



PUSHMATAHA COUNTY

Operational Audit

For the Fiscal Year Ended June 30, 2017

Cindy Byrd, CPA
State Auditor & Inspector

**PUSHMATAHA COUNTY OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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Cindy Byrd, CPA | State Auditor & Inspector

2300 N. Lincoln Blvd., Room 123, Oklahoma City, OK 73105 | 405.521.3495 | www.sai.ok.gov

January 31, 2019

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

Transmitted herewith is the audit report of Pushmataha County for the fiscal year ended June 30, 2017.

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, with the first letters of the first and last names being capitalized and prominent.

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR



**PUSHMATAHA COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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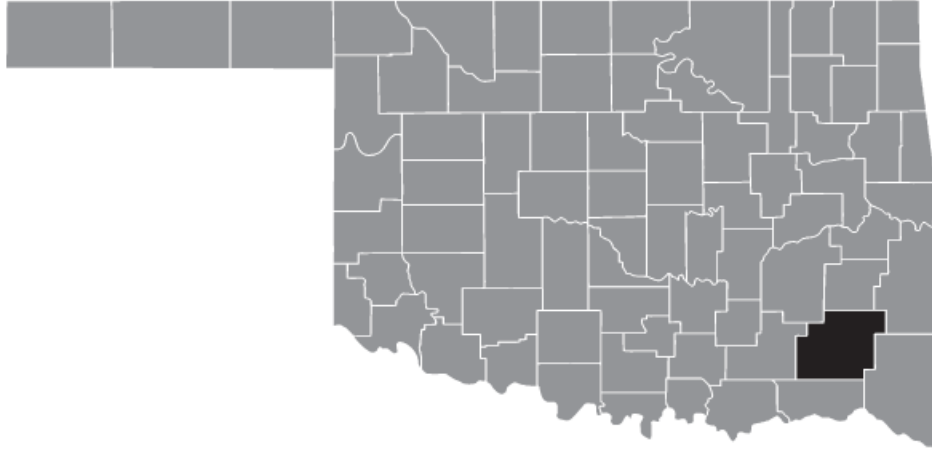
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**PUSHMATAHA COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**



Originally part of the Choctaw Nation, this county was created at statehood and takes its name from the Pushmataha District of the Choctaw Nation. Pushmataha was also the name of a Choctaw leader.

Antlers, the county seat, is the site of several manufacturing companies that produce items such as custom mixed concrete, lumber, roof trusses, building materials, and sportswear. Tuskahoma, last capital of the Choctaw Nation, is the site of the Choctaw Council House, built in 1884 and noted for its fine architecture.

A popular recreational area for outdoor enthusiasts, Pushmataha County offers locations such as the Kiamichi Mountains, Clayton Lake Recreational Area, Pine Creek State Park, and Sardis Lake for sporting activities. Although tourism and recreation contribute a great deal to the county's economy, agriculture is still a basic component, and wheat is the major crop. Ranching and timber are the main industries.

For additional information, call the County Clerk's office at (580) 298-3626 or the chamber of commerce at (580) 298-2488.

County Seat – Antlers

Area – 1,422.78 Square Miles

County Population – 11,057
(2016 est.)

Farms – 732

Land in Farms – 297,429 Acres

Primary Source: Oklahoma Almanac 2017-2018

**PUSHMATAHA COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Board of County Commissioners

District 1 – Michael Brittingham
District 2 – Brad Burgett
District 3 – Rickie Briggs

County Assessor

Frances Joslin

County Clerk

Jane Dunlap

County Sheriff

Byron Hedgecock Jr.

County Treasurer

Jenny Beth Caraway

Court Clerk

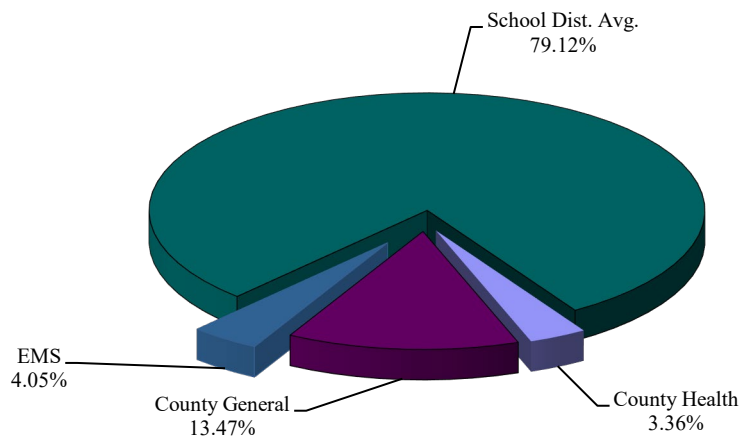
Tina Freeman

District Attorney

Mark Matloff

**PUSHMATAHA COUNTY, OKLAHOMA
AD VALOREM TAX DISTRIBUTION
SHARE OF THE AVERAGE MILLAGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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



County-Wide Millages		School District Millages							
							Career		
County General	10.29			Gen.	Bldg.	Skg.	Tech.	Common	Total
County Health	2.57	Rattan	I-1	36.66	5.24	-	-	4.12	46.02
EMS	3.09	Albion	D-2	35.75	5.11	10.56	12.32	4.12	67.86
		Tuskahoma	D-4	36.27	5.18	-	12.32	4.12	57.89
		Clayton	I-10	35.59	5.08	-	12.32	4.12	57.11
		Antlers	I-13	35.99	5.14	-	12.32	4.12	57.57
		Nashoba	D-15	35.97	5.14	-	12.32	4.12	57.55
		Moyers	I-22	36.54	5.22	5.34	12.32	4.12	63.54
		Soper	JT-4	35.00	5.00	10.33	12.32	4.12	66.77
		Stringtown	JT-7	35.00	5.00	8.15	12.32	4.12	64.59
		Smithville	JT-14	35.60	5.09	6.19	12.32	4.12	63.32
		Battiest	JT-71	35.85	5.12	5.03	12.32	4.12	62.44

