



MAYES COUNTY

Operational Audit

For the fiscal year ended June 30, 2016

Cindy Byrd, CPA
State Auditor & Inspector

**MAYES COUNTY OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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Cindy Byrd, CPA | State Auditor & Inspector

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June 28, 2019

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

Transmitted herewith is the audit report of Mayes County for the fiscal year ended June 30, 2016.

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

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

Sincerely,

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

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR



**MAYES COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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**MAYES COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 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
SALES TAX DISTRIBUTION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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 February 12, 2002

On February 12, 2002, 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 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

**MAYES COUNTY, OKLAHOMA
SALES TAX DISTRIBUTION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

- 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.

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 \$6,213,465 in total sales tax.

**MAYES COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Presentation of Apportionments, Disbursements, and Cash Balances of County Funds for the Fiscal Year Ended June 30, 2016

	Beginning Cash Balances July 1, 2015	Receipts Apportioned	Transfer In	Transfer Out	Disbursements	Ending Cash Balances June 30, 2016
Combining Information:						
County Funds:						
County General Fund	\$ 4,789,861	\$ 8,577,476	\$ -	\$ -	\$ 8,168,935	\$ 5,198,402
Highway Cash	925,541	3,025,745	-	-	2,986,484	964,802
Sheriff Commissary Fund	28,194	42,327	-	-	19,631	50,890
County Health Department	258,291	650,275	-	-	499,551	409,015
Resale Property	641,867	239,520	13,624	-	157,765	737,246
Sheriff Service Fee	289,921	437,059	-	-	388,310	338,670
Sheriff Revolving	104,537	133,970	-	-	77,140	161,367
Treasurer Mortgage Tax Certification Fee	8,783	8,780	-	-	4,225	13,338
Mayes County Community Sentencing Program (MCCSP)	11,967	42,635	-	-	49,335	5,267
County Clerk Record Management and Preservation Fee	73,168	35,595	-	-	31,550	77,213
County Clerk Lien Fee	125,846	18,061	-	-	1,267	142,640
County Assessor Revolving Fund	13,599	4,105	-	-	1,518	16,186
E-911	14,666	105,286	-	-	104,016	15,936
Firefighters Fund Sales Tax	1,629,961	1,039,278	-	-	1,175,959	1,493,280
County Jail Sales Tax Revolving	96,241	517,966	-	-	564,312	49,895
Sheriff Community Service Sentencing Program	44,513	-	-	-	31,752	12,761
Flood Plain Board	1,504	3,325	-	-	3,820	1,009
Wireless E-911	24,631	180,517	-	-	176,923	28,225
Public Facilities Authority Sales Tax	2,000,039	1,845,113	-	-	1,681,154	2,163,998
County Bridge and Road Improvement (CBRI)	923,727	367,191	-	-	507,794	783,124
Sales Tax Revolving	146,676	520,068	-	-	482,835	183,909
Court Fund Payroll	66,401	270,096	-	-	265,632	70,865
Sheriff Drug Fund	-	33,632	-	-	10,550	23,082
Sheriff Reserve Fund	-	9,944	-	-	1,840	8,104
Cold Case Investigation Fund	-	30,000	-	-	-	30,000
Saferoom Rebate	-	39,423	-	-	-	39,423
Mayes County Drug Court Team	77,333	39,540	-	-	37,244	79,629
Drug Court User Fee	42,469	7,826	-	-	3,720	46,575
Combined Total - All County Funds as Restated	\$ 12,339,736	\$ 18,224,753	\$ 13,624	\$ -	\$ 17,433,262	\$ 13,144,851

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, 2016

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 disbursements 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 of sale as restricted by statute.

Sheriff Service Fee – accounts for the collection and disbursement of sheriff process service fees as restricted by 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 County Treasurer for mortgage tax certificates and the disbursement of the funds as restricted by 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 and 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 statute.

