

OPERATIONAL AUDIT

# MAYES COUNTY

For the fiscal year ended June 30, 2015



*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, 2015**

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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](http://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 20, 2018

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

Transmitted herewith is the audit report of Mayes County for the fiscal year ended June 30, 2015.

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

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

Sincerely,

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

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

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

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

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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 – 40,816  
(2014 est.)

Farms – 1,551

Land in Farms –285,102 Acres

Primary Source: Oklahoma Almanac 2015-2016

**Board of County Commissioners**

District 1 – Kevin Whiteside  
District 2 – Darrell Yoder  
District 3 – Ryan Ball

**County Assessor**

Lisa Melchior

**County Clerk**

Brittany True-Howard

**County Sheriff**

Mike Reed

**County Treasurer**

Bobbie Martin

**Court Clerk**

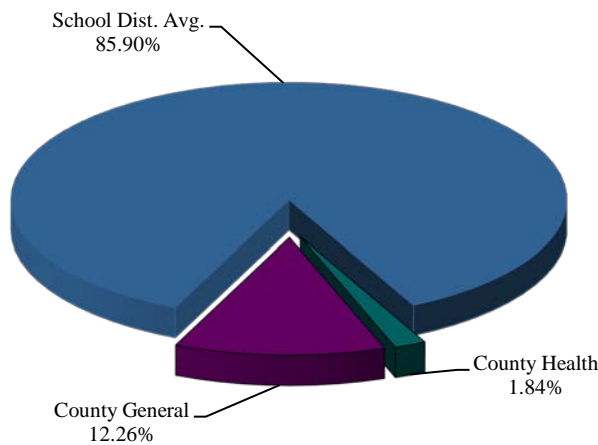
Rita Harrison

**District Attorney**

Matt Ballard

**MAYES COUNTY, OKLAHOMA  
AD VALOREM TAX DISTRIBUTION  
SHARE OF THE AVERAGE MILLAGE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of a property is \$1,000.00 and the millage rate is 1.00, then the tax on that property is \$1.00. This chart shows the different entities of the County and their share of the various millages as authorized by the Constitution.



County-Wide Millages		School District Millages							
				Vo					
			Gen.	Bldg.	Skg.	Tech.	Common	Total	
County General	10.33								
County Health	1.55								
		Pryor	I-01	35.79	5.11	12.80	11.33	4.13	69.16
		Adair	I-02	37.27	5.32	18.24	11.33	4.13	76.29
		Salina	I-16	36.18	5.17	26.30	11.33	4.13	83.11
		Locust Grove	I-17	36.47	5.21	27.28	11.33	4.13	84.42
		Chouteau-Mazie	I-32	36.07	5.17	19.96	11.33	4.13	76.66
		Jay (Delaware)	D-1	35.79	5.11	10.60	11.33	4.13	66.96
		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	12.79	11.33	4.13	70.23
		Chelsea (Rogers)	R-3	37.00	5.29	20.20	11.33	4.13	77.95
		Inola (Rogers)	R-5	38.09	5.44	21.12	11.33	4.13	80.11
		Ketchum (Craig)	C-6	36.15	5.16	9.16	11.33	4.13	65.93
		Vinita (Big Cabin) (Craig)	C-65	37.40	5.34	18.57	11.33	4.13	76.77



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

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## **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, 2015**

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**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.

