ending Cash Balance		\$ 295,076	

Footnote: Budgeted expenditures exceeded budgeted revenues and cash balances by \$29,747. This amount is the Health Fund estimated value of surplus tax in process (5-year exempt manufacturing for a major employer of the County) that the County expected to receive from the state. However, as of 6/30/14 the County had not received these funds from the state resulting in the variance between expenditures and revenues.

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

**MAYES COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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, 2014. 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.

Objective 1: To determine the receipts apportioned, disbursements, and cash balances are accurately presented on the County Treasurer's monthly reports for FY 2014.

Conclusion: With respect to the items reconciled and reviewed; the receipts apportioned, disbursements, and cash balances are accurately presented on the County Treasurer's monthly reports. However, we noted some deficiencies in internal controls regarding the financial reporting process.

FINDINGS AND RECOMMENDATIONS

Finding 2014-08 - Inadequate Internal Controls Over the County Treasurer's Monthly Reports

Condition: Upon inquiry of the County Treasurer, observation, and review of documents, the following deficiencies were noted:

- There is no indication the security log within the County Treasurer's information system is being reviewed and utilized by the County Treasurer.
- There is no documentation verifying the deposit ticket obtained from the bank agrees to the daily close out records.
- There is no indication that the Official Depository deposit is reviewed and approved by someone other than the preparer.
- There is no indication the reconciliation between the County Treasurer's general ledger and the County Clerk's appropriation ledger is reviewed and approved by someone other than the preparer.
- Fourteen (14), out of the sixteen (16) bank reconciliations tested, were not reviewed and approved by someone other than the preparer.

Cause of Condition: Policies and procedures have not been designed to review apportionments, disbursements, and cash balances to verify that these amounts are accurately presented on the monthly reports. Additionally, policies and procedures have not been designed and implemented to ensure adequate documentation is maintained to support reviews and to indicate reconciliations are reviewed and approved by someone other than the preparer.

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

Recommendation: The Oklahoma State Auditor and Inspector's Office (OSAI) recommends the County Treasurer design and implement a system of internal controls to provide reasonable assurance that the receipts apportioned, disbursements, and cash balances are accurately presented on the County Treasurer's monthly reports. To improve internal controls over the County Treasurer's monthly reports, we recommend the following:

**AYES COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

- The security log within the County Treasurer's information system should be reviewed and utilized by the County Treasurer on a regular basis and documentation of the review be maintained.
- Documentation should be maintained to indicate management's review of daily deposit ticket preparation and verification.
- The reconciliation between the County Treasurer's general ledger and the County Clerk's appropriation ledger should be reviewed and approved by someone other than the preparer.
- Bank reconciliations should be reviewed and approved by someone other than the preparer.

Management Response:

County Treasurer: Procedures have been put onto place to review the security log file on a regular basis. Procedures have also been put into place requiring someone other than the preparer to review and sign off on all deposits and bank reconciliations for the general and depository accounts. The reconciliation between the County Treasurer's general ledger and the County Clerk's appropriation ledger is now reviewed and signed by someone from each of those offices.

County Clerk: Procedures have been put into place to reconcile the County Treasurer's general ledger and the County Clerk's appropriation ledger. The reconciliations are now reviewed and signed by someone from each 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 misappropriation.

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 did not comply 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. Additionally, internal controls should be strengthened regarding the apportionment of sales tax collections.

FINDINGS AND RECOMMENDATIONS

Finding 2014-03 - Inadequate Internal Controls and Noncompliance Over County Sales Tax Collection Distribution

Condition: During our review of the procedures involved in the receipt, apportionment, appropriation, and disbursement of sales tax collections, the following was noted:

In a General Election on November 5, 2002, the voters of Mayes County passed a one-quarter of one percent (1/4%) sales tax specifically to be divided equally between the following fourteen (14) fire departments:

- | | |
|-----------------------------|------------------------|
| 1. Adair | 8. Locust Grove |
| 2. Cabin Creek | 9. Osage-Pleasant View |
| 3. Chimney Rock | 10. Pryor |
| 4. Chouteau | 11. Salina |
| 5. Diamond-Head Lone Chapel | 12. Spavinaw |
| 6. Disney | 13. Sportsman Acres |
| 7. Langley | 14. Strang |

On December 17, 2012, the Board of County Commissioners voted to re-distribute sales tax appropriations to thirteen (13) of the above listed fire departments (Sportsman Acres was inactive) based on a formula calculated by the number of runs each fire department performs without a special election being held. This resulted in a total of \$310,636.57 not being accurately distributed to nine (9) Fire Departments – Adair, Cabin Creek, Chimney Rock, Diamond-Head Lone Chapel, Disney, Langley, Osage-Pleasant View, Spavinaw, and Strang between January 2013 and June 30, 2014. A lawsuit was filed and the courts ordered, in July of 2015, that reallocation of funds were to be recouped within twelve (12) months.