MAYES COUNTY
DESCRIPTION OF COUNTY FUNDS AND TRANSFERS
OPERATIONAL AUDIT
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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 Facilities 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 the 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.

Sheriff Drug Fund – accounts for funds received from forfeitures and disbursed for Drug Task Force training, equipment, and criminal intervention.

Sheriff Reserve Fund – accounts for donations from private citizens and fund raisers for the training and equipping of the Reserve Deputy Program.

Cold Case Investigation Fund – accounts for donations received from private citizens for the investigation of cold cases.

MAYES COUNTY
DESCRIPTION OF COUNTY FUNDS AND TRANSFERS
OPERATIONAL AUDIT
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Saferoom Rebate – accounts for funds received from the FEMA Hazard Mitigation Grant Program and disbursed to homeowners who had applied for and been approved to receive a rebate as a partial reimbursement for the installation of a residential safe room.

Mayes County Drug Court Team – accounts for contractual revenues received from the state. Disbursements are for the expenses related to the operation of the program.

Drug Court User Fee – accounts for revenues received from program participant fees. Disbursements are for the expenses related to the operation of the program.

Restatement of Fund Balance

During the fiscal year, the County had a reclassification of funds. Mayes County Drug Court Team and Drug Court User Fee were reclassified from trust and agency funds to county funds and represents revenues and expenditures of the County Drug Court program.

Prior year ending balance, as reported	\$12,219,934
Funds reclassified to County Funds from Trust and Agency Funds:	
Mayes County Drug Court Team	77,333
Drug Court User Fee	<u>42,469</u>
Prior year ending balance, as restated	<u>\$12,339,736</u>

Interfund Transfers

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

- \$13,624 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, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
COUNTY GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 4,789,861	\$ 4,789,861	\$ -
Less: Prior Year Outstanding Warrants	(78,914)	(78,914)	-
Less: Prior Year Encumbrances	(140,802)	(103,874)	36,928
Beginning Cash Balances, Budgetary Basis	<u>4,570,145</u>	<u>4,607,073</u>	<u>36,928</u>
 Total Receipts, Budgetary Basis	 <u>8,495,498</u>	 <u>8,577,476</u>	 <u>81,978</u>
Total Expenditures, Budgetary Basis	<u>13,065,643</u>	<u>8,425,866</u>	<u>4,639,777</u>
 Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	 <u>\$ -</u>	 4,758,683	 <u>\$ 4,758,683</u>
 Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Outstanding Warrants		127,368	
Add: Current Year Encumbrances		<u>312,351</u>	
Ending Cash Balance		<u>\$ 5,198,402</u>	

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, 2016

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 258,291	\$ 258,291	\$ -
Less: Prior Year Outstanding Warrants	(42,677)	(42,677)	-
Less: Prior Year Encumbrances	(6,984)	(4,789)	2,195
Beginning Cash Balances, Budgetary Basis	<u>208,630</u>	<u>210,825</u>	<u>2,195</u>
 Total Receipts, Budgetary Basis	 <u>705,561</u>	 <u>650,275</u>	 <u>(55,286)</u>
 Total Expenditures, Budgetary Basis	 <u>914,191</u>	 <u>536,789</u>	 <u>377,402</u>
 Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	 <u>\$ -</u>	 324,311	 <u>\$ 324,311</u>
 Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Cancelled Warrants		24	
Add: Current Year Encumbrances		84,360	
Add: Current Year Outstanding Warrants		<u>320</u>	
Ending Cash Balance		<u>\$ 409,015</u>	

**MAYES COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

PURPOSE, SCOPE, AND GENERAL METHODOLOGY

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

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

In planning and conducting our audit, we focused on the major financial related areas of operations based on assessment of materiality and risk for the fiscal year ended June 30, 2016.

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

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

**MAYES COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Objective 1: To determine the receipts apportioned, disbursements, and cash balances are accurately presented on the County Treasurer's monthly reports for FY 2016.