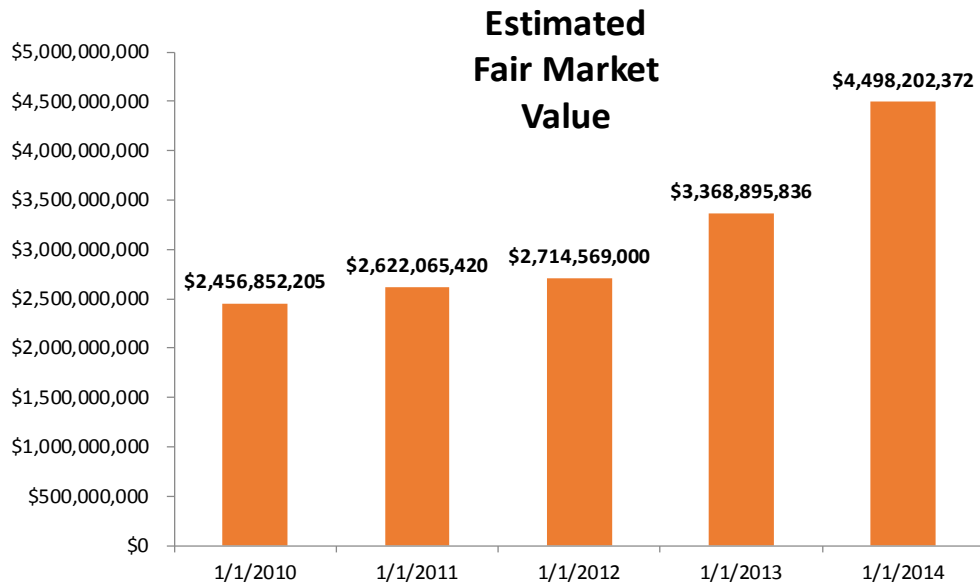
**Sales Tax of August 26, 2014**

On August 26, 2014, voters of Mayes County approved to use one-eighths of one percent (1/8%) sales tax solely for maintenance, operation, equipment, furnishing, and improvement or construction of facilities of the Mayes County Jail. Also, to the extent available, revenues generated by said sales tax may be used for the operation and maintenance for other county facilities. These funds are accounted for within the Sales Tax Revolving Fund.

During the fiscal year, the County collected \$6,598,443 in total sales tax.

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

Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2014	\$181,328,852	\$19,557,322	\$309,586,842	\$12,045,561	\$498,427,455	\$4,498,202,372
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

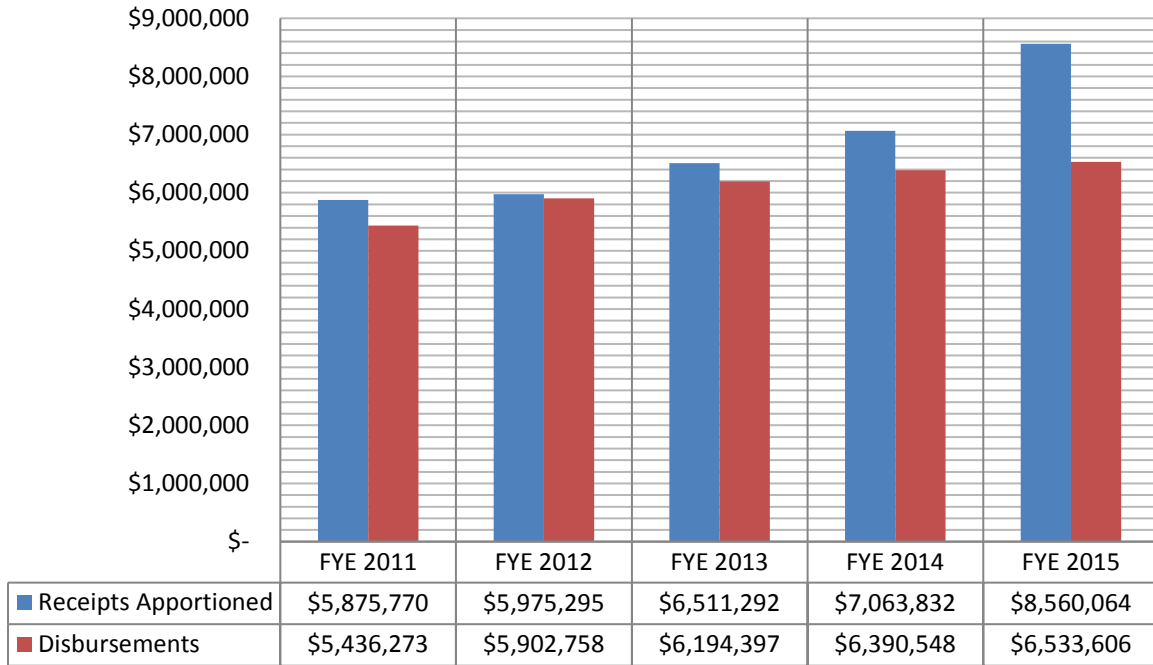


**MAYES COUNTY, OKLAHOMA  
COUNTY GENERAL FUND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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## 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.