Cause of Condition: The Board of County Commissioners chose not to distribute sales tax collections, generated from the November 5, 2002 proposition, as approved by the voters of Mayes County.

Effect of Condition: This condition resulted in noncompliance with state statute, a lawsuit being filed against the County, and undue financial hardships on the fire departments involved. Additionally, this condition could result in unrecorded transactions, misstated financial reports, undetected errors, and misappropriation of funds.

Recommendation: OSAI recommends the County design and implement policies and procedures to ensure sales tax collections are apportioned, appropriated, and disbursed in accordance with 68 O.S. § 1370E and sales tax ballots.

**AYES COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Management Response:

Chairman of the Board of County Commissioners: After consulting with our District Attorney, we believe the court ordered judgement of September 4, 2015 associated with the lawsuit resolved this issue by requiring funds to be reallocated and distributed in accordance with the judgement.

Criteria: Accountability and stewardship are overall goals in evaluating management's accounting of funds. Effective internal controls require management to design procedures to ensure sales tax revenue is correctly distributed, recorded, and expended for the purpose it was intended.

Title 68 O.S. § 1370(E) 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.

Finding 2014-12 - Inadequate Internal Controls and Lack of Segregation of Duties Over the Apportionment of Sales Tax

Condition: Upon inquiry, observation, and review of the County Treasurer's sales tax apportionment process, the following was noted:

- One person manually calculates the sales tax apportionments and reconciles the apportionments to the general ledger with no indication of review.

Cause of Condition: Policies and procedures have not been designed and implement with regards to adequate reviews over the sales tax apportionment process.

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

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's review and approval of accounting functions.

Management Response:

County Treasurer: Procedures have now been put into place requiring someone other than the preparer to review and sign off on the sales tax calculations. The spreadsheet of these calculations is also attached to the miscellaneous receipt for the County Clerk's review.

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, manual sales tax apportionment calculations, reconciliations, and estimate of needs calculations should be reviewed for accuracy by someone other than the preparer.

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. However, internal controls over the apportionment of ad valorem tax should be strengthened.

FINDINGS AND RECOMMENDATIONS

Finding 2014-09 - Inadequate Internal Controls and Lack of Segregation of Duties Over the Ad Valorem Apportionments

Condition: Upon inquiry and observation of the recordkeeping process of apportioning ad valorem collections, the following deficiencies in internal controls were noted:

- The input of certified levies into the ad valorem system is not receiving an independent review.

Cause of Condition: Policies and procedures have not been designated and implemented to ensure adequate segregation of duties over the ad valorem process and that certified levies are entered into the ad valorem tax system correctly.

Effect of Condition: These conditions could result in ad valorem tax collections being incorrectly apportioned and remitted to the entities that receive ad valorem taxes.

Recommendation: OSAI recommends the County Treasurer implement a system of internal controls to provide reasonable assurance that the tax levies are entered into the County Treasurer's ad valorem tax system accurately and to maintain evidence of these controls.

Management Response:

County Treasurer: Procedures have now been put into place requiring someone other than the person entering the certified levies to review and reconcile the tax roll balances to those levies and to sign verifying this has taken place.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. Effective internal controls include a documented review of key functions be performed by someone other than the preparer to reduce the risk of error or fraud.

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

Conclusion: The County’s internal controls did not provide reasonable assurance that expenditures, including payroll, were accurately reported in the accounting records.

Additionally, the County’s financial operations did not comply with 19 O.S. § 1505, which requires that disbursements be properly supported and charged to the appropriate fund and account.

FINDINGS AND RECOMMENDATIONS

Finding 2014-04 - Inadequate Internal Controls and Noncompliance Over the Disbursement Process

Condition: Upon inquiry and observation of the County’s disbursement process, we noted the following:

- Documentation for requisitioning a purchase order is not obtained prior to the encumbering of the funds.
- The availability of funds is not always determined prior to the issuance of a purchase order number.
- The purchase order number is sometimes manually assigned without properly encumbering funds.

Cause of Condition: Policies and procedures have not been designed and implemented with regard to the disbursement process to ensure adequate internal controls and compliance with state statute.

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

Recommendation: OSAI recommends the County adhere to state purchasing guidelines. This would include but not be limited to:

- All purchase orders be prepared by the Purchasing Agent after receipt of the requisition from an approved requisitioning officer.
- Properly encumbering funds prior to the issuance of a purchase order.

**AYES COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Management Response:

County Clerk: We have rectified these situations to the best of our ability by not issuing a purchase order before the requisition is complete and before funds have been encumbered. We have even offered to have a OSU County Training Program to teach a purchasing class locally to all county employees.

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 disbursements and/or transactions.