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

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

- Evaluated significant internal controls related to preparing the Treasurer's Monthly Reports, which included:
 - Reviewing 100% of all County Treasurer's monthly reports to ensure the monthly reports were signed and approved by someone other than the preparer, reconciled to the general ledger, and reconciled to the bank statement.
 - Reviewing a random sample of nine (9) bank statements and related bank reconciliations (19.58% of the total bank statements in the population tested) to ensure bank reconciliations were signed and approved by someone other than the preparer and correctly reconciled to the bank statement.
- Reconciled total collections from the monthly reports to the apportionments ledger for each month and to the annual summary of the Treasurer's reports.
- Confirmed \$14,782,367 in cash receipts (82% of total cash receipts) received from the Oklahoma Tax Commission, Federal grantor agencies, and the State Treasurer's Office, and determined that these receipts were apportioned to the proper fund in the proper amount.
- Prepared a general ledger schedule of cash and investments at June 30 to ensure the schedule reconciled to the annual summary of the Treasurer's reports.
- Confirmed all cash and investment balances.
- Re-performed the June 30 bank reconciliation and confirmed reconciling items.
- Reviewed bank balances of all accounts at June 30 on the Treasurer's general ledger to ensure that investments were adequately secured as required by 62 O.S. § 517.4.
- Examined the Treasurer's total cash disbursements and compared it to the County Clerk's total checks and cash vouchers issued to ensure the totals reconciled.

FINDINGS AND RECOMMENDATIONS

Finding 2016-005 – 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:

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- 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.
- Two (2), out of the nine (9) bank reconciliations tested, did not indicate review and approval by someone other than the preparer.

Cause of Condition: Policies and procedures have not been designed and implemented 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:

- 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: The County Treasurer is developing internal controls for the County Treasurer's monthly reports, specifically:

- 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.
- Procedures have been implemented requiring someone other than the preparer to review and sign off on all bank reconciliations for the general and official depository accounts.

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. To help ensure a proper accounting of funds, all reconciliations should be documented and approved by someone other than the preparer.

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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.

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

- Evaluated significant internal controls related to sales tax, which included:
 - Reviewing sales tax collections to ensure the collection was apportioned and appropriated in accordance with the sales tax ballot and that the apportionment and appropriation were reviewed and approved, as well as determining that prior year ending balances, excess prior year collections, and the current budget were appropriated accurately.
 - Reviewing a random sample of sales tax disbursements totaling \$1,765,228 (27.19% of sales tax disbursements in the population tested) to ensure the expenditure was approved and made for the purposes designated in the sales tax ballot.
- Confirmed all sales tax receipts received from the Oklahoma Tax Commission.

FINDINGS AND RECOMMENDATIONS

Finding 2016-006 – Inadequate Internal Controls and Lack of Segregation of Duties Over the Sales Tax Apportionments (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 implemented 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

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point of view. The most effective controls lie in management's overseeing of office operations and a periodic review of operations. OSAI recommends procedures be designed and implemented to review the calculation of the sales tax apportionment and appropriation to ensure collections are distributed in accordance with the sales tax ballot.

Management Response:

County Treasurer: The County Treasurer is developing internal controls for calculating, reconciling and reviewing sales tax apportionments, specifically:

- Procedures have been implemented requiring someone other than the preparer to review and sign off on the sales tax apportionment calculations.
- The spreadsheet of these calculations is now attached to the miscellaneous receipt and provided to the County Clerk to 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.
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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.

Objective 3 Methodology: To accomplish objective 3, we performed the following:

- Evaluated significant internal controls related to ad valorem tax collections, which included comparing the certified levies to the approved levies entered into the computer system to ensure levies were entered correctly.
- Recalculated the apportionment of ad valorem tax collections to determine collections were accurately apportioned to the taxing entities.

FINDINGS AND RECOMMENDATIONS

Finding 2016-007– Inadequate Internal Controls Over Ad Valorem Tax Levies (Repeat Finding)

Condition: Upon inquiry and observation of the recordkeeping process of apportioning ad valorem collections, the following was noted:

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- There was no evidence that certified levies input into the ad valorem system were reviewed for accuracy by someone other than the person who input the data.