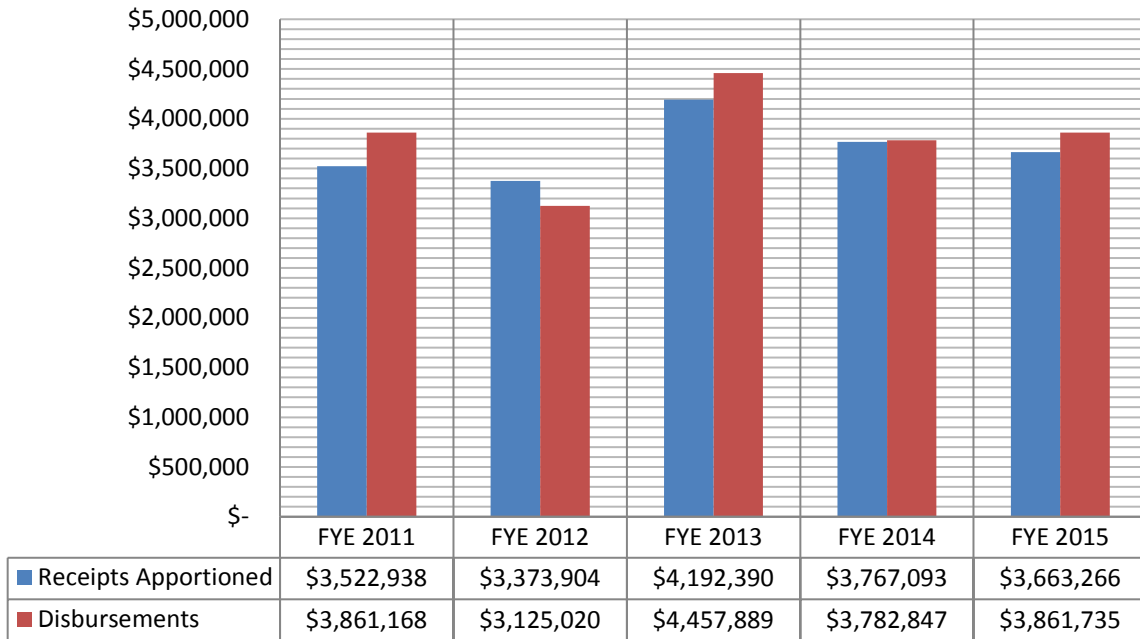


**MAYES COUNTY, OKLAHOMA  
COUNTY HIGHWAY FUND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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## 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, 2015**

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

	Beginning Cash Balances July 1, 2014	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2015
Combing Information:						
County Funds:						
County General Fund	\$ 2,763,403	\$ 8,560,064	\$ -	\$ -	\$ 6,533,606	\$ 4,789,861
Highway Cash	1,705,725	3,663,266	-	581,715	3,861,735	925,541
Sheriff Commissary Fund	34,228	29,721	-	-	35,755	28,194
County Health Department	295,076	498,937	-	-	535,722	258,291
Resale Property	590,293	284,596	17,614	-	250,636	641,867
Sheriff Service Fee	268,259	435,985	-	-	414,323	289,921
Sheriff Revolving	277,941	99,652	-	-	273,056	104,537
Treasurer Mortgage Tax Certification Fee	6,589	9,100	-	-	6,906	8,783
Mayes County Community Sentencing Program (MCCSP)	25,748	58,716	-	-	72,497	11,967
County Clerk Record Management & Preservation Fee	71,405	36,275	-	-	34,512	73,168
County Clerk Lien Fee	115,951	17,770	-	-	7,875	125,846
County Assessor Revolving Fund	12,657	4,752	-	-	3,810	13,599
E-911	30,939	111,973	-	-	128,246	14,666
Firefighters Fund Sales Tax	1,627,407	1,167,338	-	-	1,164,784	1,629,961
County Jail Sales Tax Revolving	61,996	583,438	-	-	549,193	96,241
Sheriff Community Service Sentencing Program	37,258	30,325	-	-	23,070	44,513
Flood Plain Board	2,289	175	-	-	960	1,504
Wireless E-911	91,844	186,773	-	-	253,986	24,631
Public Facility Authority Sales Tax	1,618,560	1,765,092	-	-	1,383,613	2,000,039
County Bridge and Road Improvement (CBRI)	1,233,053	183,223	-	-	492,549	923,727
Sales Tax Revolving	-	183,211	-	-	36,535	146,676
Court Fund Payroll	90,345	301,181	-	-	325,125	66,401
<b>Combined Total - All County Funds</b>	<b>\$ 10,960,966</b>	<b>\$ 18,211,563</b>	<b>\$ 17,614</b>	<b>\$ 581,715</b>	<b>\$ 16,388,494</b>	<b>\$ 12,219,934</b>