**PUSHMATAHA COUNTY, OKLAHOMA
SALES TAX DISTRIBUTION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Sales Tax

Sales Tax of July 1, 2013

The voters of Pushmataha County approved a continuation of a one-quarter percent (1/4%) sales tax effective July 1, 2013. The sales tax is effective for period of five years. This sales tax was established to provide revenue dedicated solely for the purchase of any and all equipment, maintenance, training, construction on new buildings or improvements made to existing buildings, existing or future loans, services and supplies for all existing Fire Departments in Pushmataha County. These funds are accounted for in the County General Fund.

The voters of Pushmataha County also approved a continuation of three-quarter percent (3/4%) sales tax effective July 1, 2013. The sales tax is effective for period of five years. This sales tax was established to provide revenue to support the operation, maintenance, equipment, and administration of the Pushmataha County Hospital. These funds are accounted for in the County General Fund.

Sales Tax of April 1, 2016

The voters of Pushmataha County approved a continuation of a one percent (1%) sales tax effective April 1, 2016. The sales tax is effective for period of five years. This sales tax was established to provide revenue to the County for the following areas:

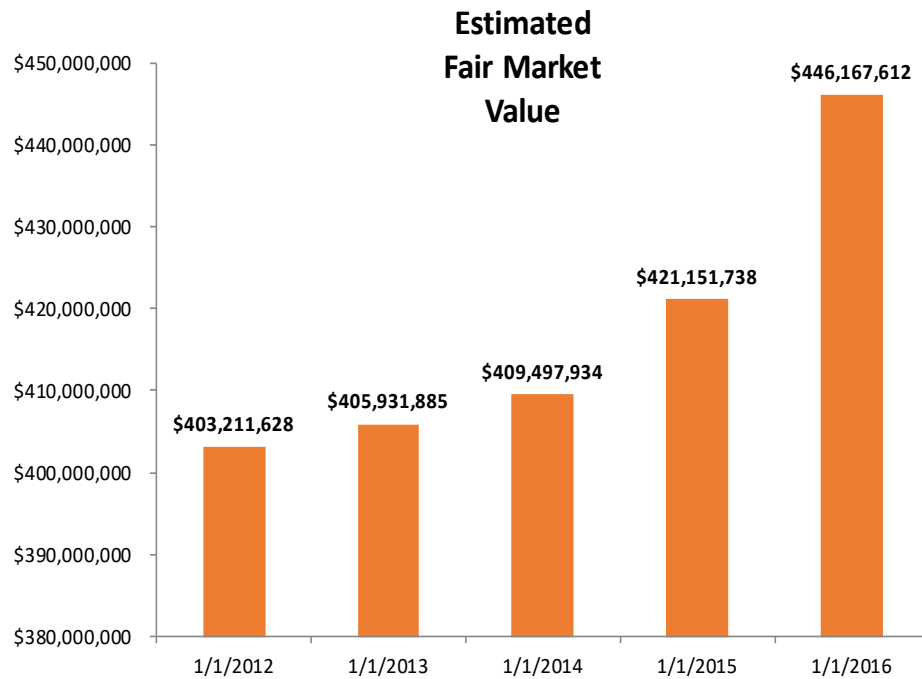
- | | |
|--|------|
| • Maintenance and Operation of the County Jail and for the financing the Operation and Maintenance of the Office of the Sheriff | 50% |
| • County General Maintenance and Operation which funds the offices of the Tax Assessor, County Clerk, County Treasurer, Court Clerk, Election Board, District Attorney, Sheriff; and for Maintenance and Operation and Equipment of County Roads | 34% |
| • OSU Extension Office | 9% |
| • Pushmataha County Fair Board | 2% |
| • Economic Development | 3.5% |
| • Emergency Management | 1.5% |

These funds are accounted for in the ST (Sales Tax) Cash fund.

During the fiscal year the County collected \$1,115,599 in total sales tax.

