

OPERATIONAL AUDIT

McCLAIN COUNTY

For the fiscal year ended June 30, 2014



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

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

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



Oklahoma State Auditor & Inspector

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

February 9, 2017

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

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

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

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

Sincerely,

A handwritten signature in blue ink that reads "Gary A. Jones". The signature is fluid and cursive, with the first name "Gary" being the most prominent.

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

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

TABLE OF CONTENTS

OPERATIONAL AUDIT REPORT

Introductory Section (Unaudited)

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

Presentation of Apportionments, Disbursements, and Cash Balances of County Funds for Fiscal Year Ending June 30, 2014	1
--------------------------------------------------------------------------------------------------------------------------------	---

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

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

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

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

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

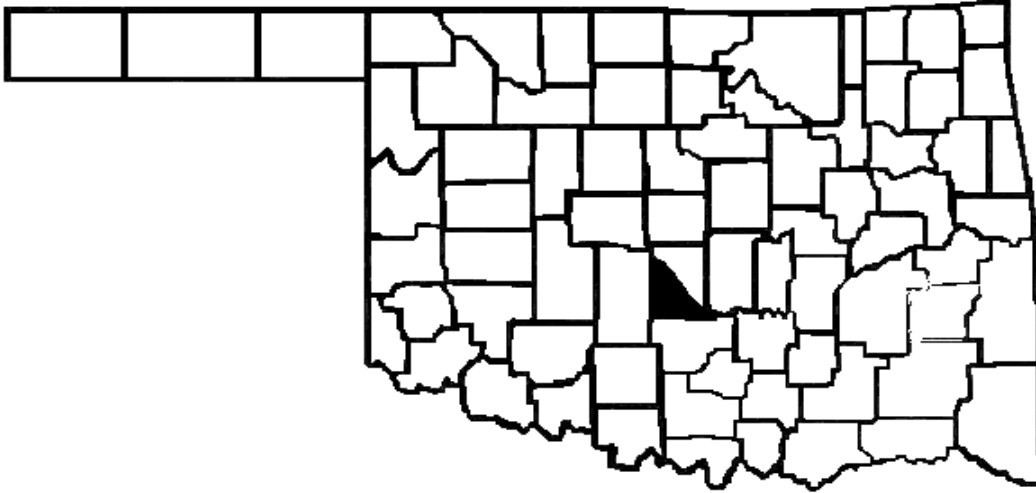
REPORT ON STATUTORY COMPLIANCE - OTHER MATTERS

Statutory Report.....	13
-----------------------	----

Schedule of Findings and Responses	14
------------------------------------------	----

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

McCLAIN COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2014



McClain County, originally part of Curtis County in the proposed state of Sequoyah, was created at statehood. The county was named for Charles M. McClain, a member of the Oklahoma Constitutional Convention and an early resident of Purcell.

Forty-niners on their way to the gold fields of California passed through southern McClain County on the California Trail that paralleled present S.H. 59. To protect travelers going west, Camp Arbuckle was established by the U.S. Army in 1850, northwest of present-day Byars. For health reasons, the camp was abandoned after a year for a site thirty miles southwest in the Arbuckles.

In the 1870s large ranching operations north of the Washita River belonged either to those of Indian blood or those related to Indians by marriage. Black slaves formerly owned by Choctaw and Chickasaw families were also eligible to own land. Cotton gins in many small towns prepared raw cotton for the cotton press in Purcell, the county seat. Broom corn growing was also productive in the 1920s and 1930s.

The McClain County Historical Society has published a three-volume history of the area, and sponsored the Mormon microfilming of county records in 1998. For more information, call the county clerk's office at 405-527-3360, or the McClain County Museum at 405-527-5894 weekday afternoons.

County Seat – Purcell

Area – 580.13 Square Miles

County Population – 35,613
(2012 est.)

Farms – 1,318

Land in Farms – 336,852 Acres

Primary Source: Oklahoma Almanac 2013-2014

**McCLAIN COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Board of County Commissioners

District 1 – Benny McGowen
District 2 – Wilson R. Lyles
District 3 – Charles “Shorty” Foster