Cause of Condition: Policies and procedures have not been designed and implemented to document and retain evidence of procedures performed to ensure ad valorem tax levies are accurately entered into the ad valorem tax system.

Effect of Condition: This condition could result in ad valorem tax collections being incorrectly apportioned and remitted.

Recommendation: OSAI recommends that 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: The County Treasurer is developing internal controls for the record keeping of the ad valorem levies, specifically:

- Procedures have been implemented requiring someone other than the person entering the certified levies to review and reconcile the tax roll balances to those levies and verify this has taken place.
- The levies are also reviewed and reconciled by our ad valorem tax system vendor when the conversion takes place.

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 calculations and/or transactions. To help ensure proper accounting of funds, the duties of allocating, and apportioning ad valorem tax should be segregated or reviewed by an independent party.

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.
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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 disbursements be timely encumbered, properly supported by adequate documentation, and signed by an authorized requisitioning officer.

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

- Evaluated significant internal controls related to the expending of County funds through purchase orders, which included reviewing a random sample of purchase orders totaling \$1,644,393 (17.42% of purchase orders in the population tested) to ensure:

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- The purchase order was requisitioned and signed by an approved Requisition County Official,
 - The encumbrance was made or funds were available prior to ordering goods or services and the encumbrance was approved by the County Clerk/Deputy,
 - The disbursement was reviewed and authorized and supported by adequate documentation, and
 - The BOCC reviewed and approved the disbursement and the disbursement was made for the appropriate amount.
- Evaluated significant internal controls related to the expending of County funds through cash vouchers, which included reviewing a random sample of cash vouchers totaling \$11,014 (11.04% of cash vouchers in the population tested) to ensure:
 - The disbursement was reviewed and authorized,
 - The claimant signed the cash voucher claim,
 - The disbursement was made for the appropriate amount, and
 - The disbursement was supported by adequate documentation.
- Evaluated significant internal controls related to payroll expenditures, which included reviewing a random sample of 27 payroll claims (5.00% of payroll claims in the population tested) to ensure:
 - Timesheets are accurate and are signed by the employee and supervisor,
 - The payroll claim was reviewed and approved, and
 - The payroll claim was supported by adequate documentation.
 - If direct deposit, include ensuring that the total payroll paid was compared and agreed to the payroll claim.

FINDINGS AND RECOMMENDATIONS

Finding 2016-008 – 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.

Additionally, the audit of forty (40) purchase orders reflected the following noncompliance with regards to purchasing statutes:

- One (1) purchase order totaling \$1,000 was not supported by adequate documentation.

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- One (1) purchase order totaling \$270,250 was not requisitioned by an officer or employee of the County.

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, which would include:

- Purchase orders should only be prepared by the Purchasing Agent after receipt of the requisition from an approved requisitioning officer.
- Requisitions should be properly encumbered before for the issuance of the purchase order and the ordering of goods or services.
- Adequate supporting documentation should be maintained to support expenditure.

Management Response:

Chairman of the Board of County Commissioners: The Board of County Commissioners (BOCC) will work with each of the elected officials to develop internal controls to ensure compliance with state statutes governing the disbursement process. Additionally, the Chairman of the BOCC now acts as the requisitioning officer for MESTA.

District 3 County Commissioner: I have rectified the situation by ensuring and then verifying that purchase orders are properly encumbered.

County Clerk: The County Clerk has implemented new procedures when giving out purchase orders to ensure that the funds are encumbered before a purchase order is given out. With regards to the purchase order that was not supported by adequate documentation, this was handled in an executive session. Additionally, the Chairman of the BOCC now acts as the requisitioning officer for MESTA.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. Internal controls should be designated to analyze and check accuracy, completeness, and authorization of disbursement calculations and/or transactions. To help ensure a proper accounting of funds, management should implement procedures to ensure that purchases are made in compliance with 19 O.S. § 1505.

