



OKFUSKEE COUNTY

Operational Audit

For the fiscal year ended June 30, 2016

Cindy Byrd, CPA
State Auditor & Inspector

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

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June 26, 2019

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

Transmitted herewith is the audit report of Okfuskee 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,



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR



**OKFUSKEE COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Board of County Commissioners

District 1 – Danny Wilson
District 2 – Terry Wilson
District 3 – Bruce Smith

County Assessor

Pamela Parish

County Clerk

Dianne Flanders

County Sheriff

Derrell Summers

County Treasurer

Lori Coplin

Court Clerk

Sherri Forman

District Attorney

Max Cook

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

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**INTRODUCTORY SECTION
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PRESENTED FOR INFORMATIONAL PURPOSES ONLY**

Sales Tax

Sales Tax of February 9, 1993

The voters of Okfuskee County approved a one and one-quarter (1.25%) sales tax that went into effect January 1, 1994. This sales tax is unlimited in duration and was established to provide revenue for the County and used for the following seven specific areas and percentages:

1. General Government	59%
2. OSU Extension Office	12.5%
3. County Roads	12%
4. Maintenance and Repair Okfuskee Courthouse	6%
5. Okfuskee County Free Fair Board	4.5%
6. Senior Citizens Organizations	3%
7. Rural Fire Departments	3%

These funds are accounted for in the County General Fund.

During the fiscal year the County collected \$812,438 in total sales tax.

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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	Disbursements	Ending Cash Balances June 30, 2016
Combining Information:				
County Funds:				
County General Fund	\$ 1,505,107	\$ 1,861,054	\$ 1,894,969	\$ 1,471,192
Highway Cash	2,311,660	3,023,514	3,127,757	2,207,417
County Health Department	255,163	181,551	218,430	218,284
Resale Property	348,959	60,113	74,277	334,795
Emergency Management	17,220	26,000	10,353	32,867
Sheriff Service Fee	207,551	109,028	92,169	224,410
County Clerk Lien Fee	149,758	12,514	9,179	153,093
County Clerk Records Preservation Fee	64,258	25,170	21,661	67,767
County Assessor Revolving	11,173	3,095	4,255	10,013
County Treasurer Mortgage Tax Certification Fee	19,152	1,565	-	20,717
Sheriff Revolving	104,835	14,212	32,337	86,710
CDBG Solid Waste	446	-	-	446
Insurance Damage	8,500	-	-	8,500
JAIB Grant	6,047	11	-	6,058
County Use Tax	68,717	48,964	51,769	65,912
911 Services	167,041	35,913	55,809	147,145
Adult Drug Court Revolving	42,339	139,145	129,475	52,009
Court Fund Payroll	267	90,876	87,532	3,611
Sheriff Commissary	24,702	27,447	29,569	22,580
E-911 Wireless	-	74,765	-	74,765
CDBG	-	62,061	62,061	-
Combined Total - All County Funds	\$ 5,312,895	\$ 5,796,998	\$ 5,901,602	\$ 5,208,291

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

**OKFUSKEE COUNTY
DESCRIPTION OF COUNTY FUNDS
OPERATIONAL AUDIT
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Description of County Funds

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

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

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

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

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

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

Emergency Management – accounts for the collection and disbursement of funds from the state for the Emergency Management Department.

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

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

County Clerk Records Preservation Fee – accounts for fees collected for instruments filed with the County Clerk as restricted by statute to be used for preservation of records.

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

County Treasurer Mortgage Tax Certification Fee – accounts for the collection of fees by the Treasurer for mortgage tax certificates and the disbursements as restricted by state statute.

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

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CDBG Solid Waste – accounts for grant monies received and disbursed as restricted by the grant agreement for Solid Waste.

Insurance Damage – accounts for revenues from the County’s insurance coverage. Disbursements are for the repair of damaged properties.

JAIB Grant – accounts for revenues from a Juvenile Accountability and Incentive Block Grant and disbursed as restricted by the grant agreement.

County Use Tax – accounts for revenues from sales tax charged to out-of-county vendors on in-county sales. Disbursements are for any legal expenses of the County.

911 Services – accounts for monies received from private telephone companies for the operations of emergency 911 services on landlines.