County Assessor

Pam Irwin

County Clerk

Pam Beller

County Sheriff

Don Hewett

County Treasurer

Teresa Jones

Court Clerk

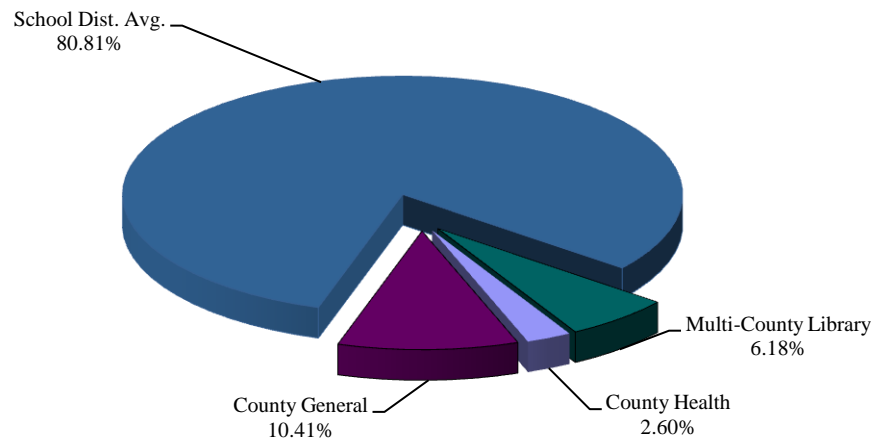
Lynda Baker

District Attorney

Greg Mashburn

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

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



County-Wide Millages		School District Millages							
					Career				
County General	10.28			Gen.	Bldg.	Skg.	Tech	Common	Total
County Health	2.57	Newcastle	I-1	36.02	5.15	41.63	11.32	4.11	98.23
Multi-County Library	6.11	Dibble	I-2	36.19	5.17	30.73	11.32	4.11	87.52
		Byars	D-4	36.51	5.22	-	11.32	4.11	57.16
Other		Washington	I-5	36.12	5.16	19.19	11.32	4.11	75.90
EMS (SD - I-1, I-2, and I-29)	3.09	Wayne	I-10	36.19	5.17	14.53	11.32	4.11	71.32
		Purcell	I-15	35.77	5.11	32.82	11.32	4.11	89.13
		Blanchard	I-29	36.02	5.15	50.48	11.32	4.11	107.08
		Paoli	J-5	35.14	5.02	12.73	11.32	4.11	68.32
		Maysville	J-7	36.37	5.20	8.74	11.32	4.11	65.74
		Lindsay	J-9	36.26	5.18	14.32	11.32	4.11	71.19
		Stratford	J-2-49	35.63	5.09	25.03	11.32	4.11	81.18
		Bridge Creek	J-95	36.33	5.19	29.01	11.32	4.11	85.96
		Norman	J-29-32	35.39	5.06	25.41	15.15	4.11	85.12
		Alex	J-56	36.82	5.26	-	15.78	4.11	61.97
		Asher	J-112	35.77	5.11	31.50	15.31	4.11	91.80

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

Sales Tax

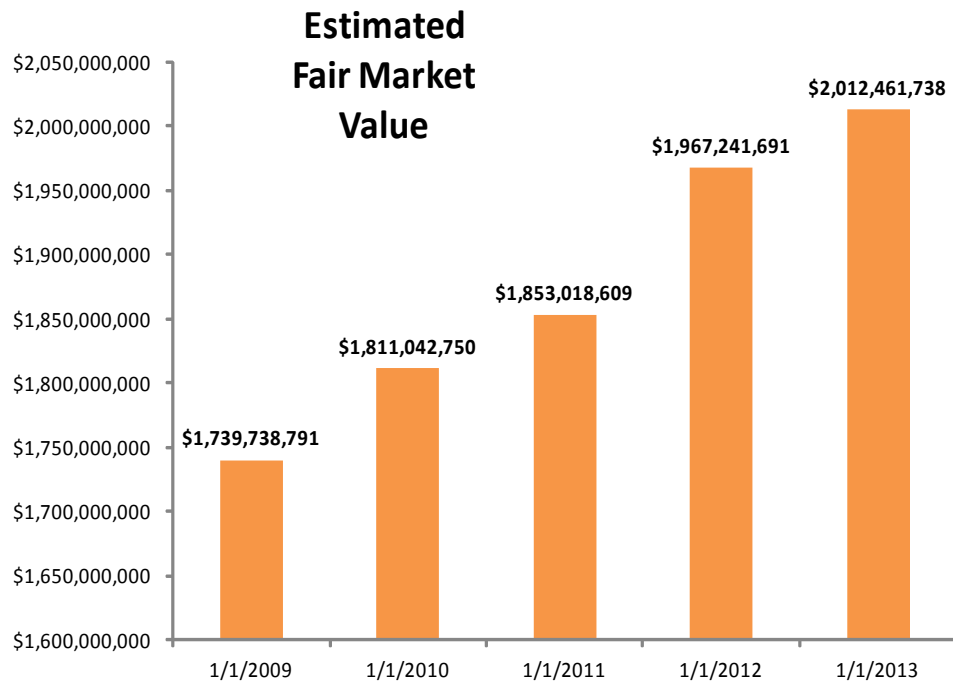
Sales Tax of January 1, 2012

Effective January 1, 2012, the voters of McClain County approved to extend the existing one-half cent sales tax for a period of eight years to be used for law enforcement (25%), rural fire protection (32%), emergency management services (2%), extension and 4-H services (10%), senior citizens (8%), economic development (7%), free fair (4%), community center, expo center, and county facilities (12%).

During the fiscal year the County collected \$1,985,753 in current sales tax that is accounted for in the 2007 ½ Cent Sales Tax fund.