Effective internal controls require that management implement procedures to ensure that purchases are made in compliance with 19 O.S. § 1505.

Finding 2014-05 - Inadequate Internal Controls and Segregation of Duties Over Payroll (Repeat Finding)

Condition: Upon inquiry and observation of the County's payroll process, we noted the following:

- The Payroll Clerk enrolls new employees, updates the master payroll file, prepares payroll claims, prints and issues payroll warrants, prepares and sends direct deposit information to the bank, calculates and pays all withholdings, maintains the warrant register, and removes terminated employees from the system with little or no review.

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 misappropriations of funds.

Recommendation: OSAI recommends that management be aware of these conditions and determine if duties can be properly segregated. 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.

The following key accounting functions of the payroll process should be adequately segregated:

- Enrolling new employees.
- Reviewing time records and preparing payroll.
- Distributing payroll warrants to individuals.

Management Response:

County Clerk: We are going through a changeover in the office. Once everyone is fully trained in their new positions, I will be doing more cross training and changing some duties around that will provide more

**AYES COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

segregation of duties for payroll. I will be dividing the duties of enrolling and terminating employees from one person to two. I also have it set up to where both the Payroll Clerk and I receive notification of when a direct deposit is made.

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 2014-07 - Inadequate Internal Controls and Noncompliance Over Cash Vouchers

Condition: Upon inquiry and observation of the County's cash voucher disbursement process, we noted the following:

- One employee prepares the cash voucher claims, approves the claims, and prepares the cash vouchers with little or no review.

Additionally, the audit of forty-eight (48) Resale Property Fund cash vouchers, reflected the following:

- Forty-eight (48) cash vouchers had no indication of being authorized and certified for payment by the County Clerk.
- Two (2) cash vouchers were not supported by adequate documentation.

Cause of Condition: Policies and procedures have not been designed and implemented over the cash voucher disbursement process to ensure adequate internal controls and ensure compliance with state statutes.

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

Recommendation: OSAI recommends management be aware of this condition and determine if duties can be properly segregated. In the event that segregation of duties is not possible due to limited personnel, 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 further recommends the County Clerk review the cash voucher claim and certify authorization to pay such claim and all cash vouchers be supported by an approved cash voucher claim, tax receipt, or other itemized documentation, and receiving report if required.

Management Response:

County Clerk: I have now started to review and sign Resale Property fund cash vouchers and to make sure they are supported by adequate documentation.

**AYES COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

County Treasurer: I did not take office until October 2014; however, with the issuance of the new cash voucher claim in 2017, which provided a place for the Treasurer to sign, procedures have been put in place for the County Treasurer or an alternate requisitioning officer to review and approve the cash voucher claims after they have been prepared. Additionally, the previous County Treasurer failed to attach adequate documentation to the two cash vouchers noted above but since taking office I have taken steps to ensure appropriate documentation is attached to all Resale Property cash voucher claims.

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 disbursement calculations and/or transactions. To help ensure a proper accounting of funds, the duties of processing, authorizing, and distribution should be segregated. Additionally, the County clerk should review all cash voucher claims and certify the authorization to pay each claim.

Title 68 O.S. § 3137 prescribes the procedures for expending Resale Property funds.

All Objectives:

Finding 2014-01 - Inadequate County-Wide Internal Controls (Repeat Finding)

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

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

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

Recommendation: OSAI recommends 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:

Chairman of the Board of County Commissioners: I will work with the other elected officials to ensure we have assessed risks that may affect the operations of the County and determine a plan of action to reduce those risks. Additionally, we will all be more diligent in monitoring the operations in our individual offices and the County as a whole.

**AYES COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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.

Other Item(s) Noted:

Finding 2014-02 - Inadequate Internal Controls Over the Schedule of Expenditures of Federal Awards (SEFA) (Repeat Finding)

Condition: During our audit we identified federal programs that were not listed accurately on the County’s Schedule of Expenditures of Federal Awards (SEFA). Federal expenditures were understated by \$15,857.

The following misstatements were noted:

- The actual expenditures for the Emergency Management Performance Grants, CFDA #97.042 were \$30,357 and the County reported \$28,000, which understated expenditures by \$2,357.
- Expenditures for the Edward Byrne Memorial Justice Assistance Grant Program, CFDA #16.738 made by the County were not reported. Actual expenditures for CFDA #16.738 were \$10,000., which understated expenditures by \$10,000.
- Expenditures for the Medical Reserve Corps Small Grant Program, CFDA #93.008 made by the County were not reported. Actual expenditures for CFDA #93.008 were \$3,500, which understated expenditures by \$3,500.