Adult Drug Court Revolving – accounts for collections from state funding and disbursements are for adult drug court processes.

Court Fund Payroll – accounts for payroll for the office of the Court Clerk.

Sheriff Commissary – accounts for the collection of the sale of items to inmates and disbursements to purchase commissary goods from the vendor. Excess funds are used for maintenance and operations of the Sheriff’s department.

E-911 Wireless – accounts for monies received from private telephone companies for the operation of emergency 911 wireless services.

CDBG – accounts for grant monies received and disbursed as restricted by the grant agreement for a Community Development Block Grant.

**OKFUSKEE 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	\$ 255,163	\$ 255,163	\$ -
Less: Prior Year Outstanding Warrants	(16,065)	(16,065)	-
Less: Prior Year Encumbrances	(1,693)	(1,368)	325
Beginning Cash Balances, Budgetary Basis	237,405	237,730	325
 Total Receipts, Budgetary Basis	 167,569	 181,551	 13,982
 Total Expenditures, Budgetary Basis	 404,974	 235,046	 169,928
 Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	 \$ -	 184,235	 \$ 184,235
 Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		33,647	
Add: Current Year Outstanding Warrants		402	
Ending Cash Balance		\$ 218,284	

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

**OKFUSKEE COUNTY
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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.

**OKFUSKEE COUNTY
OPERATIONAL AUDIT
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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 all Treasurer's monthly reports (100% of months in the population tested) 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 all bank statements and related bank reconciliations (100% 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 \$3,130,709 in cash receipts (54.01% 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 2016-002 – Inadequate Segregation of Duties – County Treasurer (Repeat Finding)

Condition: The following weaknesses were noted regarding the collection and balancing process in the County Treasurer's office:

- The duties of issuing receipts, voiding receipts, accepting cash, reconciling the cash drawer, and preparing the deposit were not adequately segregated within the County Treasurer's office.

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- The employees in the County Treasurer's office operate from the same cash drawer.

Cause of Condition: The Treasurer's office has not designed and implemented policies and procedures to separate key functions and processes among various employees in the office or to have levels of review over the processes performed.

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: The Oklahoma State Auditor and Inspector (OSAI) recommends the following key accounting functions of the Treasurer's office be adequately segregated:

- Issuing receipts.
- Preparing/reviewing deposits and taking them to the bank.
- Maintaining accounting ledgers and reconciling bank statements.
- Establish separate cash drawers for all employees receiving cash.
- Compile a daily log of mailed in receipts.

Management Response:

County Treasurer: The Treasurer's office has established duties to separate key functions and processes in the office and to review the processes performed. The First Deputy and Treasurer issue receipts with any voided transaction requiring two sets of initials in the system before moving forward with transaction. The First Deputy prepares deposits with the Treasurer reviewing and signing off on the deposits. A teller from the bank comes to the Treasurer's office to verify and collect the deposit and take it to the bank. The First Deputy prepares the Daily Reports and General Ledger daily with the Treasurer reviewing, initialing and placing in binder. Each employee handling cash has separate cash drawer from which to work. A list of receipts is placed into the daily packet each day.

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

Finding 2016-003 – Inadequate Internal Controls Over the Monthly Balancing Process

Condition: The following weaknesses were noted regarding the monthly reports and balancing process in the County Treasurer's office:

- Monthly bank reconciliations are not signed and approved by someone other than the preparer.
- Treasurer's monthly reports for the period of July 2015 through June 2016, were not being submitted timely to the Oklahoma State Auditor and Inspector's Office (OSAI).

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- Bank balances are not being monitored to ensure investments and county funds are properly collateralized.
- The Electronic Federal Tax Payment System (EFTPS) bank account is not listed on the general ledger.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure that monthly bank reconciliations are signed and approved by someone other than the preparer, monthly reports are submitted to OSAI on a monthly basis, investments are monitored to ensure they are properly collateralized and ensure all county bank accounts are listed on the general ledger.

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

Recommendation: OSAI recommends the County Treasurer implement internal controls to ensure that monthly bank reconciliations are signed and approved by someone other than the preparer, timely submit the monthly reports to OSAI, properly monitor pledged collateral and ensure all county bank accounts are listed on the general ledger.