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

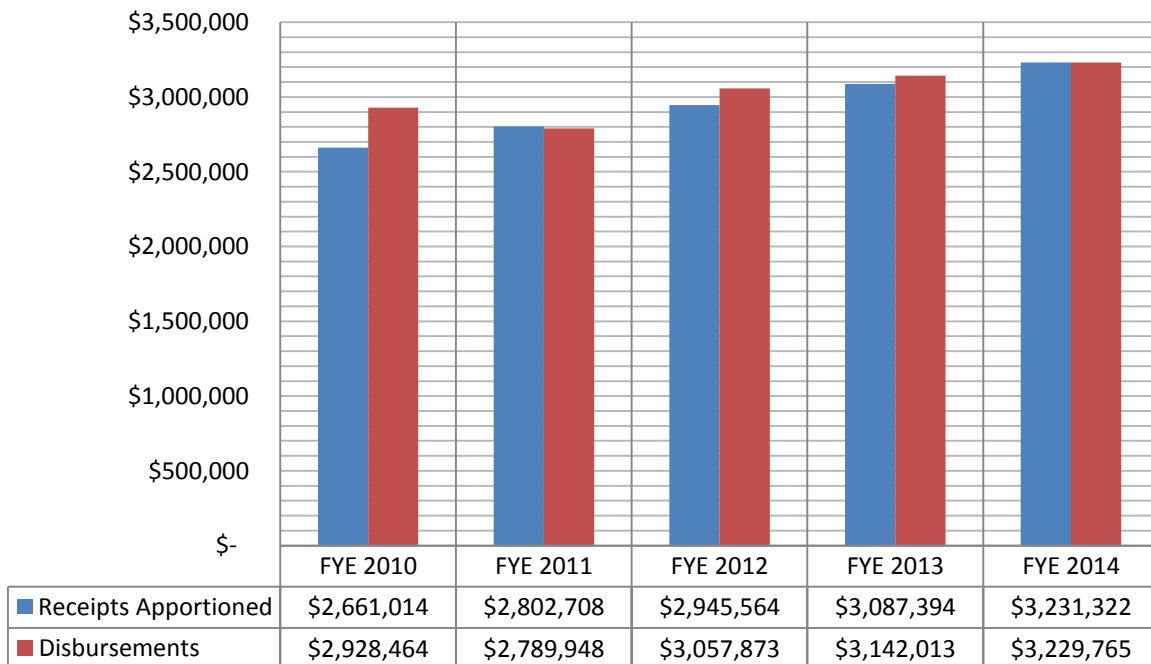
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2013	\$21,910,659	\$47,445,620	\$176,619,790	\$10,475,522	\$235,500,547	\$2,012,461,738
1/1/2012	\$22,270,979	\$50,257,230	\$168,996,992	\$10,010,198	\$231,515,003	\$1,967,241,691
1/1/2011	\$17,909,400	\$49,559,576	\$161,142,859	\$9,574,824	\$219,037,011	\$1,853,018,609
1/1/2010	\$18,545,489	\$48,874,699	\$156,231,864	\$9,345,532	\$214,306,520	\$1,811,042,750
1/1/2009	\$18,402,070	\$49,781,428	\$148,078,483	\$8,930,381	\$207,331,600	\$1,739,738,791



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

County General Fund

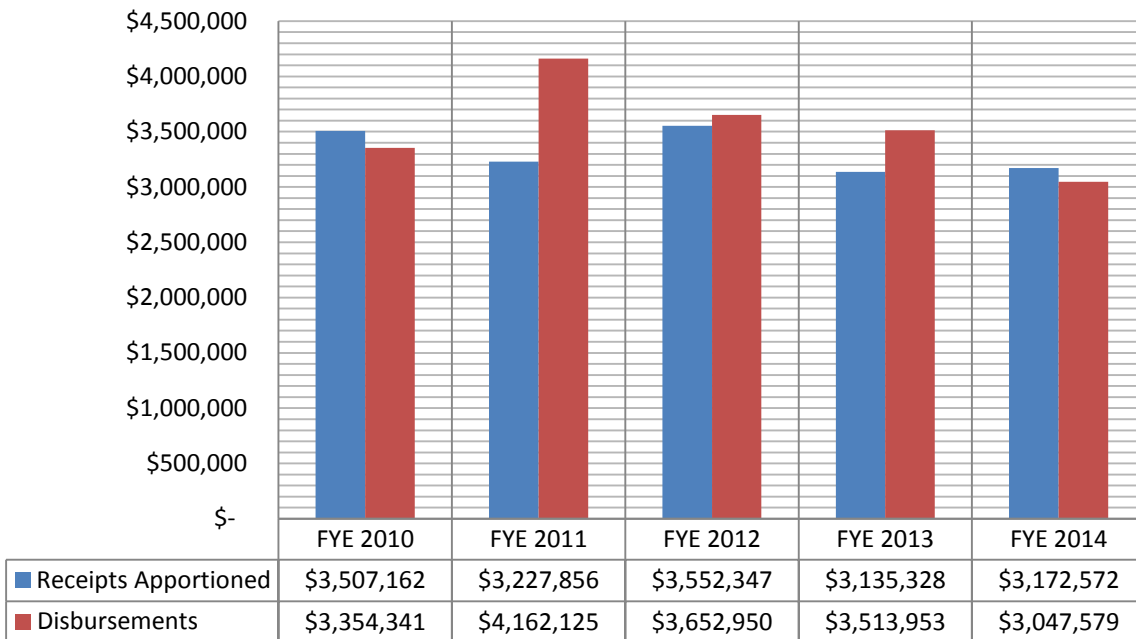
The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the county's primary source of operating revenue. The County General Fund is typically used for county employees' salaries plus many expenses for county maintenance and operation. It also provides revenue for various budget accounts and accounts that support special services and programs. The Board of County Commissioners must review and approve all expenditures made from the County General Fund. The primary revenue source for the County General Fund is usually the county's ad valorem tax collected on real, personal (if applicable), and public service property. Smaller amounts of revenue can come from other sources such as fees, sales tax, use tax, state transfer payments, in-lieu taxes, and reimbursements. The chart below summarizes receipts and disbursements of the County's General Fund for the last five fiscal years.