Title 19 O.S. § 1501(A)(4) states in relevant part “Each county officer may designate not more than two employees who also shall be authorized to sign requisitions in the absence of the county officer. A written designation of the employees shall be filed with the county clerk and shall be entered in the minutes of the board of county commissioners. The county may designate two individuals who are not county employees for each of the following entities within the county to act as receiving and requisitioning officers:

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- a. fire protection districts organized and operated pursuant to the provisions of Sections 901.1 through 901.29 of this title,
- b. fire protection services established pursuant to the provisions of Section 351 of this title,
- c. volunteer or full-time fire departments established pursuant to Section 592 of Title 18 of the Oklahoma Statutes, and
- d. municipal fire departments organized and operated pursuant to the provisions of Sections 29-101 through 29-108 and Sections 29-201 through 29-204 of Title 11 of the Oklahoma Statutes.

A written designation of these individuals shall be filed with the county clerk and shall be entered in the minutes of the board of county commissioners meeting in which the designations are made. Further, entities described in subparagraphs a, b, c and d of this paragraph, choosing to have any nonemployee of the county designated as a receiving and requisitioning officer shall provide evidence of blanket bond coverage or employee dishonesty liability insurance for each such designee;"

Finding 2016-009 – Inadequate Internal Controls 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.

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

Effect of Condition: This condition 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.

Management Response:

County Clerk: The County Clerk now reviews and signs the cash voucher claims to ensure they are proper and are supported by adequate documentation.

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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 disbursement calculations and/or transactions. To help ensure a proper accounting of funds, the duties of processing, authorizing, and distribution should be segregated.

Finding 2016-010 – Inadequate Internal Controls Over Payroll Process (Repeat Finding)

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

- One employee enrolls new hires; reviews payroll claims; updates payroll information in the system; maintains personnel files; calculates, withholdings, prepares withholding reports, and pays withholdings; prepares and prints payroll warrants, prepares and sends direct deposit information to the bank, maintains warrant register, and removes terminated employees from the payroll system.

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

Effect of Condition: These conditions could result in unrecorded transactions, misstated financial records, undetected errors, and misappropriation 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 account functions.

- The following key accounting functions of the payroll process should be adequately segregated:
- Enrolling new employees and maintaining personnel files.
- Reviewing time records and preparing payroll.
- Distributing payroll warrants to individuals and/or preparing and issuing direct deposit information to bank.

Management Response:

County Clerk: I am currently making changes in the office. Everyone is being fully trained in their new positions. After that is complete, the County Clerk will begin to cross train employees and re-arrange duties that will provide more segregation of duties for payroll. Specifically, I will:

- Separate the duties of enrolling and terminating employees,
- Have two employees reviewing the calculations for payroll,
- Setup direct deposit so that both myself and the Payroll Clerk receive notification when a direct deposit is made, and
- Consult with the bank regarding direct deposits.

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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 payroll calculations and/or transactions. To help ensure a proper accounting of funds, the duties of processing, authorizing, and payroll distribution should be segregated.

All Objectives:

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

Finding 2016–001 – Inadequate County–Wide Internal Controls (Repeat Finding)

Condition: Through the process of gaining an understanding of the County’s internal control structure, it was noted that county-wide controls regarding Risk Assessment and Monitoring have not been designed.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure that an adequate system of county-wide controls exists.

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

Recommendation: OSAI recommends that the County design and implement a system of county-wide procedures to identify and address risks related to financial reporting and to ensure that information is communicated effectively. 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: The County will implement quarterly meetings with the elected officials to discuss County objectives and to implement county-wide controls regarding Risk Assessment and Monitoring.

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

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Environment, Risk Assessment, Information and Communication, and Monitoring for the achievement of these goals.

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

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

Finding 2016-002 - Inadequate Internal Controls Over Disaster Recovery Plans

Condition: The County Sheriff, Court Clerk and County Commissioner Districts 1, 2, and 3 do not have written Disaster Recovery Plans for their individual offices. Additionally, it was noted that the County Treasurer's plan had not been updated or reviewed since October 15, 2014.

