



PAWNEE COUNTY

Operational Audit

For the fiscal year ended June 30, 2015

Cindy Byrd, CPA
State Auditor & Inspector

**PAWNEE COUNTY OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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Cindy Byrd, CPA | State Auditor & Inspector

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June 24, 2019

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

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

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

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

Sincerely,

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

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR



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

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**PAWNEE COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Board of County Commissioners

District 1 – Charles Brown
District 2 – Jim McCormick
District 3 – Dale Carter

County Assessor

Melissa Ryan

County Clerk

Kristie Moles

County Sheriff

Mike Waters

County Treasurer

Carrie Tatum

Court Clerk

Janet Dallas

District Attorney

Rex Duncan

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

Sales Tax

Sales Tax of July 9, 2013

The voters of Pawnee County approved a one (1) cent sales tax on July 9, 2013, effective February 2014. The sales tax has a duration of five (5) years. The sales tax was established to provide revenue for the following:

1. County Sheriff's office 30%
2. City and Rural Fire Protection 5% (equal shares between)
 - a. Basin
 - b. Blackburn
 - c. Cleveland
 - d. Jennings
 - e. Maramec
 - f. N48 Sunrise
 - g. Pawnee
 - h. Peninsula
 - i. Ralston
 - j. Terlton
 - k. Westport
 - l. Skedee
3. County 911 2%
4. Senior Citizens Center 2%
5. County Juvenile Detention 1%
6. County Emergency Management 2%
7. County OSU Extension 5%
8. County Roads and Bridges 10%
9. County Free Fair 3%
10. County Buildings 8%
11. County Economic Development 4%
12. County General 28%

These funds are accounted for in the Sales Tax fund.

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

Sales Tax - Continued

Sales Tax of October 13, 2009

The voters of Pawnee County approved a one percent (1%) sales tax on gross receipts of certain sales; providing that the purpose of such sales tax shall be solely to pay for acquiring, constructing, equipping, repairing, renovating, operating, and maintaining County jail facilities for the County of Pawnee, Oklahoma and to support law enforcement within the County of Pawnee, Oklahoma; and to pay the principal of and interest on indebtedness incurred on behalf of said County by the Pawnee County Public Programs Authority for such purposes; providing that the aforesaid sales tax shall be levied beginning January 1, 2010, and three-fourths of one percent (3/4%) sales tax shall cease to be collected when sufficient funds from said levy shall be deposited to retire such indebtedness or on January 1, 2030, whichever shall be earlier: and the remaining one-fourth of one percent (1/4%) shall be levied until repealed by a majority of the electors of Pawnee County.

These funds are accounted for in the Jail Sales Tax fund.

During the fiscal year, the County collected \$2,492,993 in total sales tax.

**PAWNEE COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

	Beginning Cash Balances July 1, 2014	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2015
Combing Information:						
County Funds:						
County General Fund	\$ 462,493	\$ 1,353,633	\$ 250,000	\$ 250,000	\$ 1,294,908	\$ 521,218
Sales Tax	2,885,555	1,937,394	250,000	250,000	1,742,656	3,080,293
County Health	195,884	188,754	-	-	130,711	253,927
Highway Cash Fund	1,337,435	2,381,919	-	-	2,648,318	1,071,036
Sheriff Fee Cash Fund	327,937	186,651	-	-	80,588	434,000
Tribal Prisoner	605,085	154,539	-	-	227,243	532,381
County Road and Bridge Improvement CBR5	186,089	326,054	-	-	101,110	411,033
Jail Sales Tax	500,841	301,085	-	-	309,659	492,267
Resale Property	239,800	113,341	9,034	-	150,118	212,057
Wireless 911	154,984	52,949	-	-	98,859	109,074
County Sheriff Commissary	61,297	21,146	-	-	-	82,443
County Sheriff Training	299	-	-	-	-	299
County Clerk Lien Fee	91,261	59,062	-	-	32,181	118,142
County Treasurer Certification Fee	13,399	2,345	-	-	1,286	14,458
OG&E Sooner Lake	70,685	10,643	-	-	33,028	48,300
Corp of Engineers	3,300	8,064	-	-	1,005	10,359
County Clerk Records Preservation Fee	30,969	21,620	-	-	25,704	26,885
County Sheriff Asset and Forfeiture	80,089	96	-	-	-	80,185
County Assessor Visual Inspection	36,503	23,650	-	-	30,410	29,743
County Sheriff Courthouse Security	12,256	17,664	-	-	560	29,360
County Road and Bridge Improvement CBR3	16	-	-	-	16	-
County Use Tax	163,562	103,063	-	-	150,000	116,625
LEPC Grant Hazards	29,698	1,000	-	-	-	30,698
Prepaid Wireless	35,508	16,494	-	-	-	52,002
Highway Use Tax	150,000	150,000	-	-	112,771	187,229
Combined Total - All County Funds as Restated	\$ 7,674,945	\$ 7,431,166	\$ 509,034	\$ 500,000	\$ 7,171,131	\$ 7,944,014