**PUSHMATAHA COUNTY, OKLAHOMA
ASSESSED VALUE OF PROPERTY
TREND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

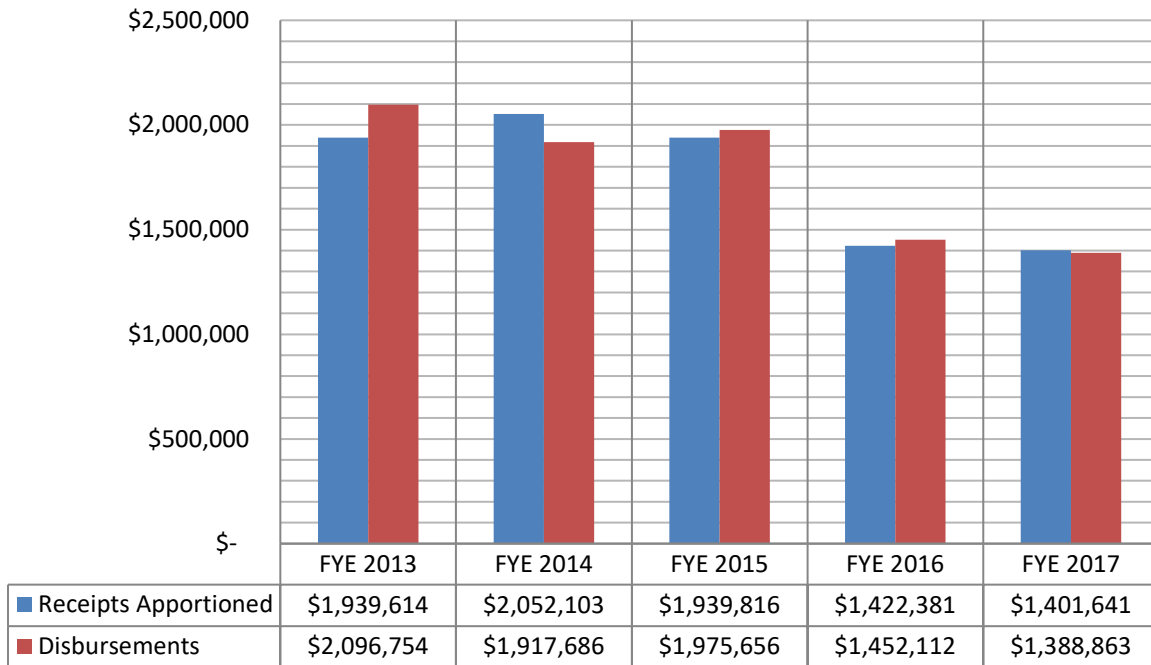
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2016	\$4,892,783	\$8,682,034	\$39,516,841	\$3,268,365	\$49,823,293	\$446,167,612
1/1/2015	\$4,752,146	\$7,564,311	\$37,457,868	\$3,225,010	\$46,549,315	\$421,151,738
1/1/2014	\$4,842,372	\$6,589,559	\$36,545,947	\$3,212,035	\$44,765,843	\$409,497,934
1/1/2013	\$5,725,541	\$6,227,795	\$35,356,349	\$3,246,215	\$44,063,470	\$405,931,885
1/1/2012	\$5,959,756	\$6,495,541	\$34,549,777	\$3,256,433	\$43,748,641	\$403,211,628



**PUSHMATAHA COUNTY, OKLAHOMA
COUNTY GENERAL FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

County General Fund

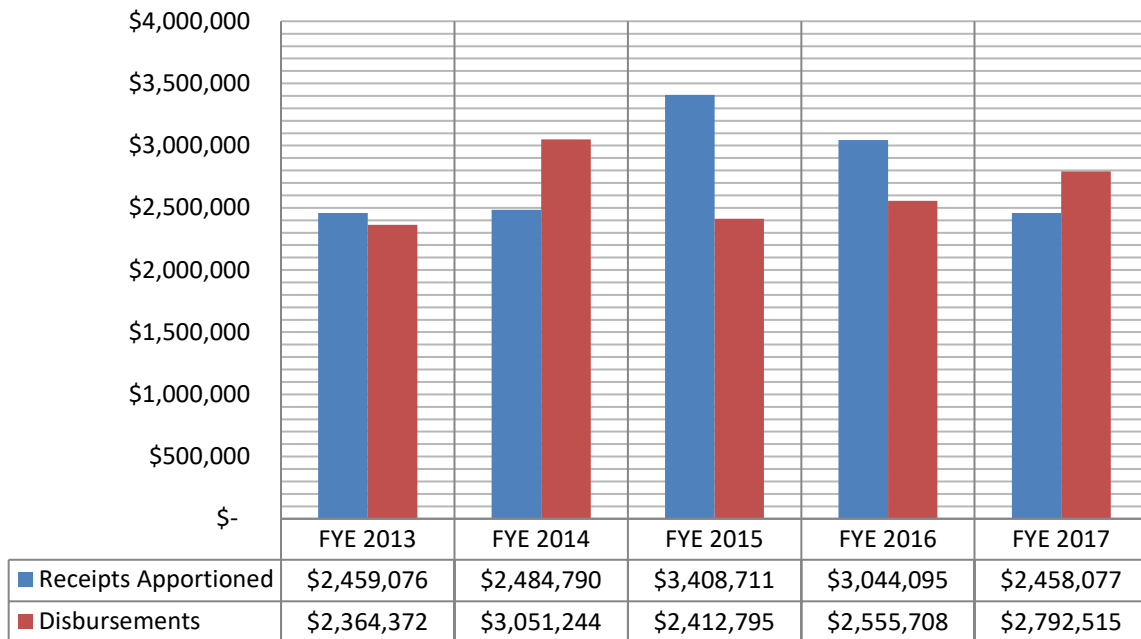
The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the county's primary source of operating revenue. The County General Fund is typically used for county employees' salaries plus many expenses for county maintenance and operation. It also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



**PUSHMATAHA COUNTY, OKLAHOMA
COUNTY HIGHWAY FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

County Highway Fund

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



**PUSHMATAHA COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Presentation of Apportionments, Disbursements, and Cash Balances of County Funds for the Fiscal Year Ended June 30, 2017