Cause of Condition: Policies and procedures have not been designed and implemented to develop a formal Disaster Recovery Plan.

Effect of Condition: The failure to have a current formal Disaster Recovery Plan for all areas could result in the County being unable to function in the event of a disaster. The lack of a formal plan for each area could cause significant problems in ensuring that county business could continue uninterrupted.

Recommendation: OSAI recommends that each of the county offices develop a Disaster Recovery Plan that addresses how critical information and systems within their offices would be restored in the event of a disaster. The Disaster Recovery Plan should include the following:

- Current names, addresses, contact numbers of key county personnel and their roles and responsibilities of information services function.
- Listing of contracted service providers.
- Information on location of key resources, including back-up site for recovery operating system, application, data files, operating manuals and program/system/user/documentation.
- Alternative work locations once IT resources are available.

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In addition, OSAI recommends that all Disaster Recovery Plans be updated yearly and distributed to key personnel. To safeguard the document in times of disaster, a copy should be stored in a secure off-site location.

Management Response:

Chairman of the Board of County Commissioners/District 3 County Commissioner: The Board of County Commissioners will work with each elected official and Mayes County Emergency Management to develop a written Disaster Recovery Plan for each County office. Additionally, as District 3 County Commissioner, I am in the process of working with the other County Officials and with Mayes County Emergency Management to complete and implement a formal Disaster Recovery Plan for District 3.

County Sheriff: Although this was the first time the County Sheriff had been advised of the need for a Disaster Recovery Plan, the County Sheriff realizes the benefits of such a plan and is in the process of working with the other County officials and Mayes County Emergency Management in completing and implementing a formal Disaster Recovery plan for the Sheriff's office.

Court Clerk: I did not take office until April 1, 2019; however, I am in the process of working with the other County Officials and with Mayes County Emergency Management in completing and implementing a formal Disaster Recovery Plan for the Court Clerk's office.

District 1 County Commissioner: I did not take office until January 2019; however, am in the process of working with the other County Officials and with Mayes County Emergency Management in completing and implementing a formal Disaster Recovery Plan for District 1.

District 2 County Commissioner: The District 2 County Commissioner is in the process of working with the other County Officials and with Mayes County Emergency Management to complete and implement a formal Disaster Recovery Plan for District 2.

County Treasurer: The County Treasurer is in the process of working with the other County Officials and with Mayes County Emergency Management to complete and implement a formal Disaster Recovery Plan for the County Treasurer's Office.

Criteria: An important aspect of internal control is the safeguarding of assets which includes adequate Disaster Recovery Plans. 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 in a county being unable to function in the event of a disaster. Disaster Recovery Plan(s) are an integral part of county operations to ensure that business can continue as usual in the event of a disaster. Each office or the county as a whole should have a current, detailed Disaster Recovery Plan on file and should be aware of its content.

According to the standards of the Information Systems Audit and Control Association (CobiT, Deliver and Support DS5), information services function management should ensure that a written Disaster Recovery Plan is documented and contains guidelines and instructions for the county to follow in the event of a disaster.

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Other Item(s) Noted:

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

Finding 2016-004 - 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 overstated \$182,473.

The following misstatements were noted:

- The actual expenditures for Payment in Lieu of Taxes, CFDA 15.226, were \$48,163 and the County reported \$53,229, which overstated expenditures by \$5,066.
- The actual expenditures for Highway Planning and Construction, CFDA 20.205, were \$288,896 and the County reported \$426,136, which overstated expenditures by \$137,240.
- The actual expenditures for Disaster Grants – Public Assistance (Presidentially Declared Disasters), CFDA 97.036, were \$211,513 and the County reported \$283,941, which overstated expenditures by \$72,428.
- The actual expenditures for Emergency Management Performance Grants, CFDA 97.042, were \$69,094 and the County reported \$36,833, which understated expenditures by \$32,261.