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

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

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.

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

County Health – accounts for revenues from ad valorem taxes, miscellaneous fees charged by the health department, and state and federal funds. Disbursements are for the operation of the county health department.

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

Sheriff Fee Cash Fund – accounts for the collection and disbursement of Sheriff process service fees as restricted by statute.

Tribal Prisoner – accounts for tribal prisoners' housing and travel expenses and disbursements are for any lawful expense of the Sheriff's office.

County Road and Bridge Improvement CBR5 – accounts for the collections from the State of Oklahoma and disbursements are for road and bridge improvements.

Jail Sales Tax – accounts for monies received from a one (1) cent sales tax collected and disbursements are for any lawful expense of the jail.

Resale Property – accounts for revenue from interest and penalties on delinquent ad valorem taxes. Disbursements are to offset the expense of collecting delinquent ad valorem taxes.

Wireless 911 – accounts for monies received from the Central Oklahoma Economic Development District and disbursements are for operating the 911 system.

County Sheriff Commissary – accounts for the collection of the sale of items to inmates and disbursements are for purchasing commissary goods from vendor. Excess funds are used for maintenance and operation of the jail.

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

County Sheriff Training – accounts for monies collected from a grant and disbursed to the Sheriff’s office for the training of officers.

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

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

OG&E Sooner Lake – accounts for monies received from OG&E for the patrol of the property around Sooner Lake.

Corp of Engineers – accounts for monies collected from the Corp of Engineers for the payment of a part-time patrol officer.

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

County Sheriff Asset and Forfeiture – accounts for monies received from the sale of asset seizures and disbursements are for drug enforcement expenses of the Sheriff’s office.

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

County Sheriff Courthouse Security – accounts for monies from Court Clerk fees paid to the Sheriff’s office for courthouse security.

County Road and Bridge Improvement CBR3 – accounts for bank interest earned and Oklahoma Department of Transportation (ODOT) disbursements to counties for road projects.

County Use Tax – accounts for revenues from the use tax funds collected by the Oklahoma Tax Commission and disbursements are for the general operation of the County.

LEPC Grant Hazards – accounts for monies received from the State of Oklahoma for the purchase of Emergency Management equipment.

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

Highway Use Tax – accounts for use tax collections transferred from County Use Tax fund to be distributed equally between Districts 1, 2 and 3 to be used for road and bridge projects.

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

Interfund Transfers

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

- \$250,000 was transferred from the Sales Tax fund to the County General Fund to meet requirements of appropriations in accordance with 68 O.S. § 3021.
- \$250,000 was transferred from the County General Fund to the Sales Tax fund for the repayment of the loan in accordance with 68 O.S. § 3021.
- \$9,034 was transferred from the Excess Resale Property Fund, a trust and agency fund to the Resale Property fund in accordance with 68 O.S. § 3131.

Restatement of Fund Balance

During the fiscal year, the County had a reclassification of funds. Highway Use Tax was reclassified as a county fund. Public Building Authority was reclassified as a trust and agency fund as it is under the direction of an authority.