	Beginning Cash Balances July 1, 2016	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2017
Combining Information:				
County Funds:				
County General Fund	\$ 768,209	\$ 1,401,641	\$ 1,388,863	\$ 780,987
County Highway	1,593,936	2,458,077	2,792,515	1,259,498
Resale Property	318,884	110,959	144,326	285,517
County Health	282,080	326,892	278,010	330,962
Sheriff Cash Service Fee	32,461	140,273	115,551	57,183
Treasurer Mortgage Tax Fee	1,640	2,375	2,207	1,808
County Clerk Lien Fee	2,583	5,073	2,414	5,242
Assessor Visual Inspection	40	-	-	40
Sheriff Revolving	28	-	-	28
Assessor Revolving Fund	55,984	4,655	6,844	53,795
Sheriff Drug Cash Account	236	-	-	236
REAP	5,314	57,380	56,277	6,417
SGA (Sheriff Grant Account)	7	-	-	7
RMP (Records Management and Preservation Fund)	35,706	14,483	7,326	42,863
ST (Sales Tax) Cash	372,990	563,429	508,990	427,429
CAMA	15,819	3,915	19,734	-
CBRI-105	561,580	175,988	131,785	605,783
Trash Cop	145	-	-	145
911 Collections	7,929	106,938	90,875	23,992
BIA-3	-	152,506	152,506	-
Sheriff Commissary Account	106	14,000	3,454	10,652
DOC Revolving Fund	2,087	27,018	26,711	2,394
Court Clerk Payroll	3,234	67,355	69,361	1,228
Combined Total - All County Funds	\$ 4,060,998	\$ 5,632,957	\$ 5,797,749	\$ 3,896,206

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

**PUSHMATAHA COUNTY
DESCRIPTION OF COUNTY FUNDS
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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.

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

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

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

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

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

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

Assessor Visual Inspection – accounts for the collection and disbursement of monies by the Assessor as restricted by state statute for the visual inspection program.

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

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

Sheriff Drug Cash Account – accounts for the collection of the Sheriff's percentage of drug forfeitures and disbursed as restricted by state statute.

REAP – accounts for state grant funds used for various community projects in Pushmataha County.

**PUSHMATAHA COUNTY
DESCRIPTION OF COUNTY FUNDS
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

SGA (Sheriff Grant Account) – accounts for state funds to be used for the operation of the Sheriff's office.

RMP (Records Management and Preservation Fund) – accounts for fees collected for instruments filed with the County Clerk as restricted by state statute for preservation of records.

ST (Sales Tax) Cash – accounts for the collection of one-cent sales tax revenue for the use of maintenance and operation of the County jail and office of the Sheriff, for County General maintenance and operation, OSU-Extension office, County Fair Board, Economic Development and Emergency Management as restricted by the sales tax ballot.

CAMA – accounts for state funds to be used for the Child Abuse Awareness Program.

CBRI-105 – accounts for state funds to be used for the construction of roads and bridges throughout the County.

Trash Cop – accounts for state funds to be used to prosecute trash offenders.

911 Collections – accounts for the collection of fees charged on telephone bills for the County's Emergency 911 system. Disbursements are for the expenditures related to providing 911 services.

BIA-3 – accounts for Bureau of Indian Affairs (BIA) funds from the Choctaw Nation to be used for road projects throughout the County.

Sheriff Commissary Account – accounts for profits on commissary sales in the county jail to be used by the Sheriff's office for jail expenses as restricted by state statute.

DOC Revolving Fund – accounts for the monies received from the State of Oklahoma for the boarding and feeding of Department of Corrections' prisoners.

Court Clerk Payroll – accounts for funds deposited to be used for payroll for the Court Clerk's office.

PUSHMATAHA 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, 2017

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 768,209	\$ 768,209	\$ -
Less: Prior Year Outstanding Warrants	(36,103)	(36,103)	-
Less: Prior Year Encumbrances	(23,211)	(17,451)	5,760
Beginning Cash Balances, Budgetary Basis	708,895	714,655	5,760
Receipts:			
Ad Valorem Taxes	466,074	499,392	33,318
Charges for Services	54,325	57,662	3,337
Intergovernmental Revenues	290,317	277,457	(12,860)
Sales Tax	498,150	557,800	59,650
Miscellaneous Revenues	6,998	9,330	2,332
Total Receipts, Budgetary Basis	1,315,864	1,401,641	85,777
Expenditures:			
District Attorney	10,000	10,000	-
County Sheriff	109,369	103,466	5,903
County Treasurer	58,483	58,481	2
County Commissioners	39,480	-	39,480
County Clerk	163,307	161,205	2,102
Court Clerk	86,579	86,286	293
County Assessor	89,470	88,924	546
Revaluation of Real Property	136,548	117,894	18,654
General Government	247,494	148,257	99,237
Excise-Equalization Board	6,000	5,145	855
County Election Expense	59,107	48,551	10,556
OSU Extension - Sales Tax	1,000	1,000	-
General Government - Sales Tax	2,544	2,544	-
Hospital - Sales Tax	499,222	470,441	28,781
VFD - Sales Tax	508,324	88,941	419,383
County Audit Budget Account	7,832	-	7,832
Total Expenditures, Budgetary Basis	2,024,759	1,391,135	633,624

Continued on next page

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

PUSHMATAHA 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, 2017

	General Fund		
	Budget	Actual	Variance
Continued from previous page			
Excess of Receipts and Beginning Cash			
Balances Over Expenditures, Budgetary Basis	\$ -	725,161	\$ 725,161
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Outstanding Warrants		32,536	
Add: Current Year Encumbrances		23,290	
Ending Cash Balance		\$ 780,987	