**McCLAIN COUNTY, OKLAHOMA
COUNTY HIGHWAY FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

County Highway Fund

The County receives major funding for roads and highways from a state imposed fuel tax. Taxes are collected by the Oklahoma Tax Commission. Taxes are imposed on all gasoline, diesel, and special fuel sales statewide. The County's share is determined on formulas based on the County population, road miles, and land area and is remitted to the County monthly. These funds are earmarked for roads and highways only and are accounted for in the County Highway Fund. The chart below summarizes receipts and disbursements of the County's Highway Fund for the last five fiscal years.



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

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

	Beginning Cash Balances July 1, 2013	Receipts Apportioned	Transfer In	Transfer Out	Disbursements	Ending Cash Balances June 30, 2014
Combining Information:						
County Funds:						
County General Fund	\$ 1,072,493	\$ 3,231,322	\$ -	\$ -	\$ 3,229,765	\$ 1,074,050
T-Highway	1,691,846	3,172,572	-	-	3,047,579	1,816,839
County Health	1,229,708	608,244	-	-	855,229	982,723
Sheriff Service Fee	197,068	605,831	-	-	638,936	163,963
County 1/2 Cent Sales Tax	146,715	-	-	-	127,193	19,522
1% County Sales Tax	568,677	93	-	-	49,405	519,365
2007 1/2 Cent Sales Tax	2,816,042	1,989,582	-	-	1,488,282	3,317,342
Resale Property	343,365	175,835	9,246	-	142,577	385,869
CBRI 105	481,559	220,440	-	300,000	160,496	241,503
County Clerk Lien Fee	109,042	66,442.00	-	-	19,814	155,670
Treasurer Mortgage Certification Fee	148,721	9,320	-	-	2,661	155,380
Community Service Sentencing Program	14,944	-	-	-	-	14,944
County Assessor Visual Inspection	42	-	-	-	-	42
Courthouse Building	3,100	-	-	-	-	3,100
County Assessor Fee	9,979	8,096	-	-	3,458	14,617
Saferoom Rebate	2,549	123,581	-	-	119,531	6,599
Trash Cop Program	1,349	-	-	-	-	1,349
Sheriff Drug Forfeiture State	1,207	-	-	-	-	1,207
Sheriff Drug Forfeiture Federal	466	1,499	-	-	-	1,965
Domestic Violence	20,204	2,310	-	-	22,459	55
County Clerk Preservation Fee	235,804	78,435	-	-	52,053	262,186
Civil Emergency Management Grant	150	-	-	-	-	150
Free Fair	9,219	4,045	-	-	6,088	7,176
Expo Cash Account	7,448	34,319	-	-	24,272	17,495
Sheriff Drug Restitution	100	-	-	-	-	100
Sheriff Commissary	27,982	39,316	-	-	48,052	19,246
Court Fund Payroll	13,914	144,264	-	-	152,101	6,077
Homeland Security Grant	435	-	-	-	-	435
Hazard Mitigation Fund	800	-	-	-	-	800
Emergency Management Grant	21,596	15,000	-	-	8,515	28,081
Local Emergency Planning Grant	25,877	3,500	-	-	3,902	25,475
Development Permits	3,450	-	-	-	-	3,450
Community Center Farm & Home	9,473	71,508	-	-	10,744	70,237
McCART	-	1,600	-	-	-	1,600
Combined Total - All County Funds	\$ 9,215,324	\$ 10,607,154	\$ 9,246	\$ 300,000	\$ 10,213,112	\$ 9,318,612

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

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

Description of County Funds

The County uses funds to report on receipts, disbursements, and changes in cash balances. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

Following are descriptions of the county funds within the Presentation of Apportionments, Disbursements, and Cash Balances of County Funds:

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

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

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

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

County ½ Cent Sales Tax – accounts for the remaining balance of revenue from a sales tax that expired July 1, 2005. Disbursements are to be used for general government purposes, initial implementation of 911 service, law enforcement and trash cop, extension and 4-H services, rural fire protection, senior citizens, and county fair and livestock show.

1% County Sales Tax – accounts for the remaining balance of revenue from a sales tax that expired October 31, 1997. Disbursements are to be used for general government purposes and building restoration and construction purposes.

2007 ½ Cent Sales Tax – accounts for the collection of sales tax revenue. Disbursements are to be used for law enforcement, rural fire protection, emergency management services, extension and 4-H services, senior citizens, economic development, free fair, community center, expo center, and county facilities.