Prior year ending balance, as reported	\$8,869,929
Funds reclassified to County Funds:	
Highway Use Tax reclassified from a Trust and Agency Fund to a County Fund	150,000
Correction to Fund Balance	(2,957)
Funds reclassified as Trust and Agency Funds:	
Public Building Authority reclassified from a County Fund to a Trust and Agency Fund	<u>(1,342,027)</u>
Prior year ending balance, as restated	<u>\$7,674,945</u>

PAWNEE COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
COUNTY GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 462,493	\$ 462,493	\$ -
Less: Prior Year Outstanding Warrants	(98,541)	(98,541)	-
Less: Prior Year Encumbrances	(9,612)	(9,612)	-
Lapsed Appropriations 2013-2014	-	1,095	1,095
Beginning Cash Balances, Budgetary Basis	<u>354,340</u>	<u>355,435</u>	<u>1,095</u>
Receipts:			
Ad Valorem Taxes	827,327	897,510	70,183
Charges for Services	70,111	70,463	352
Intergovernmental Revenues	364,637	370,911	6,274
Miscellaneous Revenues	13,953	14,749	796
Total Receipts, Budgetary Basis	<u>1,276,028</u>	<u>1,353,633</u>	<u>77,605</u>
Expenditures:			
District Attorney	10,002	10,000	2
County Sheriff	343,744	330,215	13,529
County Treasurer	71,831	71,527	304
County Clerk	142,668	138,305	4,363
Court Clerk	74,331	73,643	688
County Assessor	74,188	71,840	2,348
Revaluation	177,014	163,428	13,586
General Government	644,057	353,916	290,141
Excise Equalization	5,000	2,773	2,227
County Election Expense	57,612	57,273	339
Charity	2,500	500	2,000
County Audit Budget Account	26,421	19,825	6,596
Provision for Interest	1,000	-	1,000
Total Expenditures, Budgetary Basis	<u>1,630,368</u>	<u>1,293,245</u>	<u>337,123</u>

PAWNEE COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
COUNTY GENERAL FUND - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	General Fund		
	Budget	Actual	Variance
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	415,823	\$ 415,823
Interfund Transfers:		250,000	
Interfund Transfer Out		(250,000)	
Net Interfund Transfers		-	
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Outstanding Warrants		96,585	
Add: Current Year Encumbrances		8,810	
Ending Cash Balance		\$ 521,218	

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

PAWNEE COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
COUNTY HEALTH DEPARTMENT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 195,884	\$ 195,884	\$ -
Less: Prior Year Outstanding Warrants	(5,784)	(5,784)	-
Less: Prior Year Encumbrances	(10,894)	(10,894)	-
Lapsed Balance 2013-2014	(704)	3,469	4,173
Beginning Cash Balances, Budgetary Basis	178,502	182,675	4,173
Receipts:			
Ad Valorem Taxes	165,708	179,843	14,135
Charges for Services	-	8,738	8,738
Intergovernmental Revenues	-	82	82
Miscellaneous Revenues	8,821	91	(8,730)
Total Receipts, Budgetary Basis	174,529	188,754	14,225
Expenditures:			
County Health Budget Account	353,031	180,236	172,795
Total Expenditures, Budgetary Basis	353,031	180,236	172,795
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	191,193	\$ 191,193
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		43,164	
Add: Current Year Outstanding Warrants		19,570	
Ending Cash Balance		\$ 253,927	

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

**PAWNEE COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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, 2015.

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.

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

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

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 a random sample of (5) Treasurer's monthly reports (41.67% 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 a random sample of (20) bank statements and related bank reconciliations (41.67% 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 \$5,590,546 in cash receipts (75.23% 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 2015-006 - Inadequate Internal Controls Over the County Treasurer's Monthly Reports and Bank Reconciliations

Condition: Upon inquiry, observation, review of documentation, and test work, the following was noted:

**PAWNEE COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

- One (1) of the five (5) Treasurer’s monthly reports tested was not reviewed and approved by someone other than the preparer.
- One (1) of the five (5) bank reconciliations tested was not reviewed and approved by someone other than the preparer.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure the County Treasurer’s monthly reports and bank reconciliations are reviewed and approved by someone other than the preparer.