Reported Total Expenditures of Federal Awards	\$ 800,138
Less: Payments in Lieu of Taxes (CFDA 15.226)	(5,066)
Less: Highway Planning and Construction (CFDA 20.205)	(137,240)
Less: Disaster Grants – Public Assistance (Presidentially Declared Disasters) (CFDA 97.036)	(72,428)
Plus: Emergency Management Performance Grants (CFDA 97.042)	32,261
Actual Federal Expenditures of Federal Awards	<u>\$ 617,665</u>
Original SEFA Overstated By	<u>\$ 182,473</u>

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

Effect of Condition: These conditions resulted in the erroneous reporting and/or a material misstatement of the County's Schedule of Expenditures of Federal Awards (SEFA) and noncompliance with federal requirements.

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

Management Response:

District 1 County Commissioner: I did not take office until January 2019; however, I will develop procedures to ensure the accurate reporting of federal funds on the SEFA. Such procedures will include contacting ODOT at the end of each fiscal year to determine the amount of federal revenues they have provided to the County that are required to be reported.

District 2 County Commissioner: I did not take office until January 2017; however, I will develop procedures to ensure the accurate reporting of federal funds on the SEFA. Such procedures will include contacting ODOT at the end of each fiscal year to determine the amount of federal revenues they have provided to the County that are required to be reported.

District 3 County Commissioner: I will develop procedures to ensure the accurate reporting of federal funds on the SEFA. Such procedures will include contacting ODOT at the end of each fiscal year to determine the amount of federal revenues they have provided to the County that are required to be reported.

County Clerk: The County Clerk is the complier of the SEFA. The Board of County Commissioners passed a Resolution for SEFA Procedures in 2014 so each office knows what the County Clerk expects from them in order for the County Clerk to compile the SEFA. The County Clerk will continue to do work with each elected official to make sure the SEFA is completed adequately.

County Treasurer: The County Treasurer will develop procedures to ensure the accuracy of the reporting of federal funds on the SEFA. Such procedures will include, providing the elected officials with federal revenue records.

Criteria: 2 CFR § 200.303(a) *Internal Controls* reads as follows:

The non-Federal entity must:

Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

2 CFR § 200.508(b) *Auditee responsibilities* reads as follows:

The auditee must:

Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with §200.510 Financial statements.

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2 CFR § 200.510(b) *Financial statements* reads as follows:

Schedule of expenditures of Federal awards. The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with §200.502 Basis for determining Federal awards expended. [....]

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

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, 2016:

- 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.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

June 27, 2019



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SCHEDULE OF FINDINGS AND RESPONSES

Finding 2016-011 – Inadequate Internal Controls Over the Court Clerk Collection and Disbursement Processes

Condition: Upon inquiry and observation of the Court Clerk's office, we noted the following weakness with regard to internal controls related to the collection and disbursement processes:

- One employee prepares, signs, and distributes vouchers at the end of the month; voids receipts; and reconciles all Court Clerk balances (Official Depository account, Court Clerk Revolving Fund, Court Fund, and District Case balances) to the County Treasurer.

Cause of Condition: Policies and procedures have not been designed and implemented with regard to internal controls over all aspects of the collection and disbursement processes of the Court Clerk's office.

Effect of Condition: A single person having responsibility for more than one area of recording, authorization, custody of assets, and execution of transactions could result in unrecorded transactions, misstated financial reports, clerical errors, or misappropriation of funds not being detected in a timely manner.

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

Management Response:

Court Clerk: I did not take office until April 1, 2019; however, I have since implemented procedures to rectify this issue, specifically:

- End of month reports are now reviewed by a second person for accuracy.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. 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.

Finding 2016-012 - 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:

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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 County 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 contract 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 Account's 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.