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

PUSHMATAHA 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, 2017

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 282,080	\$ 282,080	\$ -
Less: Prior Year Outstanding Warrants	(2,518)	(2,518)	-
Less: Prior Year Encumbrances	(37,130)	(34,907)	2,223
Beginning Cash Balances, Budgetary Basis	242,432	244,655	2,223
Receipts:			
Ad Valorem Taxes	116,405	124,768	8,363
Charges for Services	-	120	120
Intergovernmental Revenues	202,027	200,754	(1,273)
Miscellaneous Revenues	-	1,250	1,250
Total Receipts, Budgetary Basis	318,432	326,892	8,460
Expenditures:			
Health and Welfare	560,864	269,542	291,322
Total Expenditures, Budgetary Basis	560,864	269,542	291,322
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	302,005	\$ 302,005
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		27,649	
Add: Current Year Outstanding Warrants		1,308	
Ending Cash Balance		<u>\$ 330,962</u>	

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

**PUSHMATAHA COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

PURPOSE, SCOPE, AND SAMPLE METHODOLOGY

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

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

In planning and conducting our audit, we focused on the major financial related areas of operations based on assessment of materiality and risk for the fiscal year ended June 30, 2017. Our audit procedures included:

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

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

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

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

**PUSHMATAHA COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Objective 1: To determine the receipts apportioned, disbursements, and cash balances are accurately presented on the County Treasurer's monthly reports for FY 2017.

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.

FINDINGS AND RECOMMENDATIONS

Finding 2017-001 – Inadequate Segregation of Duties over Receipting and Balancing Processes (Repeat Finding)

Condition: The duties of issuing receipts, preparing deposits, and reconciling bank statements in the County Treasurer's office are not properly segregated. While the County Treasurer has implemented some mitigating controls, the following weaknesses still exist:

- All employees issue receipts and have administrator rights to void receipts.
- Daily reports are not reviewed by someone other than the preparer.
- Fund activity is manually entered into the Treasurer's Monthly Reports. These reports are not reviewed by someone other than the preparer.
- The amount encoded by the bank on the deposit receipt is verified to the deposit slip; however, the amount encoded by the bank is in total and does not denote the cash amount separately.
- Although cash and checks are verified to receipts while balancing each employee's cash drawer, there is no independent verification to determine that the original change amount was left intact.

The following item, when evaluated with the weaknesses noted above, further weakens the internal controls in place regarding the collection process:

- A mail log is not utilized for collections.

Cause of Condition: Although the County Treasurer has worked to implement internal controls over the collections process, there are still weaknesses that should be addressed to safeguard funds and ensure accurate financial reporting.

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 the County Treasurer implement the following compensating controls to mitigate the risks involved with a concentration of duties:

**PUSHMATAHA COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

- A report of voided receipts should be generated daily and reviewed for validity and accuracy. Explanations for voided receipts should be included on the report. The report should reflect evidence of the review with initials and dates.
- Daily reports should be signed and dated by the preparer and the reviewer. In addition, tic marks should be used evidencing verification of the daily report to documentation in the daily jacket.
- Monthly reports should be signed and dated by the preparer and the reviewer.
- Additional documentation should be obtained on the deposit receipt from the bank indicating amounts deposited for cash. The amounts encoded on the receipt (cash and total deposit) should be agreed to deposit records by someone other than the person who delivered the deposit to the bank.
- The entire cash drawer should be counted and verified by a second person.

The County Treasurer could further strengthen internal controls by implementing the following procedure:

- Maintain a daily log of mailed in receipts.

Management Response:

County Treasurer: We will print a voided receipt report daily and include explanations. Currently, one deputy prepares the daily report on the old system and a different deputy prepares the daily report on the new system; they will review and initial each other's work. Another deputy will review the monthly report. The bank will be asked to key in the cash amount on the deposit receipt. We will balance each other's cash drawer once a month. We do not have time or personnel to do a mail log.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, the duties of receipting collections, preparing and delivering deposit, and maintaining financial ledgers/reconciliations should be segregated.

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

FINDINGS AND RECOMMENDATIONS

Finding 2017-002 – Inadequate Internal Controls Over Sales Tax Collections (Repeat Finding)

Condition: Upon inquiry and observation, and the review of documentation regarding the process of apportioning/appropriating sales tax collections, the following exception was noted:

- Calculations of the apportionments/appropriations of sales tax monies are not reviewed and approved by someone other than the preparer.

Cause of Condition: Policies and procedures have not been designed and implemented regarding the sales tax collection process to ensure adequate internal controls.

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

Recommendation: OSAI recommends that the County implement a review process over the calculations for the sales tax apportionment/appropriation, which would include someone other than the preparer reviewing and approving the calculations for accuracy.

Management Response:

Chairman of the Board of County Commissioners: In the future, we will work to design and implement internal control procedures regarding the apportionment/appropriation of sales tax collections.

County Treasurer: The County Clerk will verify the amounts distributed to taxing entities for sales tax each month.

County Clerk: In the future, I will make every effort to review sales tax calculations and maintain documentation of the review.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. Internal controls should be designed to analyze and check accuracy, completeness, and authorization of sales tax calculations. To help ensure a proper accounting of funds, a recalculation of the apportionment and appropriation of sales tax should be performed and documented by someone other than the preparer.

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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 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.

With respect to the items tested, the County's financial operations complied with 19 O.S. § 1505, which requires that disbursements be timely encumbered, properly supported and charged to the appropriate fund and account.

FINDINGS AND RECOMMENDATIONS

Finding 2017-003 – Inadequate Segregation of Duties Over the Payroll and Purchasing Processes (Repeat Finding)

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

- Lack of segregation of duties over the payroll process – One person enrolls all new employees, maintains personnel files, prepares payroll, prints payroll warrants, and has custody of payroll warrants.
- Purchasing duties are not adequately segregated – The Purchasing Deputy performs both duties of approving the issuance and encumbrance of purchase orders and certifying the encumbrance.

