



# PAWNEE COUNTY

## Operational Audit

For the fiscal year ended June 30, 2016

**Cindy Byrd, CPA**  
State Auditor & Inspector

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

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Cindy Byrd, CPA | State Auditor & Inspector

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June 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, 2016.

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

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

Sincerely,

A handwritten signature in blue ink that reads "Cindy Byrd". The signature is fluid and cursive, written in a professional style.

CINDY BYRD, CPA  
OKLAHOMA STATE AUDITOR & INSPECTOR



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

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**TABLE OF CONTENTS**

**OPERATIONAL AUDIT REPORT**

Introductory Section (Unaudited)

County Officials.....	ii
Sales Tax Distribution.....	iii
Presentation of Apportionments, Disbursements, and Cash Balances of County Funds for the Fiscal Year Ended June 30, 2016.....	1
Description of County Funds .....	2
Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis—County General Fund.....	4
Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis—County Health Department Fund.....	5
Purpose, Scope, and General Methodology .....	6
Objectives and Results of Operational Audit.....	7

**REPORT ON STATUTORY COMPLIANCE - OTHER MATTERS**

Statutory Report.....	14
Schedule of Findings and Responses.....	15

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

**Board of County Commissioners**

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

**County Assessor**

Melissa Waters

**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, 2016**

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## **Sales Tax**

### **Sales Tax of July 09, 2013**

The voters of Pawnee County approved a one (1) cent sales tax on July 09, 2013, effective February 2014. The sales tax has a duration of five 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, 2016**

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## **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 \$2,199,085 in total sales tax.



**PAWNEE COUNTY  
DESCRIPTION OF COUNTY FUNDS  
OPERATIONAL AUDIT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

	Beginning Cash Balances July 1, 2015	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2016
Combining Information:				
County Funds:				
County General Fund	\$ 521,218	\$ 1,386,552	\$ 1,323,211	\$ 584,559
Sales Tax	3,080,293	2,286,769	2,274,550	3,092,512
County Health	253,927	199,326	182,292	270,961
Highway Cash Fund	1,071,036	2,164,293	2,506,947	728,382
Sheriff Fee Cash Fund	434,000	187,756	119,786	501,970
Tribal Prisoner	532,381	46,602	172,268	406,715
County Road and Bridge Improvement CBR5	411,033	278,670	167,913	521,790
Jail Sales Tax	492,267	240,930	390,021	343,176
Resale Property	212,057	145,028	138,869	218,216
Wireless 911	109,074	55,366	86,543	77,897
County Sheriff Commissary	82,443	13,729	4,371	91,801
County Sheriff Training	299	-	-	299
County Clerk Lien Fee	118,142	13,753	11,976	119,919
County Treasurer Certification Fee	14,458	2,360	1,974	14,844
OG&E Sooner Lake	48,300	-	43,176	5,124
Corp of Engineers	10,359	4,564	600	14,323
County Clerk Records Preservation Fee	26,885	19,070	15,125	30,830
County Sheriff Asset and Forfeiture	80,185	278	6,289	74,174
County Assessor Visual Inspection	29,743	22,217	25,174	26,786
County Sheriff Courthouse Security	29,360	20,737	-	50,097
County Use Tax	116,625	52,856	20,300	149,181
LEPC Grant Hazards	30,698	1,000	-	31,698
Prepaid Wireless	52,002	19,052	-	71,054
Highway Use Tax	187,229	-	46,018	141,211
CDBG Fire Truck	-	48,242	48,242	-
<b>Combined Total - All County Funds</b>	<b>\$ 7,944,014</b>	<b>\$ 7,209,150</b>	<b>\$ 7,585,645</b>	<b>\$ 7,567,519</b>

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

**PAWNEE COUNTY  
DESCRIPTION OF COUNTY FUNDS  
OPERATIONAL AUDIT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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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.

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

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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 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.

CDBG Fire Truck – accounts for funds received from Community Development Block Grant and disbursement was for the purchase of a fire truck for the Maramec Fire Department.

**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, 2016**

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 521,218	\$ 521,218	\$ -
Less: Prior Year Outstanding Warrants	(96,585)	(96,585)	-
Less: Prior Year Encumbrances	(8,810)	(8,810)	-
Lapsed Appropriations 2014-2015	-	504	504
Beginning Cash Balances, Budgetary Basis	<u>415,823</u>	<u>416,327</u>	<u>504</u>
Receipts:			
Ad Valorem Taxes	902,501	969,883	67,382
Charges for Services	-	65,043	65,043
Intergovernmental Revenues	154,642	331,094	176,452
Miscellaneous Revenues	3,994	20,532	16,538
Total Receipts, Budgetary Basis	<u>1,061,137</u>	<u>1,386,552</u>	<u>325,415</u>
Expenditures:			
District Attorney	10,002	10,000	2
County Sheriff	358,467	347,720	10,747
County Treasurer	75,057	74,754	303
County Clerk	152,716	148,049	4,667
Court Clerk	76,157	75,727	430
County Assessor	77,296	74,337	2,959
Revaluation	182,465	173,340	9,125
General Government	462,562	362,406	100,156
Excise Equalization	5,000	3,554	1,446
County Election Expense	58,714	58,245	469
Charity	2,500	-	2,500
County Audit Budget Account	16,024	2,070	13,954
Total Expenditures, Budgetary Basis	<u>1,476,960</u>	<u>1,330,202</u>	<u>146,758</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	472,677	<u>\$ 472,677</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Cancelled Warrants		15	
Add: Current Year Outstanding Warrants		102,744	
Add: Current Year Encumbrances		9,123	
Ending Cash Balance		<u>\$ 584,559</u>	