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

Recommendation: The Oklahoma State Auditor & Inspector’s Office (OSAI) recommends that the County Treasurer implement a system of internal controls to provide reasonable assurance that the County Treasurer’s monthly report and bank reconciliations are reviewed and approved by someone other than the preparer.

Management Response:

County Treasurer: We have implemented a procedure for someone to review the monthly report and bank reconciliations other than the preparer.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. An important aspect of internal controls is the safeguarding of assets. Internal controls over safeguarding of assets constitute a process, affected by an entity’s governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions, and safeguarding assets from misappropriation. To help ensure a proper accounting of funds, the duties of the Treasurer’s monthly reports and bank reconciliations should be reviewed and approved 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:

**PAWNEE COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

- 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 a random sample of sales tax disbursements totaling \$103,675 (14.43% 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.

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

Conclusion: With respect to the items tested, the County complied with 68 O.S. § 2923, which requires the ad valorem tax collections to be apportioned and distributed monthly among the different funds to which they belong. However, we noted some deficiencies in internal controls regarding ad valorem tax levies.

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

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

FINDINGS AND RECOMMENDATIONS

Finding 2015-007 - Inadequate Internal Controls Over the Ad Valorem Tax Levies

Condition: The County did not maintain documentation that certified levies were reviewed for accuracy when entered into the ad valorem tax system by the County Treasurer.

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

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

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

**PAWNEE COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Management Response:

County Treasurer: The tax levies are entered by the County Treasurer and reviewed by another employee. We did not have signatures in place to document this procedure. We will implement putting signatures and dates in place.

Criteria: Accountability and stewardship are overall goals in evaluating management's accounting of funds. Internal controls should be designed to analyze and check accuracy and completeness. To help ensure proper accounting of funds, the duties of allocating, and apportioning ad valorem tax should be segregated or reviewed by an independent party.

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

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 timely encumbered, properly supported 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 \$482,757 (15.26% 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 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 \$14,703 (19.88% of cash vouchers in the population tested) to ensure:
 - The disbursement was reviewed and authorized,
 - The claimant signed the cash voucher claim,
 - The disbursement was made for the appropriate amount, and
 - The disbursement was supported by adequate documentation.

**PAWNEE COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

- Evaluated significant internal controls related to payroll expenditures, which included reviewing a random sample of 45 payroll claims (0.33% 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.

FINDINGS AND RECOMMENDATIONS

Finding 2015-002 - Inadequate Internal Controls and Noncompliance Over Purchasing

Condition: Our test of forty-five (45) purchase orders reflected the following noncompliance with regard to purchasing statutes:

Encumbrance was not approved by the County Clerk/Deputy:

Fund	Vendor	Purpose	Purchase Order Number	Amount
Sheriff Service Fee	Cimarron Telephone Company	Utilities	2068	\$180.84

Not Timely Encumbered:

Fund	Vendor	Purpose	Purchase Order Number	Amount
Sales Tax	OSU Cooperative Extension Serv,	Contractual Service	875	\$2,689.00
CBRI Fund - 105	Kellogg Engineering, Inc.	District 1: Professional Service	2494	\$10,260.00
Highway Cash Fund	ACCO - SIF	Workers Comp Premium	280	\$46,422.62
Pawnee Co. Health Dept	OK State Dept of Health	Payroll Expense	1198	\$8,333.33

No Supporting Documentation:

Fund	Vendor	Purpose	Purchase Order Number	Amount
Highway Cash Fund	Dunhams Asphalt Services, Inc.	District 3: Bid List Items	1496	\$4,139.85

Disbursement Not Reviewed and Signed by Purchasing Agent:

Fund	Vendor	Purpose	Purchase Order Number	Amount
Highway Cash Fund	Boxcer Equipment	District 3: Equipment	1173	\$37,500.00

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

**PAWNEE COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Effect of Condition: These conditions resulted in noncompliance with state statute and could result in inaccurate records, incomplete information, or misappropriation of assets.

Recommendation: OSAI recommends that the County adhere to state purchasing guidelines. Purchase orders should be encumbered before goods or services are ordered and approved by the County Clerk in accordance with 19 O.S. § 1505C. Purchase orders should be reviewed and signed by purchasing agent and documentation attached to support disbursement.