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

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

Recommendation: OSAI recommends management be aware of these conditions and determine if duties can be properly segregated. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risks involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office, and having management review and approval of accounting functions.

Management Response:

County Clerk: Regarding payroll, we do not have the staff to segregate payroll duties. If possible, we will implement compensating controls. Regarding purchasing procedures, we have made many changes and we will segregate the issuance and certifying on purchase orders in the future.

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

All Objectives:

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

Finding 2017-004 – Inadequate County-Wide Controls (Repeat Finding)

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

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

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

Recommendation: OSAI recommends that the County design 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.

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Management Response:

Chairman of the Board of County Commissioners: In the future, we will strive to improve detailed documentation regarding risk assessment and monitoring procedures and discussions that take place in quarterly meetings.

County Treasurer: We will work with other county officials to have quarterly meetings to address any risks of the County.

County Clerk: Our office will continue to work with other offices to find solutions regarding risk assessment and monitoring. We will also work within our office to implement internal controls.

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 processes. Proper monitoring will ensure that controls continue to be adequate and function properly.

Other Item(s) Noted:

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

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Finding 2017-005 - Inadequate Internal Controls and Noncompliance Over the Schedule of Expenditures of Federal Awards (SEFA) (Repeat Finding)

Condition: The County has not designed and implemented formal internal controls for the reporting of its federal programs as required by 2 CFR § 200.

The County did not prepare a Schedule of Expenditures of Federal Awards (SEFA) for the fiscal year ending June 30, 2017. Total federal expenditures for the fiscal year were \$167,175.

Cause of Condition: Policies and procedures have not been designed and implemented by the County to establish a uniform recording system of federal revenues and expenditures and to ensure the required reporting of federal awards are presented accurately and prepared in a timely manner.

Effect of Condition: This condition resulted in noncompliance with federal regulations.

Recommendation: OSAI recommends Pushmataha County establish policies for handling all federal grants awarded to the County. These policies should incorporate, by reference, applicable federal regulations to be followed, as well as the appropriate policy for the application, receipt, and expenditure of federal funds. OSAI also recommends that amounts reported on the SEFA be reconciled to accounting records.

Management Response:

Chairman of the Board of County Commissioners: In the future, we will design procedures to help ensure the accuracy of the SEFA. We will also implement procedures to ensure FEMA expenditures are reported in the correct year. Additionally, we will design procedures to ensure the SEFA report is completed and filed in a timely manner.

Criteria: 2 CFR 200, Subpart F, § ___.510(a)(b) reads as follows:

Subpart F—Audit requirements

§ ___.510 Financial statements

The auditee must:

- a) Prepare financial statements that reflect its financial position, results of operations or changes in net assets, and, where appropriate, cash flows for the fiscal year audited. The financial statements must be for the same organizational unit and fiscal year that is chosen to meet the requirements of this part.
- (b) Prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502 Basis for determining Federal awards expended.

Further, accountability and stewardship are overall goals of management in the accounting of federal funds. To help ensure proper accounting of funds, an accurate record of federal expenditures should be maintained.

REPORT ON STATUTORY COMPLIANCE – OTHER MATTERS

Pushmataha County
Board of County Commissioners
Pushmataha County Courthouse
Antlers, Oklahoma 74523

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, 2017:

- 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 Pushmataha 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

January 30, 2019



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SCHEDULE OF FINDINGS AND RESPONSES

Finding 2017-006 - Inadequate Segregation of Duties – Court Clerk (Repeat Finding)

Condition: Upon inquiry and observation of the Court Clerk, we noted the following weaknesses with regard to internal controls related to the receipting and expenditure processes over Court Fund, Court Clerk Revolving Fund, and District Court Fund.

Receipting Process:

- All employees issue receipts and operate from the same cash drawer.
- A mail log is not maintained.

Expenditure Process:

- The Court Clerk performs all Court Fund duties associated with preparing claims, issuing vouchers, approving vouchers, preparing reports, and reconciling with the County Treasurer.
- The Court Clerk performs all Court Clerk Revolving Fund duties associated with preparing claims, preparing reports, and reconciling with the County Treasurer.
- The Court Clerk performs all duties associated with the issuing, approving, and distributing of official depository vouchers for the District Court Fund.

Cause of Condition: Policies and procedures have not been designed and implemented to adequately segregate the duties of the receipting and expenditure processes within the office of the Court Clerk.

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, undetected errors, or misappropriation of funds not being detected in a timely manner.

Recommendation: OSAI recommends that management be aware of these conditions and realize that a concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. OSAI recommends that procedures be developed to separate key functions of the receipting and expenditure processes for the Court Fund, Court Clerk Revolving Fund, and District Court Fund. In the event that a segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risk involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office, and having management review and approve accounting functions.

Management Response:

Court Clerk: Due to the small size of my office, it is more functional for us to use one cash draw to work from. Instead of a mail log, checks and money orders are copied and attached to the daily deposit. I do not feel comfortable putting my Court Fund on any other computers as I feel this is my responsibility and should not be one of my deputies. I do not plan on making any changes to the expenditure process; however, I have started having a deputy review and sign my monthly reports.

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Auditor Response: The duties regarding the Court Fund expenditure process are not adequately segregated.