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, 2015**

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**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 state 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, 2015**

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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.

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.

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

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



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

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**Transfers**

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

- The County transferred \$17,614 from the Excess Resale Property fund, a trust and agency fund, to the Resale Property fund as authorized by 68 O.S. § 3131.
- \$581,715 was transferred from the Highway Cash fund to the Emergency and Transportation Revolving (ETR) fund, a trust and agency fund, for repayment of loan.

**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, 2015**

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 2,763,403	\$ 2,763,403	\$ -
Less: Prior Year Outstanding Warrants	(55,469)	(55,469)	-
Less: Prior Year Encumbrances	(241,779)	(208,812)	32,967
Beginning Cash Balances, Budgetary Basis	<u>2,466,155</u>	<u>2,499,122</u>	<u>32,967</u>
Receipts:			
Ad Valorem Taxes	3,209,467	3,299,313	89,846
Charges for Services	128,019	153,504	25,485
Intergovernmental Revenues	814,471	2,121,384	1,306,913
Sales Tax	2,240,411	2,916,037	675,626
Miscellaneous Revenues	121,409	69,826	(51,583)
Total Receipts, Budgetary Basis	<u>6,513,777</u>	<u>8,560,064</u>	<u>2,046,287</u>
Expenditures:			
County Sheriff	1,207,330	1,200,837	6,493
County Treasurer	143,836	134,286	9,550
County Commissioners	234,928	225,795	9,133
OSU Extension	52,968	52,371	597
County Clerk	242,489	224,808	17,681
Court Clerk	202,092	202,092	-
County Assessor	189,664	153,361	36,303
Revaluation of Real Property	238,349	214,955	23,394
General Government	2,192,465	587,096	1,605,369
Excise Equalization Board	3,500	1,877	1,623
County Election Expense	92,864	87,871	4,993
Insurance - Benefits	1,158,285	1,093,462	64,823
Purchasing Agent	34,628	34,561	67
MESTA	1,071,888	1,071,888	-
Charity	300	300	-
Recording Account	12,000	1,610	10,390
Highway Budget Account	1,806,069	1,154,413	651,656
County Audit Budget Account	67,006	12,724	54,282
Free Fair Budget Account	35,000	35,000	-
Provision for Interest	-	-	-
Total Expenditures, Budgetary Basis	<u>8,985,661</u>	<u>6,489,307</u>	<u>2,496,354</u>
Excess of Receipts and Beginning Cash			
Balances Over Expenditures, Budgetary Basis	<u>\$ (5,729)</u>	4,569,879	<u>\$ 4,575,608</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, 2015**

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	General Fund		
	Budget	Actual	Variance
Continued from previous page			
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Cancelled Warrants		266	
Add: Current Year Outstanding Warrants		78,914	
Add: Current Year Encumbrances		140,802	
Ending Cash Balance		\$ 4,789,861	

**Footnote:** *Budgeted expenditures exceeded budgeted revenues and cash balances by \$5,729. 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 6/30/15 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, 2015**