Resale Property – accounts for the collection of interest and penalties on delinquent taxes and the disposition of same as restricted by state statute.

CBRI 105 – accounts for monies received from Oklahoma Department of Transportation. Monies are earmarked for bridges, roads, and certain improvements for roads.

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

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

Treasurer Mortgage 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 state statute.

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

County Assessor Visual Inspection – accounts for the collection and expenditure of funds by the County Assessor as restricted by state statute for the visual inspection program.

Courthouse Building – accounts for funds set aside for courthouse improvements.

County Assessor Fee – accounts for the collection of fees for copies restricted by state statute.

Saferoom Rebate – accounts for grant funds received and disbursed for the purpose of providing rebates for saferooms built within the County.

Trash Cop Program – accounts for grant funds received from the State of Oklahoma for the enforcement of trash and litter laws.

Sheriff Drug Forfeiture State – accounts for the collection of the Sheriff's percentage of drug forfeiture and state grants and disbursed for law enforcement purposes.

Sheriff Drug Forfeiture Federal – accounts for the collection of the Sheriff's percentage of drug forfeiture and federal grants and disbursed for law enforcement purposes.

Domestic Violence – accounts for monies received to be used to operate the Domestic Violence Program.

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

Civil Emergency Management Grant – accounts for grant funds received from the Federal Emergency Management Agency and the disbursement of funds as restricted by the grant agreement.

Free Fair – accounts for the collection of revenue generated from building rent, booth rental, and other fees and disbursements are for the maintenance and operation of the fair park.

Expo Cash Account – accounts for the collection of revenue generated from building rent, stall rental, and other fees and disbursements are for the maintenance and operation of the Expo Center.

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

Sheriff Drug Restitution – accounts for collections received by court orders for the purpose of drug interdiction.

Sheriff Commissary – accounts for monies transferred from the inmate trust account for commissary items and disbursement of funds for commissary and jail operating expenses.

Court Fund Payroll – accounts for monies transferred from the Court Fund to be used for payroll.

Homeland Security Grant – accounts for grant funds received from the U.S. Department of Homeland Security and the disbursement of funds are used for the Law Enforcement Terrorism Prevention Program.

Hazard Mitigation Fund – accounts for grant funds received from Oklahoma Emergency Management and disbursements are for the development of the County's Hazard Mitigation Plan.

Emergency Management Grant – accounts for grant funds received from Oklahoma Emergency Management and disbursements are for the maintenance and operation of the McClain County Emergency Management Office.

Local Emergency Planning Grant – accounts for grant funds received from Oklahoma Emergency Management to be used for hazardous materials emergency preparedness training and planning.

Development Permits – accounts for fees collected for flood zone permits and fees collected from oil companies for drilling on property within the County. Disbursements are for floodplain travel and maintenance and operation and road repair due to drilling.

Community Center Farm & Home – accounts for rental fees collected and disbursements are for the maintenance of the Community Center.

McCART – (McClain County Animal Response Team) – accounts for donations received to help care for displaced animals during times of disaster.

Interfund Transfers

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

- \$300,000 was transferred from the CBRI 105 fund to the Emergency and Transportation Revolving (ETR) fund, a trust and agency fund, for the repayment of a loan used for bridge and road projects in the County.

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

- \$9,246 was transferred to the Resale Property fund from the Excess Resale per Title 68 O.S. § 3131. Excess Resale is a trust and agency fund; therefore, it is not accounted for on the County's financial statement.

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

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 1,072,493	\$ 1,072,493	\$ -
Less: Prior Year Outstanding Warrants	(102,011)	(102,011)	-
Less: Prior Year Encumbrances	(22,859)	(20,976)	1,883
Beginning Cash Balances, Budgetary Basis	947,623	949,506	1,883
Receipts:			
Ad Valorem Taxes	2,200,860	2,413,424	212,564
Charges for Services	226,886	299,765	72,879
Intergovernmental Revenues	421,815	467,457	45,642
Miscellaneous Revenues	15,630	50,676	35,046
Total Receipts, Budgetary Basis	2,865,191	3,231,322	366,131
Expenditures:			
District Attorney	24,000	24,000	-
County Sheriff	998,703	996,068	2,635
County Treasurer	152,095	129,857	22,238
County Commissioners	251,718	249,357	2,361
County Clerk	348,259	344,137	4,122
Court Clerk	254,670	254,669	1
County Assessor	246,720	245,431	1,289
Revaluation of Real Property	225,253	224,288	965
General Government	730,283	417,054	313,229
Excise-Equalization Board	4,000	2,841	1,159
County Election Expense	132,386	118,538	13,848
Insurance - Benefits	300,138	137,610	162,528
Emergency Management	97,985	96,049	1,936
County Audit Budget Account	46,604	46,604	-
Total Expenditures, Budgetary Basis	3,812,814	3,286,503	526,311
Excess of Receipts and Beginning Cash			
Balances Over Expenditures, Budgetary Basis	\$ -	894,325	\$ 894,325
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Cancelled Warrants		126	
Add: Current Year Outstanding Warrants		126,562	
Add: Current Year Encumbrances		53,037	
Ending Cash Balance		\$ 1,074,050	