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

Finding 2017-007 – Inadequate Internal Controls and Noncompliance Over the Inmate Trust Fund Checking Account and Sheriff Commissary Fund (Repeat Finding)

Condition: Upon inquiry of County personnel, observation, and review of documents regarding the Inmate Trust Fund Checking Account and Sheriff Commissary Fund, the following weaknesses were noted:

- One employee performs the duties of receiving money and issuing receipts, preparing deposits, posting to inmate accounts, and issuing checks from the Inmate Trust Fund Checking Account.
- Inmate trust receipts do not bear the name of the office or the account for which the receipt is being issued. The Sheriff's office does not always note the method of payment on the receipt. In addition, the receipts are being issued out of multiple receipt books at the same time. Because of this, receipts are not being issued in sequential numerical order.
- Bank deposits are not reviewed for accuracy prior to deposit and bank deposit receipts are not reviewed to verify that the correct amount was deposited.
- The Sheriff's office does not deposit all monies received/receipted:
 - Any loose change that is in the inmate's possession at the time of arrest/booking is not being deposited. The change is posted to the inmate's account, but is kept in a drawer until enough accumulates to exchange for paper money. The paper money is then deposited into the Inmate Trust Fund Checking Account.
 - Occasionally cash is held out of the deposit to be used to purchase commissary items from a local store.
- The Sheriff's office has the ability to print inmates' account balances. However, they can only print the inmate account balances on the current date and cannot retrieve past balances.
- Inmate ledger balances are not reconciled to the bank statements.
- The Sheriff's office does not have any procedures for unclaimed Inmate Trust Fund monies.
- Collections were not deposited daily.
- One employee is performing the duties of preparing commissary orders, posting orders to inmates' accounts, filling commissary orders, and handing out commissary orders. This employee also orders commissary items from vendors and has access to the commissary inventory.
- No documentation is maintained for the review of commissary items in stock to commissary records.
- The County Sheriff's office did not file an annual report for the Sheriff Commissary Fund with the Board of County Commissioners by January 15th, of each year.

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Additionally, during our review of the Inmate Trust Fund Checking Account expenditures, we noted four (4) of the forty-five (45) inmate trust checks were not issued in accordance with state statutes. The checks were issued directly to vendors.

We performed a cash composition for the period May 1, 2017 through June 30, 2017 to determine if all monies receipted were deposited into the Inmate Trust Fund Checking Account. As a result of the cash composition, we were unable to confirm \$1,704.91 receipted was deposited into the Inmate Trust Fund Checking Account.

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. In addition, without proper accounting and safeguarding of the Inmate Trust Fund Checking Account, there is an increased risk of misappropriation of funds.

Recommendation: OSAI recommends the following:

- Key duties and responsibilities be segregated among different individuals to reduce the risk of error or fraud. No one individual should have the ability to authorize transactions, have physical custody of assets, and record transactions.
- The Sheriff's office should issue receipts in sequential, numerical order. These receipts should state the name of the office, state the account for which the receipt is being issued, and should denote the form of payment being made.
- Bank deposits should be reviewed for accuracy prior to depositing monies and deposit receipts should be reviewed to verify that the correct amount was deposited.
- All amounts receipted by the Sheriff's office should be included in that day's deposit. All purchases of commissary inventory should be made on purchase orders.
- Inmate Trust Fund monies should be maintained in a manner that reflects each inmate's trust deposits, disbursements, and account balances. The inmate's ledger balances should be reconciled to the bank statements each month.
- The Sheriff's office should design and implement procedures to address unclaimed Inmate Trust Fund monies.
- All funds received should be deposited to the Inmate Trust Fund Checking Account daily.
- Expenditures should be made from the Inmate Trust Fund Checking Account in accordance with 19 O.S. § 531 A. The County Sheriff should review all expenditures for accuracy and approve them by affixing his signature.
- Duties associated with the County Sheriff's in-house Commissary should be adequately segregated.
- Documentation of a periodic review of the commissary inventory should be maintained.
- The County Sheriff should file a report of the Commissary with the Board of County Commissioners by January 15th, of each year in accordance with Title 19 O.S. § 180.43.

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Management Response:

County Sheriff:

- Duties are now segregated over the Inmate Trust Fund. One employee accepts money and issues the receipt; one adds/posts the money to the inmate's account; the same individual prepares the deposit. The deposit is then verified by another employee who signs the deposit slip. The deposit is then taken to the bank. The return receipt from the bank is again signed by the employee who verified the deposit.
- Receipt books with the office's name and designated account have now replaced the previous receipt books. Receipts are now being issued from the same receipt book unless it is for a different account.
- Bank deposits are now being reviewed for accuracy before each daily deposit and are verified by the receipts. After a deposit is prepared, it is then counted by another employee and signed. When the deposit has been made, the individual who signed the deposit verifies there were no changes and signs the bank receipt.
- All amounts received by the Sheriff's office are receipted and all purchases are made with a purchase order. All money, to include change, is now being deposited and annotated on the deposit slip. No currency is withheld from the deposit for any reason.
- Due to the lack in ability to view past inmate balances, the Sheriff's office has established a new policy that requires the individual releasing any inmate with funds to print their cash property sheet and turn it in to the office manager to ensure the funds are released by check.
- All inmate trust fund monies are now maintained in a manner that reflects each inmate's trust deposits and ensure they are reconciled to the bank statements monthly.
- I have recently instated a policy and procedure that addresses unclaimed Inmate Trust Fund monies that is in accordance with Oklahoma state statutes.
- Deposits are now made daily.
- Expenditures made from the Inmate Trust Fund Checking Account are in accordance with 19 O.S. § 531A. I review all expenditures for accuracy and approve with my signature. Currently, no Inmate Trust Fund checks are written for anything other than inmate funds being released back to an inmate.
- Duties have now been segregated for the commissary. One employee issues commissary order forms; one fills the order in the ODIS system; the same employee who issued the commissary forms will physically fill the order based off the ODIS receipt and a different employee distributes the commissary order to the inmate. The inmate signs the receipt to verify it is correct.
- A bi-monthly physical inventory is now conducted on commissary items and reconciled to inventory records in the ODIS system.
- This is my first year in office. An annual report for the Sheriff Commissary Fund will be completed and filed with the Board of County Commissioners by January 15th.
- In response to the \$1,700, I was told that when the previous Inmate Trust Coordinator was taking care of these duties, she did not make the necessary deposits of change and did not keep accurate financial records. When the current Inmate Trust Coordinator took over the responsibilities she adapted a new system. The Kiosk is now emptied each day, if at all applicable. The money is then counted, verified by the receipts that are printed from the Kiosk. An additional deposit receipt is prepared that shows the breakdown of the money and this receipt is verified by another deputy. Once it is determined that the Kiosk receipts and the money are accurately verified, the money is