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 295,076	\$ 295,076	\$ -
Less: Prior Year Outstanding Warrants	(38,417)	(38,417)	-
Less: Prior Year Encumbrances	(6,306)	(4,717)	1,589
Beginning Cash Balances, Budgetary Basis	250,353	251,942	1,589
Receipts:			
Ad Valorem Taxes	525,355	495,056	(30,299)
Charges for Services	30,519	2,914	(27,605)
Intergovernmental Revenues	-	400	400
Miscellaneous Revenues	3,431	567	(2,864)
Total Receipts, Budgetary Basis	559,305	498,937	(60,368)
Expenditures:			
County Health Budget Account	809,707	542,249	267,458
Total Expenditures, Budgetary Basis	809,707	542,249	267,458
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ (49)	208,630	\$ 208,679
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		6,984	
Add: Current Year Outstanding Warrants		42,677	
Ending Cash Balance		\$ 258,291	

**Footnote:** Budgeted expenditures exceeded budgeted revenues and cash balances by \$49. 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 6/30/15 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, 2015**

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**PURPOSE, SCOPE, AND SAMPLE METHODOLOGY**

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

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

In planning and conducting our audit, we focused on the major financial related areas of operations based on assessment of materiality and risk for the fiscal year ended June 30, 2015. Our audit procedures included:

- Inquiries of appropriate personnel,
- Inspections of documents and records,
- Observations of the County's operations,
- Reconciling total apportionments, disbursements, and balances presented on the County's Presentation of Apportionments, Disbursements, and Cash Balances of County Funds for the fiscal year to the County Treasurer's and County Clerk's financial ledgers,
- Confirming third party confirmations to the financial ledgers,
- Selecting representative samples to determine disbursements were made in accordance with state statutes, approved ballots, and county purchasing procedures, and
- Gaining an understanding of the County's internal controls as it relates to each audit objective.

To ensure the samples were representative of the population and provided sufficient, appropriate evidence, both random sample and judgmental sample methodologies were used. We identified specific attributes for testing each of the samples and when appropriate, we projected our results to the population.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, errors or fraud may occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that conditions may change or compliance with policies and procedures may deteriorate.

This report is a public document pursuant to the Oklahoma Open Records Act (51 O.S. § 24A.1 et seq.), and shall be open to any person for inspection and copying.

**Objective 1:** To determine the receipts apportioned, disbursements, and cash balances are accurately presented on the County Treasurer's monthly reports for FY 2015.

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

### FINDINGS AND RECOMMENDATIONS

#### **Finding 2015-07 – Inadequate Internal Controls Over the County Treasurer's Monthly Reports (Repeat Finding)**

**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.
- Eleven (11), 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:

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- 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 complied with 68 O.S. § 1370E, which requires the sales tax collections to be deposited in the general revenue or Sales Tax Revolving Fund of the County and be used only for the purpose for which such sales tax was designated. However, internal controls over the apportionment of sales tax should be strengthened.

<b>FINDINGS AND RECOMMENDATIONS</b>
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**Finding 2015-12 – Inadequate Internal Controls and Lack of Segregation of Duties Over the Apportionment of Sales Tax (Repeat Finding)**

**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 2015-08 – Inadequate Internal Controls and Lack of Segregation of Duties Over the Ad Valorem Apportionments (Repeat Finding)**

**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 2015-03 – Inadequate Internal Controls and Noncompliance Over the Disbursement Process (Repeat Finding)**

**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.

### **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.

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**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 2015-04 – 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 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

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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 2015-06 – Inadequate Internal Controls and Noncompliance Over Cash Vouchers (Repeat Finding)**

**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-four (44) Resale Property Fund cash vouchers reflected the following:

- Forty-four (44) cash vouchers had no indication of being authorized and certified for payment by the County Clerk.
- One (1) cash vouchers was 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.

**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 into 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

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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:**

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

**Finding 2015-01 – 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.

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**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 2015-02 – Inadequate Internal Controls Over Reporting - 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 \$12,785. The following misstatements were noted:

- The actual expenditures for the Edward Bryne Memorial Justice Assistance Grant Program, CFDA 16.738 were \$0 and the County reported \$10,000, which overstated expenditures by \$10,000.
- The actual expenditures for the Medical Reserve Corps Small Grant Program, CFDA 93.008 were \$0 and the County reported \$3,500, which overstated expenditures by \$3,500.
- The actual expenditures for the Emergency Management Performance Grant, CFDA 97.042 were \$27,921 and the County reported \$28,000, which overstated expenditures by \$79.
- The actual expenditures for the Flood Control Projects, CFDA 12.106 were \$101,454 and the County reported \$75,091, which understated expenditures by \$26,364.