Management Response:

County Treasurer: The monthly bank statements are being reconciled to the General Ledger timely. The reconciliations are now performed and approved by the Treasurer and rechecked by the First Deputy. All monthly reports have been submitted to SAI and are currently being received monthly as expected. The report is reconciled and approved by the Treasurer and rechecked by the First Deputy. The county funds are being monitored to ensure county funds and investments are properly collateralized. The pledge amount is entered in the General Ledger each month or as needed during high volume such as when the tax collections are being deposited. The First Deputy monitors these amounts with the Treasurer overseeing all collateral. The EFTPS account is now included on the General Ledger.

Criteria: Safeguarding controls are an important aspect of internal control. Safeguarding controls relate to the prevention or timely detection of unauthorized transactions and unauthorized access to assets. Failure to perform tasks that are part of internal controls, such as approval of reconciling bank statements, providing accurate and timely submitted monthly reports to OSAI, properly monitoring pledged collateral and ensuring that all funds are included on the general ledger are deficiencies in internal control.

Finding 2016-004 – Inadequate Internal Controls Over the Reconciliation of Appropriation Ledger to General Ledger (Repeat Finding)

Condition: A monthly reconciliation is not performed between the County Clerk's appropriation ledger and the Treasurer's general ledger for all County funds.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure the County Clerk's appropriation ledger is reconciled to the County Treasurer's general ledger on a monthly basis.

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Effect of Condition: These conditions could result in unrecorded transactions, misstated financial reports, undetected errors, misappropriation of assets, or clerical errors that are not detected in a timely manner.

Recommendation: OSAI recommends that the County Clerk's appropriation ledger be reconciled monthly to the County Treasurer's general ledger. The reconciliation should be reviewed and approved by someone other than the preparer and documentation of the reconciliation should be maintained.

Management Response:

County Clerk/County Treasurer: The County Clerk and County Treasurer implemented a procedure to reconcile monthly beginning July 2018. Once reconciled, the Clerk and Treasurer initial the appropriation ledgers and they are filed with the Treasurer's monthly report to the SA&I.

Criteria: Safeguarding controls are an aspect of internal control. Safeguarding controls relate to the prevention or timely detection of unauthorized transactions and unauthorized access to assets. Failure to perform tasks that are part of internal controls, such as reconciliations not prepared or not timely prepared, are deficiencies in internal control. Further, reconciliations should be performed on a monthly basis and document evidence of a review by someone other than the preparer.

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 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.
 - Reviewing sales tax that was apportioned to the General Fund and determined 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 \$7,798 (0.87% 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.

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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 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.

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 that disbursements be properly supported, timely encumbered, and charged to the appropriate fund and account.

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 \$48,362 (1.40% of purchase orders in the population tested) to ensure:
 - 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 Board of County Commissioners (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 \$2,450 (2.85% of cash vouchers in the population tested) to ensure:

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- 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 payroll claims totaling \$92,900 (4.65% 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.
 - Ensured that the total payroll paid was compared and agreed to the payroll claim.

FINDINGS AND RECOMMENDATIONS

Finding 2016-001 – Inadequate Internal Controls Over the Payroll Disbursement Process (Repeat Finding)

Condition: Upon inquiry and observation of the County’s payroll disbursement process, the duties of processing payroll are not adequately segregated. The Payroll Clerk adds new hires to the payroll system, makes changes to payroll, processes payroll claims, issues payroll, prints payroll, and has access to blank warrants and distributes payroll.

Cause of Condition: Policies and procedures have not been designed and implemented to adequately segregate the duties within the payroll disbursement process.

Effect of Condition: These conditions could result in unauthorized transactions, undetected errors, and misappropriation of assets.

Recommendation: OSAI recommends management be aware of these conditions and realize that concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. The most effective controls lie in management’s oversight of office operations and a periodic review of operations. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risks involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office and having management review and approval of accounting functions.

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

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

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Management Response:

County Clerk: The County Clerk has implemented a check list to segregate duties between herself and the First Deputy (P/R Deputy). The County Clerk also created a file for documented reviewed verification reports. The County Clerk and First Deputy (P/R Deputy) has access to blank warrants and the key to the locked file cabinet. A ledger will be maintained to record the last number used each time to always know if a check is missing.