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

McCLAIN COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
COUNTY HEALTH DEPARTMENT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 1,229,708	\$ 1,229,708	-
Less: Prior Year Outstanding Warrants	(1,748)	(1,748)	-
Less: Prior Year Encumbrances	(145,424)	(134,641)	10,783
Beginning Cash Balances, Budgetary Basis	1,082,536	1,093,319	10,783
Receipts:			
Ad Valorem Taxes	550,215	603,356	53,141
Charges for Services	-	2,829	2,829
Intergovernmental Revenues	-	529	529
Miscellaneous Revenues	-	1,530	1,530
Total Receipts, Budgetary Basis	550,215	608,244	58,029
Expenditures:			
Health and Welfare	1,632,751	726,874	905,877
Total Expenditures, Budgetary Basis	1,632,751	726,874	905,877
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	974,689	\$ 974,689
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		6,369	
Add: Current Year Outstanding Warrants		1,665	
Ending Cash Balance		\$ 982,723	

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

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

PURPOSE, SCOPE, AND SAMPLE METHODOLOGY

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

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

In planning and conducting our audit, we focused on the major financial related areas of operations based on assessment of materiality and risk for the fiscal year ended June 30, 2014. Our audit procedures included:

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

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

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

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

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

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

Conclusion: With respect to the items reconciled and reviewed; the receipts apportioned, disbursements, and cash balances are accurately presented on the County Treasurer's monthly reports for FY 2014.

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

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

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

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

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

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

The County's financial operations did not comply with 19 O.S. § 1505, which requires the designated requisitioning officer to requisition purchase orders and funds be encumbered prior to receipt of goods and/or services.

FINDINGS AND RECOMMENDATIONS

Finding 2014-1 - Inadequate Segregation of Duties and Internal Controls Over Purchasing (Repeat Finding)

Condition: Upon inquiry and observation of the County's purchasing process, the following weaknesses were noted:

- Not all purchasing duties are adequately segregated; the same employee verifies warrant reports for accuracy, prints warrants, and has custody of warrants issued.
- Employees that are not designated requisitioning officers are allowed to request purchase orders.
- Warrants are printed prior to the Board of County Commissioners (BOCC) approval for payment.
- The signatures of the County Clerk and the BOCC Chairman that appear on all warrants are facsimile signatures printed by the software system. Neither the County Clerk nor the BOCC Chairman reviews or initials the warrants after they are printed.
- Cash vouchers are printed with the County Clerk's facsimile signature. The County Clerk does not review or initial the cash vouchers after they are printed.

Purchase Order Disbursements

Of the forty (40) purchase orders tested, the following exceptions were noted:

- Two (2) purchase orders were not timely encumbered.

Cause of Condition: Policies and procedures have not been designed with regard to the purchasing process to ensure adequate internal controls.

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

Recommendation: The Oklahoma State Auditor & Inspector's Office (OSAI) recommends the following regarding the purchasing process:

- Key accounting functions of the purchasing process should be adequately segregated.
- Only official requisitioning officers should be allowed to requisition goods and/or services.
- Warrants should be printed after purchase orders are approved for payment by the Board of County Commissioners.
- When facsimile signatures are printed on warrants and/or cash vouchers by the software system, the County Clerk should review and initial the warrants and/or cash vouchers after they are printed and the blank check stock should not be in the custody of any employee who has access to print warrants.

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

OSAI recommends that the County adhere to state purchasing guidelines. Purchase orders should be encumbered before goods and/or services are ordered, encumbrances should be certified by the County Clerk or Deputy. Adequate supporting documentation should be attached to the purchase order and reviewed to ensure accuracy.

Management Response:

Board of County Commissioners: The Board of County Commissioners will express to fellow County Officials the importance of County funds being encumbered prior to the receipt of goods and/or services in accordance with Oklahoma Statutes.

County Clerk: This may take some time to implement, but we will try to do what we can to correct these problems.

Criteria: An important aspect of internal control is the safeguarding of assets. Internal controls over safeguarding of assets constitute a process, affected by the entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or untimely detection of unauthorized acquisition, use, or disposition of the entity's assets and safeguarding assets from loss, damage, or misappropriation.

Finding 2014-2 - Inadequate Internal Controls Over the Payroll Process

Condition: Although the County Clerk has implemented some mitigating controls regarding the County's payroll disbursement process, upon inquiry and observation, the following weaknesses were noted:

- Documentation is not maintained to show that payroll deduction reports are reviewed and approved by someone other than the preparer.
- Payroll claims are not compared to supporting documentation and approved by someone other than the preparer.
- The total amount of payroll noted on the direct deposit report is not being verified to the approved payroll claims/affidavits.

In addition, it was noted that not all timesheets for the offices of the Court Clerk and the County Sheriff are approved by the supervisor/elected official and not all of the Election Board's timesheets are approved by the employee or the supervisor/elected official.

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

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

Recommendation: OSAI recommends documentation be maintained to show that payroll deduction reports are reviewed and approved by someone other than the preparer. OSAI also recommends that

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

payroll claims and direct deposit reports be verified by someone other than the preparer. In addition, all timesheets should be approved by the employee and supervisor/elected official.