Reported Total Expenditures of Federal Award	\$80,881
Add: Emergency Management Performance Grants (CFDA #97.042)	2,357
Add: Edward Byrne Memorial Justice Assistance Grant Program (CFDA # 16.738)	10,000
Add: Medical Reserve Corps Small Grant Program (CFDA # 93.008)	<u>3,500</u>
Actual Federal Expenditures of Federal Awards	<u>\$96,738</u>
Original SEFA Understated by	<u>\$15,857</u>

Cause of Condition: Policies and procedures have not been designed and implemented to ensure accurate reporting of expenditures for all federal awards.

**AYES COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Effect of Condition: This could result in the erroneous reporting and/or a material misstatement of the County's SEFA, and increases the potential for material noncompliance.

Recommendation: OSAI recommends County Officials and department heads gain an understanding of federal programs awarded to Mayes County. Internal control procedures should be designed and implemented to ensure accurate reporting of expenditures on the SEFA and to ensure compliance with federal requirements.

Management Response:

Chairman of the Board of County Commissioners: The County Clerk and myself both agree to run a resolution, on a yearly basis, through the Board of County Commissioners meeting reminding everyone that they need to prepare and turn in their individual SEFAs. After the meeting, we will hand out the SEFA form to the necessary departments.

County Clerk: The Board of County Commissioner's passed a Resolution for SEFA preparation procedures in 2014 so that each office knows what I expect them to have to me in order for me to compile the SEFA.

County Sheriff: We spoke with our County Clerk and procedures have now been put in place to correct this.

Criteria: *OMB A-133, Subpart C, §___.300(b)(d)* reads as follows:

Subpart C—Auditees

§___.300 Auditee Responsibilities

The auditee shall:

(b) Maintain internal controls over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

(d) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with §___.310.

Further, accountability and stewardship should be overall goals in management's accounting of federal funds. Internal controls should be designed to monitor compliance with laws and regulations pertaining to grant contracts.

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

Mayes County
Board of County Commissioners
Mayes County Courthouse
Pryor, Oklahoma 74361

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, 2014:

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

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

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

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

April 17, 2018

SCHEDULE OF FINDINGS AND RESPONSES

Finding 2014-10 - Inadequate Internal Controls and Noncompliance Over the Inmate Trust Checking Account and Sheriff Commissary Fund (Repeat Finding)

Condition: An examination of the Inmate Trust Fund Checking Account and Sheriff Commissary Fund reflected the following:

The Inmate Trust Checking Account is recorded under the County Employee Identification Number (EIN) with the County Sheriff being the responsible party. 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. This has since resulted in the County Sheriff relinquishing all control over the Inmate Trust Checking Account to the contact company and no longer:

- Administering inmate funds,
- Maintaining records related to the Inmate Trust bank account or the operations of the Inmate Trust,
- Performing bank reconciliations, or
- Tracking inmate records.

Additionally, it was noted that:

- The County Sheriff has no monitoring procedures in place to verify the accuracy of the Inmate Trust Checking Accounts financial activity/records.
- There was no indication the original May 2012 agreement was ever approved by the Board of County Commissioners.
- The agreement does not specify the recordkeeping functions regarding the Inmate Trust Fund Checking Account or any tracking methods.
- The agreement does not specify that the company who administers all the commissary inmate trust procedures shall provide proof of bonding.
- There was no agreement of contract on file for fiscal year 2014.
- An annual report for the Sheriff Commissary Fund is not filed annually with the Board of County Commissioners by January 15th, of each year.

Cause of Condition: Policies and procedures have not been designed and implemented regarding the Inmate Trust Fund Checking Account and Sheriff Commissary Fund. Additionally, the Sheriff entered into an agreement with a vendor to administer and maintain all operations of the Inmate Trust without the approval of the Board of County Commissioners.

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.

**MAYES COUNTY, OKLAHOMA
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Recommendation: OSAI recommends the County Sheriff 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. Additionally, the Sheriff should design and implement policies and procedures to ensure compliance with Title 19 O.S. § 180.43(D) and Title 19 O.S. § 531A.

Management Response:

County Sheriff: The commissary report that was prepared did not include the information as required, therefore we have changed the format to meet recommendations and filed by due date. The contract with the commissary company has been updated to include tracking methods as well as a bond certificate. This contract has been approved by the Board of County Commissioners.

Auditor Response: Legal counsel should be consulted regarding the legality of the County's commissary service contract. Additionally, the County should understand that they are ultimately responsible for the safekeeping of the funds maintained on behalf of the inmates of Mayes County and any misappropriation of said funds could be a liability of the County.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. An important aspect of internal controls is the safeguarding of assets. Internal controls over safeguarding of assets constitute a process, affected by an entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions, and safeguarding assets from misappropriation. To help ensure a proper accounting of funds, adequate reviews and reconciliations should be performed by the County, contracts should be reviewed by legal counsel and approved by the BOCC, and all financial records should be retained by the County and available for inspection.

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. § 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."



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

WWW.SAI.OK.GOV