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 2016-007 - Inadequate County-Wide Controls (Repeat Finding)

Condition: County-wide controls regarding Risk Management and Monitoring have not been designed. Also, a County-wide Disaster Recovery Plan has not been designed and implemented by County management, with the exception of the County Clerk.

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

Effect of Condition: These conditions could result in unrecorded transactions, undetected errors, or misappropriation of funds. These conditions could also result in the loss of data, the unreliability of data, and increase the risk that the County may not recover in an emergency situation and/or disaster.

Recommendation: OSAI recommends that the County design procedures to identify and address risks. OSAI also recommends that the County design monitoring procedures to assess the quality of performance over time. These procedures should be written policies and procedures and could be included in the County's policies and procedures handbook.

Further, a County-wide Disaster Recovery Plan should be designed and implemented with the inclusion of all information systems used by individual offices in order to maintain operations in the event of an emergency situation and/or disaster.

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Management Response:

BOCC Chairman: The elected officials meet in open meeting once a quarter to discuss possible risk factors. The BOCC will have that the Emergency Management Director request that each official submits a Disaster Recovery Plan to the BOCC for filing and provide a copy to the Sheriff, Emergency Management Director, and each employee in their office once approved by the Board. The Treasurer's office does maintain a Disaster Recovery Plan; however, it has not been approved by the BOCC. The Treasurer will present the plan to the BOCC for approval.

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 made. Internal control comprises the plans, methods, and procedures used to meet missions, goals, and objectives. Internal control also serves as the first line of defense in safeguarding assets and preventing and detecting errors and fraud. County management is responsible for designing a county-wide internal control system comprised of Risk Assessment and Monitoring for the achievement of these goals.

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

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

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.

Other Item(s) Noted:

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

Finding 2016-013 - Inadequate Internal Controls Over Information Technology – County Clerk and County Treasurer (Repeat Finding)

Condition: Upon review of the computer system within the office of the County Clerk and the County Treasurer, it was noted that there does not appear to be adequate internal controls in place to safeguard data from unauthorized modification, loss, or disclosure. The specifics of the condition have been sanitized to protect the County Pursuant to the provision of 51 O.S. § 24A.28.

Cause of Condition: Policies and procedures have not been designed and implemented to prevent unauthorized access to data.

Effect of Condition: This condition could result in compromised security for computers, computer programs, and data.

Recommendation: OSAI recommends the County comply with best practices presented in the criteria. The specifics of the recommendation have been sanitized to protect the county pursuant to the provision of 51 O.S. § 24A.28.

Management Response:

County Clerk: The County Clerk has requested their vendor to remove all employees from having access to any menu that allows for unauthorized modification, loss, or disclosure to data except for herself.

County Treasurer: The Treasurer now prints and reviews the audit log weekly to check for any discrepancies.

Criteria: According to the standards of the Information Systems Audit and Control Association (CobiT, Deliver and Support Ds5), the need to maintain the integrity of information and protect IT assets requires a security management process. This process includes establishing and maintaining IT security roles and responsibilities, policies, standards, and procedures. Security management also includes performing security monitoring and periodic testing and implementing corrective actions for identified security weaknesses or incidents. Effective security management protects all IT assets to minimize the business impact of security vulnerabilities and incidents.

Finding 2016-005 – Inadequate Internal Controls and Noncompliance Over the General Fund Estimate of Needs

Condition: Upon review of the County’s Estimate of Needs for the fiscal year ending June 30, 2016, the cash receipts and disbursements were presented with inaccurate information.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure that the County’s Estimate of Needs is accurate.

Effect of Condition: These conditions resulted in noncompliance with state statute, an inaccurate Estimate of Needs being approved, and an inaccurate General Fund Budget to Actual presented.

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Recommendation: OSAI recommends the County review the Estimate of Needs prior to approval to ensure that all financial information is accurately presented.

Management Response:

County Clerk/County Treasurer: The County Clerk and Treasurer will work together and with the budget maker to ensure the Estimate of Needs is accurate.