Management Response:

County Clerk: The County Clerk and deputies will review purchase orders for signatures as required by statute for timely encumbrances and supporting documentation. Any purchase order that is not timely encumbered or that does not have supporting documentation will be stamped with a red improper purchasing stamp and returned to the office to be fixed and/or given a written explanation as to why it is improper. The purchase order is then passed in the commissioners meeting under “Discussion and Possible Action regarding purchase orders with exceptions.” At this time the error is discussed with the Board and noted in the proceedings.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. Internal controls should be designated to analyze and check accuracy, completeness, and authorization of disbursement calculations and/or transactions.

Effective internal controls require that management properly implement procedures to ensure that purchases are made in compliance with 19 O.S. § 1505, which provides that purchase orders should be timely encumbered.

All Objectives:

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

Finding 2015-001 - Inadequate County-Wide Controls

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

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

Effect of Condition: These conditions could result in unrecorded transactions, undetected errors, or misappropriation of funds.

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

Management Response:

Board of County Commissioner Chairman: The Chairman of the Board of County Commissioners will conduct meetings using the County-Wide Internal Controls Checklist with elected officials. The first meeting will be held in April 2019. The meetings will be conducted quarterly. The minutes will be filed in the County Clerk's office.

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

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.

REPORT ON STATUTORY COMPLIANCE – OTHER MATTERS

Pawnee County
Board of County Commissioners
Pawnee County Courthouse
Pawnee, Oklahoma 74058

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, 2015:

- 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 Pawnee 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 18, 2019



SCHEDULE OF FINDINGS AND RESPONSES

Finding 2015-004 - Inadequate Internal Controls and Noncompliance Over the Inmate Trust Fund Checking Account and Sheriff Commissary Fund

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

- One employee receipts monies, prepares deposits, posts deposits, controls bank statements, prepares disbursements, prints checks, and performs the reconciliation for the Inmate Trust Fund Checking Account.
- Inmate Trust Fund Checking Account 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.
- There is no policy or procedure regarding unclaimed funds.

After performing testwork regarding Inmate Trust Fund Checking Account expenditures, the following noncompliance was noted regarding the disbursements/checks tested:

- Fifty-three (53) checks were issued to a vendor for commissary items and fees.

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, laws, and regulations. Also, without proper accounting and safeguarding of the Inmate Trust Fund Checking Account, there is an increased risk of undetected errors and possible 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.
- Collection of inmate monies should be deposited daily in accordance with state statute.
- Expenditures should be made from the Sheriff's Commissary Fund in accordance with 19 O.S. § 531.A.
- The Sheriff should file a report of the commissary with the County Commissioners by January 15th, of the fiscal year in accordance with state statute.
- Policies and procedures need to be designed and implemented for the handling of unclaimed funds from the Inmate Trust account in accordance with state statute.

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Management Response:

County Sheriff: One employee will be designated to prepare the deposit. The Undersheriff will take the bank deposit receipt to the Administrative Sergeant for verification and signature. The bank receipt will receive final verification signature by the Sheriff. Deposits will be made daily unless the monies collected for the day are less than \$20 then the deposit will be made the next business day. The Sheriff was unaware that an annual report for the commissary fund needed to be filed with the Board of County Commissioners. Now that the Sheriff is aware of this it will be filed going forward. The next report for fiscal year 2019 will be due, January 15, 2020 and will be submitted to the Pawnee County Commissioners. We are presently working on writing procedures for unclaimed funds and will forward them to SA&I upon completion.

Auditor Response: It is recommended that the County Sheriff make daily deposits.

Criteria: Effective internal controls should provide for procedures wherein receipts for the monies collected are maintained and available for inspection and deposits are made in a timely manner.

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 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 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.”

Title 19 O.S. § 682 states in part, “It shall be the duty of each and every county officer... to deposit daily... all monies...of every kind received or collected by virtue or under color of office...”

Title 22 O.S. § 1325(F, H) prescribes the procedures for handling unclaimed property.

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



Cindy Byrd, CPA | State Auditor & Inspector

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