Reported Total Expenditures of Federal Award	\$164,754
Less: Edward Bryne Memorial Justice Assistance Grant Program (CFDA #16.738)	10,000
Less: Medical Reserve Corps Small Grant Program (CFDA # 93.008)	3,500
Less: Emergency Management Performance Grant (CFDA # 97.042)	79
Plus: Emergency Management Performance Grant (CFDA # 97.042)	<u>26,364</u>
 Actual Federal Expenditures of Federal Awards	 <u>\$177,539</u>
 Original SEFA Understated by	 <u>\$ 12,785</u>

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

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**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 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 control 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.

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

April 17, 2018

## SCHEDULE OF FINDINGS AND RESPONSES

### **Finding 2015-9 – 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.
- 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.
- An annual report for the Sheriff Commissary Fund is not filed annually with the Board of County Commissioners by January 15<sup>th</sup>, 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.

**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 County Sheriff seek legal counsel regarding the legality of their commissary service 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.

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**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."

**Finding 2015-10 – Noncompliance Over the Fixed Assets Inventory Process**

**Condition:** While gaining an understanding of internal controls over fixed assets and testing compliance with state statutes over fixed assets, we noted the following:

**District 1:**

- Does not performing an annual physical inventory of all fixed assets.

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- Does not maintain an up-to-date fixed asset inventory listing on file with the County Clerk.

**District 2:**

- Does not performing an annual physical inventory of all fixed assets.
- Does not maintain a fixed asset inventory listing on file with the County Clerk.

**Cause of Condition:** The policies and procedures designed by the County with regard to effective internal controls over safeguarding of fixed assets are not being implemented by all County officers.

**Effect of Condition:** This condition resulted in noncompliance with state statutes. When fixed assets are not monitored, opportunities for misuse or loss of equipment can occur.

**Recommendation:** OSAI recommends all County Officers implement internal controls to ensure compliance with 19 O.S. §§ 178.1 and 178.2 regarding fixed assets inventory records. These controls would include that all offices:

- Retain documentation to verify the physical inventory counts were performed.
- Inventory counts should be performed by someone other than the receiving officer or inventory officer.
- Complete and up to date inventory records are filed with the County Clerk.

**Management Response:**

**District 1 Commissioner:** Corrective action has been taken and we will file an updated inventory sheet with the County Clerk on a yearly basis.

**District 2 Commissioner:** Although I was not the County Commissioner during the time period of the audit, we will implement a policy to ensure accurate inventory twice per year and deliver to County Clerk. To ensure file location accuracy, a copy will be sent to the County Clerk in accordance with 19 O.S. 178.2 and an additional copy will be retained by the BOCC secretary at the courthouse.

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

Title 19 O.S. § 178.1 states, "The board of county commissioners in each county of this state shall take, or cause to be taken, an inventory of all working tools, apparatus, machinery and equipment belonging to the county or leased or otherwise let to it or to any department thereof, other than that which is affixed to and made a part of lands and buildings, the cost of which as to each complete working unit thereof is more than Five Hundred Dollars (\$500.00), and thereafter maintain or cause to be maintained a continuous inventory record thereof and of like tools, apparatus, machinery and equipment purchased, leased or otherwise coming into the custody of the county or of any office, board, department,

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commission or any or either thereof, and the disposition thereof whether sold, exchanged, leased or let where authorized by statute, junked, strayed or stolen, and annually thereafter, or oftener in event of death, resignation or removal of an elective officer with a term, to verify or cause to be verified by count and report of the same as of the end of a term of office and as part and parcel of the accounting required by law of a retiring or re-elected officer, and, as to appointive heads of departments amenable directly to the board of county commissioners and as to quasi-governmental boards and commissions such as free fair boards, hospital boards and the like, the same shall be as of the last business day immediately preceding the day certain commencing a new term of the board of county commissioners; all in the manner as provided by law.”

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



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