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then deposited in the bank. Once the bank has returned the deposit receipt, it is filed together with the kiosk receipts. The bank depository receipt is then verified by two Sheriff's Office Deputies and placed in a binder.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, no one individual should have the ability to authorize transactions, have physical custody of assets, prepare deposits, make deposits, and record transactions. In addition, bank reconciliations should be performed each month, all funds receipted should be deposited daily, and receipts should be issued in sequential order, bear the name of office and account, and denote the mode of payment.

Title 19 O.S. § 180.43 D. states, "Each county sheriff may operate, or contract the operation of, a commissary for the benefit of persons lawfully confined in the county jail under the custody of the county sheriff. 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. The State Auditor and Inspector shall conduct an audit of the report in the same manner as other public records of the county."

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'," and, "The county sheriff shall deposit all monies collected from inmates incarcerated in the county jail into this checking account and may write checks to the Sheriff's Commissary Account for purchases made by the inmate during his or her incarceration and to the inmate from unencumbered balances due the inmate upon his or her discharge."

Finding 2017-008 – Inadequate Internal Controls and Noncompliance Over Fixed Assets and Consumable Inventories (Repeat Finding)

Condition: Upon inquiry of County personnel, observation, and review of documents regarding fixed asset inventories, the following weakness were noted:

- District 1 Commissioner does not perform an annual review of fixed assets.
- The County Treasurer's office did not maintain documentation for the performance of an annual review of fixed assets.
- District 3 Commissioner does not consistently update inventory records in the County Clerk's office.

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Upon inquiry of County personnel, observation, and review of documents regarding consumable inventories, the following weakness were noted:

- The County Sheriff's office does not maintain a fuel log with a balance that can be reconciled to the actual fuel on hand.
- The documentation provided by District 2 Commissioner for their periodic review of consumable inventory was not signed or dated.
- District 3 did not maintain documentation of the review of consumable inventory.

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

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

Recommendation: OSAI recommends the following with regards to fixed assets and consumable inventories:

- An annual physical verification of fixed assets should be performed and documented. The documentation should include the date and signature of the employees conducting and reviewing the verification.
- Fixed assets inventory records should be maintained and updated in the County Clerk's Office.
- A physical inventory verification of consumable items should be performed periodically and documented. The documentation should include the date and signature of the employees conducting and reviewing the verification.
- Fuel logs should be maintained with a balance that can be reconciled to the fuel on hand. The fuel log should be frequently reconciled to the fuel on hand.

Management Response:

County Commissioner District 1: In the future, we will perform an annual review of fixed assets and file it with the County Clerk.

County Commissioner District 2: I will periodically perform an inspection on consumables and will ensure the documentation is signed and dated.

County Commissioner District 3: In the future, District 3 will file all inventory updates with the County Clerk's office to make sure all updates are made and inventory matches. District 3 is in the process of updating to digital consumables inventory lists and will do physical verifications periodically.

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County Treasurer: This condition has been corrected. We will make every attempt to ensure the inventory is done annually.

County Sheriff: The County Sheriff's office keeps current documentation every time a vehicle is fueled with the vehicle ID, Deputy badge number, vehicle mileage, and number of gallons. Fuel logs are now reconciled to fuel on hand before tank is refueled.

Criteria: Internal controls over safeguarding of assets constitute a process, affected by an entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of fixed assets, and safeguard fixed assets from loss, damage or misappropriation.

Title 19 O.S. § 178.1 states in part, "The board of county commissioners in each county of this state shall take, or cause to be taken, an inventory of all working tools, apparatus, machinery and equipment belonging to the county or leased or otherwise let to it or to any department thereof, other than that which is affixed to and made a part of lands and buildings, the cost of which as to each complete working unit thereof is more than Five Hundred Dollars (\$500.00), and thereafter maintain or cause to be maintained a continuous inventory record thereof and of like tools, apparatus, machinery and equipment purchased, leased or otherwise coming into the custody of the county or of any office, board, department, commission or any or either thereof, and the disposition thereof whether sold, exchanged, leased or let where authorized by statute, junked, strayed or stolen, and annually thereafter..."

Title 19 O.S. § 178.3 A. states, "The county clerk shall be custodian and repository of all inventory records, files and reports."



Cindy Byrd, CPA | State Auditor & Inspector

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