Management Response:

County Clerk: Steps will be taken to implement controls to reduce these weaknesses. From this point forward, I will have the Insurance/Retirement Coordinator review, verify, approve, sign off and date each report as mentioned.

County Sheriff: We will make sure that all timesheets are signed by the employee and approved by a supervisor.

Court Clerk: In regards to the one timesheet not by the supervisor, this was an oversight; all timesheets are reviewed and signed by the employee and supervisor.

Election Board Secretary: We will make sure that all timesheets are signed by the employee and approved by a supervisor.

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 allow for prevention and detection of errors and abuse. To help ensure a proper accounting of funds, key functions within the payroll process such as the duties of processing, authorizing, and payroll distribution should be adequately segregated and supporting documentation such as payroll claims and timesheets should be maintained and signed for review and approval by the appropriate personnel.

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

McClain County
Board of County Commissioners
McClain County Courthouse
Purcell, Oklahoma 73080

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 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 McClain County.

Based on our procedures performed, we have presented our findings in the accompanying schedule.

This report is intended for the information and use of the management of the County. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

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

January 31, 2017

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

SCHEDULE OF FINDINGS AND RESPONSES

Finding 2014-3 - Inadequate Internal Controls and Noncompliance Over the Collection and Disbursement Process – Court Clerk

Condition: Upon inquiry and observation regarding the Court Clerk's collection process, the following weaknesses were noted:

- One employee issues receipts, balances the cash drawers, prepares official depository tickets, takes the deposit to the County Treasurer, posts daily receipts to the cash book, and reconciles the account balance with the County Treasurer.
- Deputies open and distribute payments received by mail, but a mail log is not maintained.

In addition, of the twenty-five (25) Court Fund claims tested, one (1) could not be located.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure adequate internal controls with regard to the disbursement process or to adequately segregate the duties of the receipting processes within the office of the Court Clerk.

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 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. 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:

Court Clerk: I was not in office during this period of time. I believe the money collection and reconciling of such has been taken care of and corrected. We will make sure all supporting documentation is attached to the Court Fund and Revolving Fund claims. I will do my best to correct these issues.

Criteria: Accountability and stewardship are over all goals of management in the accounting of funds. To help ensure a proper accounting of funds, key duties and responsibilities should be segregated among different individuals to reduce the risk of error or fraud. No one individual should have the ability to authorize transactions, have physical custody of assets, and record transactions.

Title 20 O.S. § 1304 provides guidance with regard to the expenditure process for the Court Fund.

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

Finding 2014-4 - Inadequate Internal Controls and Noncompliance Over the Inmate Trust Fund 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:

- One person issues receipts, prepares and makes deposits, maintains accounts, and performs bank reconciliations.
- The Sheriff's office does not file an annual report for the Commissary Fund with the Board of County Commissioners by January 15th, of each year.
- Disbursements were made from the Inmate Trust Fund Checking Account for purposes other than allowed by state statute, including payments to a pharmacy for inmates' medication and payments to the Court Clerk for bonds.

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 following:

- Key duties and responsibilities should be segregated among different individuals to reduce the risk of error or fraud. No one individual should have the ability to authorize transactions, have physical custody of assets, and record transactions.
- The Sheriff should file a report of the Commissary with the Board of County Commissioners by January 15th, of each year in accordance with Title 19 O.S. § 180.43.
- Disbursements should be made only to the Sheriff's Commissary Account and to the inmate in accordance with 19 O.S. § 531A.

Management Response:

County Sheriff: The McClain County Sheriff's Office is taking steps to correct inadequate controls by dividing more of the duties, and actual hands on money control between both Administrative Assistants. This includes only Cindy writes receipts, or Debbie getting two signatures on a receipt. Cindy will now perform the bank reconciliations monthly, and make deposits. This should divide the procedures for the Inmate Trust Fund Checking Account more adequately in the future to reduce the risk of misappropriation of funds.

Steps have been taken to assure the correct report is delivered to the Board of County Commissioners for commissary, by the 15th of January every year.

No disbursements will be issued from the Inmate Trust Fund Checking Account except to the Sheriff Commissary fund or the inmate refund when the inmate is released.

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

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, key duties and responsibilities should be segregated among different individuals to reduce the risk of error or fraud. No one individual should have the ability to authorize transactions, have physical custody of assets, and record transactions.

Title 19 O.S. § 180.43 D. states in part, "...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, "Notwithstanding any other provisions of law, the county sheriff may establish a checking account, to be designated the "Inmate Trust Fund Checking Account", to be managed by the county sheriff and maintained separately from regular county funds. The checking account shall be subject to audit by the State Auditor and Inspector. The county sheriff shall deposit all monies collected from inmates incarcerated in the county jail into this checking account and may write checks to the Sheriff's Commissary Account for purchases made by the inmate during his or her incarceration and to the inmate from unencumbered balances due the inmate upon his or her discharge."