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, 2016**

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 253,927	\$ 253,927	\$ -
Less: Prior Year Outstanding Warrants	(19,570)	(19,570)	-
Less: Prior Year Encumbrances	(43,164)	(43,164)	-
Lapsed Appropriations 2014-2015	-	8,444	8,444
Beginning Cash Balances, Budgetary Basis	<u>191,193</u>	<u>199,637</u>	<u>8,444</u>
Receipts:			
Ad Valorem Taxes	180,843	194,345	13,502
Charges for Services	-	4,885	4,885
Miscellaneous Revenues	4,981	96	(4,885)
Total Receipts, Budgetary Basis	<u>185,824</u>	<u>199,326</u>	<u>13,502</u>
Expenditures:			
County Health Budget Account	<u>377,017</u>	<u>155,247</u>	<u>221,770</u>
Total Expenditures, Budgetary Basis	<u>377,017</u>	<u>155,247</u>	<u>221,770</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	243,716	<u>\$ 243,716</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		22,202	
Add: Current Year Outstanding Warrants		<u>5,043</u>	
Ending Cash Balance		<u>\$ 270,961</u>	

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

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

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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.

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

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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 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 \$4,908,949 in cash receipts (68.10% of total cash receipts) received from the Oklahoma Tax Commission, Federal grantor agencies, and the State Treasurer's Office, and determined that these receipts were apportioned to the proper fund in the proper amount.
- Prepared a general ledger schedule of cash and investments at June 30 to ensure the schedule reconciled to the annual summary of the Treasurer's reports.
- Confirmed all cash and investment balances.
- Re-performed the June 30 bank reconciliation and confirmed reconciling items.
- Reviewed bank balances of all accounts at June 30 on the Treasurer's general ledger to ensure that investments were adequately secured as required by 62 O.S. § 517.4.
- Examined the Treasurer's total cash disbursements and compared it to the County Clerk's total checks and cash vouchers issued to ensure the totals reconciled.

**FINDINGS AND RECOMMENDATIONS**

**Finding 2016-005 - Inadequate Internal Controls Over the County Treasurer's Monthly Reports and Bank Reconciliations (Repeat Finding)**

**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, 2016**

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- 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, 2016**

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- 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 \$39,369 (5.60% 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 2016-006 - Inadequate Internal Controls Over the Ad Valorem Tax Levies (Repeat Finding)**

**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.

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

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**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.

**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 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 \$409,466 (13.58% 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 \$25,217 (42.55% of cash vouchers in the population tested) to ensure:
  - The disbursement was reviewed and authorized,
  - The claimant signed the cash voucher claim,

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

- 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 40 payroll claims (0.39% 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.

<b>FINDINGS AND RECOMMENDATIONS</b>
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**Finding 2016-002 - Inadequate Internal Controls and Noncompliance Over Purchasing (Repeat Finding)**

**Condition:** Our test of forty (40) purchase orders reflected the following noncompliance with regard to purchasing statutes:

**Disbursement not requisitioned and signed by an approved Requisition County Official:**

Fund	Vendor	Purpose	Purchase Order Number	Amount
County General Fund	Clymer, Erin Nicole	Reimbursement	806	\$28.84

**Not timely encumbered:**

Fund	Vendor	Purpose	Purchase Order Number	Amount
Sales Tax	OSU Cooperative Extension Service	Contractual Service	170	\$2,783.00
Highway Cash Fund	Les's Diesel Service	District 3: BPO:Parts, Etc	948	\$4,132.67
Sales Tax	Jackson Boiler & Tank, Co.	Repairs	1623	\$2,701.56
Highway Cash Fund	ACCO - SIF	District 2:Workers Comp. Premium	263	\$22,670.98
Sales Tax	ACCO - SIG	Insurance Premium	247	\$67,430.00
County Assessor Visual Inspection	Pictometry International Corp.	Pic Program Share	3270	\$22,342.84

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

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

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

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**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:**

**Finding 2016-001 - Inadequate County-Wide Controls (Repeat Finding)**

**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.

**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.

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

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**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, 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 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 2016-004 - Inadequate Internal Controls and Noncompliance Over the Inmate Trust Fund Checking Account and Sheriff Commissary Fund (Repeat Finding 2015-004)**

**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-one (51) 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.



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

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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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