Criteria: The adopted budget is an expression of public policy and financial intent and is a method of providing controls over that intent. Effective internal controls as they relate to government entities financial reporting should assist in fulfilling government's duty to be publicly accountable and should enable users' access to that accountability by demonstrating whether resources were obtained and used in accordance with the entity's adopted budget.

Title 68 O.S. § 3002 (A) states, "Notwithstanding the provisions of the School District Budget Act, each board of county commissioners and the board of education of each school district, shall, prior to October 1 of each year, make, in writing, a financial statement, showing the true fiscal condition of their respective political subdivisions as of the close of the previous fiscal year ended June 30th, and shall make a written itemized statement of estimated needs and probable income from all sources including ad valorem tax for the current fiscal year. Such financial statement shall be supported by schedules or exhibits showing, by classes, the amount of all receipts and disbursements, and shall be sworn to as being true and correct. The statement of estimated needs shall be itemized so as to show, by classes: first, the several amounts necessary for the current expenses of the political subdivision and each officer and department thereof as submitted in compliance with the provisions of Section 3004 of this title; second, the amount required by law to be provided for sinking fund purposes; third, the probable income that will be received from all sources, including interest income and ad valorem taxes; and shall be detailed in form and amount so as to disclose the several items for which the excise board is authorized and required, by this article, to approve estimates and make appropriations."

REPORT ON STATUTORY COMPLIANCE – OTHER MATTERS

Okfuskee County
Board of County Commissioners
Okfuskee County Courthouse
Okemah, Oklahoma 74859

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 Okfuskee 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 17, 2019



**OKFUSKEE COUNTY, OKLAHOMA
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

SCHEDULE OF FINDINGS AND RESPONSES

Finding 2016-011 - Inadequate Internal Controls and Noncompliance Over the Inmate Trust Fund Checking Account and Sheriff Commissary Fund (Repeat Finding)

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

- The inmate ledger is not reconciled to the bank statement.
- Bank statements are not maintained.
- Collections are not deposited daily.
- The Sheriff does not file an annual report for the commissary fund with the Board of County Commissioners by January 15th, of each year.
- One key for the inmate drop box is kept in a non-secure desk.
- The contract with the commissary vendor was not approved by the Board of County Commissioners.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure that controls are in place with regard to the Inmate Trust Fund and Sheriff Commissary Fund.

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

Recommendation: OSAI recommends the following:

- The total of inmate's trust fund balances be reconciled to the bank statements each month with someone other than the preparer reviewing it.
- Maintaining all bank statements.
- Collection of inmate monies are to be deposited daily.
- An annual report of commissary operations should be submitted to the Board of County Commissioners no later than January 15th of each year.
- Secure the key for the inmate drop box.
- All contracts must be approved by the BOCC.

Management Response:

County Sheriff: I took office on December 17, 2017 and therefore, was not in office during FY 2016. I will ensure that the inmate ledger is reconciled with the Inmate Trust Account bank statement on a monthly basis and that those bank statements are maintained on file. I will further ensure funds are deposited on a daily basis once a change drawer is established. I will complete and file the annual Commissary Fund Report with the BOCC by January 15th of each year. I will ensure that the key for the inmate drop box will be kept locked in the Sheriff's office. The current contract for the commissary vendor has been approved by the BOCC and will continue to be approved annually in the future.

**OKFUSKEE COUNTY, OKLAHOMA
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Criteria: Effective accounting procedures and internal controls are necessary to ensure stewardship and accountability of public funds. Safeguarding controls are an important aspect of internal controls. Safeguarding controls relate to the prevention or timely detection of unauthorized transaction and unauthorized access to assets. Failure to perform tasks that are part of internal controls, such as reconciliations not performed or not timely prepared, are deficiencies in internal control. Further, reconciliations should be approved by someone other than the preparer.

Effective internal controls should provide procedures wherein receipts for the monies collected are maintained and available for inspection and deposits are made on a daily basis.

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. § 531 A. 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 from unencumbered balances due the inmate upon his or her discharge."

O·K·L·A·H·O·M·A
S·A·I
STATE AUDITOR & INSPECTOR



Cindy Byrd, CPA | State Auditor & Inspector

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