Further, an annual report for the Sheriff Commissary Fund is not filed annually with the Board of County Commissioners by January 15 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 Inmate Trust Fund Checking Account 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 County 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: These conditions have been rectified. On June 28, 2016, the BOCC entered into and approved an updated contract with the inmate trust/commissary vendor for the 2017 fiscal year. The new contract included tracking methods, bond certificate information, and specified both the County's and the inmate trust/commissary vendors responsibilities and liabilities in regard to inmate trust funds. Additionally, as of July 8, 2018, the County Sheriff is in control of the Inmate Trust Fund Checking Account. The County Sheriff manages the account by making deposits, writing checks, and reconciling the bank statements. The previous inmate trust/commissary contractor no longer has access or control over the bank account. Furthermore, the County Sheriff has updated the financial data format for the commissary report as recommended by OSAI and will make sure it is filed with the BOCC by the due date each year.

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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 2016-013 – Inadequate Internal Controls and Noncompliance Over Fixed Assets and Consumable Inventories (Repeat Finding)

Condition: Upon inquiry of personnel and the review and observation of fixed assets and consumable inventories and records, the following weakness were noted:

Fixed Asset:

- District 1
 - The duties of maintaining and verifying fixed asset inventory is not adequately segregated.
- District 2
 - There was no evidence of when the last physical inventory of fixed assets was performed.

Consumable Inventory:

- District 1
 - The duties of maintaining and verifying consumable inventory is not adequately segregated.

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- Fuel usage in the portable fuel tanks is not monitored.
- District 2
 - There was no evidence of when the last physical inventory of consumable inventory was performed.
 - Fuel usage in the portable fuel tanks is not monitored.
 - Transfer documents could not be traced to consumable records.
- District 3
 - Fuel usage in the portable fuel tanks is not monitored.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure compliance with the state statutes regarding maintaining and properly identifying fixed assets. Additionally, procedures have not been designed and implemented to provide for accurate inventory records and safeguarding of consumable inventory items.

Effect of Condition: These conditions resulted in noncompliance with state statutes. When fixed assets are not monitored, opportunities for misuse or loss of equipment can occur. Additionally, when consumable inventories are not monitored on a regular basis, opportunities for misuse or theft of items are more likely to occur.

Recommendation: OSAI recommends management:

- Implement internal controls to ensure compliance with 19 O.S. § 178.1 and 19 O.S. § 1504.
- Perform and documenting of periodic inventory of fixed assets.
- Performing and documenting of a monthly consumable inventory counts.
- Segregate key functions of receiving duties and inventory control duties.
- Maintain fuel logs on all fuel tanks and reconcile logs to usage.

Management Response:

District 1 County Commissioner: I did not take office until January 2019; however, I will:

- Develop a policy and procedure to segregate the duties of maintaining and verifying fixed inventory. Specifically, I will have one person maintain the fixed inventory and another person verify the inventory.
- Develop a policy and procedure to segregate the duties of maintaining and verifying consumable inventory. Specifically, will have one person maintain the consumable inventory and another person verify the inventory.

Additionally, the portable tank is not used for storage of any fuel. The portable fuel tank is only used for transferring fuel from the permanent fuel storage to the vehicle requiring fuel. Currently, the fuel usage per vehicle is documented when obtaining fuel from the permanent fuel storage.

District 2 County Commissioner: As of May 2019, District 2 implemented using software to track fixed asset inventory. A fixed asset inventory count will be taken every six months and entered into the software system. Additionally, we are using the same software to track consumable items and have developed a procedure whereby those with portable tanks on their vehicles will complete a new transfer log designed for tracking based on the amount of fuel used as gauged by a meter placed on each tank. This information

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will also be recorded in the software. Other consumable items will also be included on the new transfer log.

District 3 County Commissioner: I am currently reviewing possible options to be able to monitor fuel usage in the portable fuel tanks.

Criteria: 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 in part, "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, 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..."

Title 19 O.S. § 1504 required the receiving officer to maintain a record of all consumable items received, disbursed, stored and consumed by the department.



Cindy Byrd, CPA | State Auditor & Inspector

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