Finding 2014-5 - Inadequate Internal Controls and Noncompliance Over Fixed Assets and Consumable Inventories

Condition: Upon inquiry of County personnel, observation, and review of documents, regarding fixed assets and consumable inventories, the following weaknesses were noted:

- Documentation of an annual physical inventory was not available for the following offices:
 - Court Clerk
 - County Sheriff
- The following items were not properly marked as "Property of McClain County":

<u>District</u>	<u>Inventory Item</u>
District 1	D348-64 2009 Hilbilt Trailer
District 3	D360.02 Brush Chipper – Bandit
District 3	2014 Mini Excavator
- The following item could not be located:

<u>Office</u>	<u>Inventory Item</u>
Court Clerk	J.219.114113 Dell Computer 7100 PC

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

- The following consumable inventory items reflected variances as compared to inventory records:

District	Consumable Item	Amount on Inventory	Amount Visually Verified	Variance
District 2	18" Double Band	2 Bands	1 Band	(1) Band
District 2	24" Tinhorn	60 Feet	40 Feet	(20) Feet
District 2	36" Tinhorn	40 Feet	33 Feet	(7) Feet
District 2	60" Tinhorn	40 Feet	0	(40) Feet
District 3	5 ½" Steel Pipe	48 Feet	57 Feet	(9) Feet
District 3	12" x 18" Chevron Sign	4 Signs	3 Signs	(1) Sign

- Upon inquiry and observation of fuel reconciliation we found the following:
 - The County uses several portable diesel tanks (carry tanks). Fuel dispensed from these tanks is not monitored or reconciled, and there is no record of what piece of equipment was filled via portable tank.
 - District 3 maintains fuel records for their primary tank and performs physical measurements of fuel on hand weekly; however, the fuel records and the weekly measurements are not being reconciled.

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

Effect of Condition: These conditions resulted in noncompliance with state statutes and inaccurate inventory records. 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, 19 O.S. § 1502(A)(1), 19 O.S. § 1502(B)(1), 19 O.S. § 1504, and 69 O.S. § 645 by maintaining inventory records and marketing assets with county identification numbers and "Property of McClain County." OSAI also recommends that each Office perform and document a periodic inventory of fixed assets. Additionally, the key functions of receiving duties and inventory control duties should be performed by separate employees in order to effectively segregate those duties.

OSAI further recommends fuel logs be maintained and that fuel usage be reconciled to purchases and actual fuel on hand. OSAI also recommends the performing and documenting of a monthly consumable inventory count. Inventory counts should be initialed and dated by the employee performing the physical count and retained to show the design and implementation of internal control by the County Commissioners.

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

Management Response:

County Commissioner District 1: We will start keeping an estimated record of gallons of fuel pumped from the vehicle carry tanks into the named equipment that is not located in the District 1 yard. This will be an estimate due to the carry tanks not being equipped with meters that would give the actual gallons pumped into each piece of machinery.

The equipment D348-64 did not have the proper identification showing it belonged to McClain County so that has been addressed and will be fixed accordingly.

County Commissioner District 2: We have located the 40' x 60" tinhorn. It was placed on Hutton Loop Rd/230th St. between May Ave. and Pennsylvania Ave. on 5/29/15. This was a miscommunication between the Foreman and the Receiving Officer. A receiving report was done with the 40' x 60" tinhorn being delivered directly to the project.

We have also located the 7' x 36" tinhorn.

In the matter of the other items missing from inventory, we feel that these items were either not turned in to the receiving officer when taken from the District 2 yard to a job site, or were damaged at some point and not reported.

McClain County District 2 will begin keeping an estimated record of the gallons of fuel pumped from the vehicle carry tanks in to the named equipment not located at the District 2 yard. This will be an estimate due to the carry tanks not being equipped with pump meters to determine the actual gallons pumped.

County Commissioner District 3: We have replaced the "Property of McClain County" decals on the Bandit Brush Chipper and the 2014 Mini Excavator.

The 12"x18" Chevron Sign was used on the new bridge on County Line Ave. ½ mile north of 25th Street, but was not written down on the time cards to be taken off inventory.

The 5 ½" pipe has been used on several projects and was not written down on the time cards.

The portable tanks used to carry fuel to different equipment will be monitored closer and a log will be kept on each tank with a record of what piece of equipment was filled via the portable tank.

We will continue sticking the fuel tank and will make the appropriate adjustments to reconcile the weekly measurements to the fuel records.

County Sheriff: The McClain County Sheriff's Office is taking steps to correct, update, and maintain accurate inventory records. We are in the process of updating our continuous inventory record, making sure all new purchases over \$500 are numbered and put on the list. We will perform an annual inventory count and we will verify that equipment is clearly marked.

Court Clerk: I was not in office during this period of time. I will try to correct this problem promptly.

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

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 requires the board of county commissioners in each county of this state to take or cause to be taken, an inventory of all working tools, apparatus, machinery and equipment.

Title 19 O.S. § 1502(A)(1), which requires a prescribed uniform identification system for all supplies, materials, and equipment of a county used for maintenance for roads and bridges.

Title 19 O.S. § 1502(B)(1) requires a prescribed uniform identification system for all supplies, materials, and equipment of a county not used in the construction and maintenance for roads and bridges.

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

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



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

WWW.SAI.OK.GOV