



SEMINOLE COUNTY

Financial Audit

For the fiscal year ended June 30, 2019

Cindy Byrd, CPA
State Auditor & Inspector

**SEMINOLE COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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May 5, 2021

TO THE CITIZENS OF
SEMINOLE COUNTY, OKLAHOMA

Transmitted herewith is the audit of Seminole County, Oklahoma for the fiscal year ended June 30, 2019. The audit was conducted in accordance with 19 O.S. § 171.

A report of this type can be critical in nature. Failure to report commendable features in the accounting and operating procedures of the entity should not be interpreted to mean that they do not exist.

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

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

Sincerely,



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR



**SEMINOLE COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Board of County Commissioners

District 1 – Russell Yott
District 2 – Tim Porter
District 3 – Clifton Taylor

County Assessor

Denise Bailey

County Clerk

Tahasha Wilcots

County Sheriff

Shannon Smith

County Treasurer

Lisa Turpin

Court Clerk

Kim Davis

District Attorney

Paul Smith

**SEMINOLE COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

TABLE OF CONTENTS

FINANCIAL SECTION

Report of State Auditor and Inspector 1

 Financial Statement:

 Statement of Receipts, Disbursements, and Changes in Cash Balances—Regulatory Basis (with
 Combining Information)..... 4

 Notes to the Financial Statement..... 5

SUPPLEMENTARY INFORMATION

 Comparative Schedule of Expenditures—Budget and Actual—Budgetary Basis—General Fund..... 14

 Comparative Schedule of Expenditures—Budget and Actual—Budgetary Basis—Health Fund..... 15

 Note to Supplementary Information..... 16

INTERNAL CONTROL AND COMPLIANCE SECTION

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance With
Government Auditing Standards..... 17

Schedule of Findings and Responses..... 19

FINANCIAL SECTION

Independent Auditor's Report

TO THE OFFICERS OF
SEMINOLE COUNTY, OKLAHOMA

Report on the Financial Statement

We have audited the combined total—all county funds on the accompanying regulatory basis Statement of Receipts, Disbursements, and Changes in Cash Balances of Seminole County, Oklahoma, as of and for the year ended June 30, 2019, and the related notes to the financial statement, which collectively comprise the County's basic financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the regulatory basis of accounting described in Note 1, and for determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1, the financial statement is prepared by Seminole County using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Seminole County as of June 30, 2019, or changes in financial position for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined total of receipts, disbursements, and changes in cash balances for all county funds of Seminole County, for the year ended June 30, 2019, in accordance with the basis of accounting described in Note 1.

Emphasis of Matter

As discussed in Note F to the financial statement, the June 30, 2018 financial statement has been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the combined total of all county funds on the financial statement. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statement.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the financial statement.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 29, 2021, on our consideration of Seminole County’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters.

The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Seminole County's internal control over financial reporting and compliance.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

April 29, 2021

REGULATORY BASIS FINANCIAL STATEMENT

SEMINOLE COUNTY, OKLAHOMA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS
(WITH COMBINING INFORMATION)
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Beginning Cash Balances July 1, 2018	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2019
Combining Information:						
County General Fund	\$ 1,349,246	\$ 2,702,843	\$ 14,059	\$ 3,537	\$ 2,831,189	\$ 1,231,422
County Highway	2,686,975	2,889,696	231,838	-	3,454,777	2,353,732
Resale Property	787,766	191,735	-	-	162,354	817,147
County Health	535,825	483,480	-	-	466,338	552,967
County General Sales Tax	522,329	284,963	-	-	347,089	460,203
County Highway Sales Tax	819,636	773,979	-	-	776,346	817,269
Sheriff Sales Tax	92,756	257,993	10,926	-	316,683	44,992
Treasurer Mortgage Certification Fee	18,824	3,070	-	-	3,378	18,516
County Clerk Lien Fee	31,199	18,502	-	-	24,338	25,363
Sheriff Service Fee	129,797	276,207	2,272	24,985	246,520	136,771
Sheriff Transport B4	81,282	137,195	-	-	204,169	14,308
L.E.P.C.	4,586	4,000	-	-	3,355	5,231
Local Emergency Planning Committee Grant	100	-	-	-	-	100
Flood Plain	50	-	-	-	-	50
Solid Waste - Trash Fund	6,065	-	-	-	-	6,065
Special Project BIA - Road	79,677	-	-	-	-	79,677
Assessor Revolving Fund	13,767	2,041	1,479	-	-	17,287
County Clerk Preservation	26,795	34,030	-	-	31,513	29,312
Sheriff Commissary Fund	17,985	9,759	-	-	16,866	10,878
E-911	119,974	295,166	-	214	283,752	131,174
E-911 Tax	31,998	198,848	-	-	191,059	39,787
Pipeline Use Tax	537,550	1,445	-	-	-	538,995
Ambulance Tax	115,248	279,535	-	-	198,545	196,238
Police Tax	102,394	-	-	-	41,354	61,040
CDBG Fairground Grant	2,015	-	-	-	-	2,015
Sheriff Donation	2,904	-	-	-	2,878	26
Jail Tax	93,335	1,291,548	-	-	1,277,799	107,084
Fire Tax	128,902	-	-	-	4,252	124,650
Emergency Management Fund	1,033	-	-	-	-	1,033
CBRI 105	768,852	339,147	-	-	23,916	1,084,083
Sheriff Special Operation Team	908	-	-	-	-	908
CBRI 103	9,996	-	-	-	-	9,996
FEMA	246,855	-	-	231,838	-	15,017
Fire Tax 2	206,483	130,649	-	-	93,952	243,180
Mental Health and Drug Court	12,812	163,847	-	-	159,986	16,673
Seminole County Extension Building Fund	351	-	-	-	-	351
County Clerk Petty Cash	180	-	-	-	-	180
Cash in Offices	412	-	-	-	-	412
Use Tax	373,753	285,881	-	-	68,792	590,842
Police Tax 3	29,710	37,086	-	-	18,509	48,287
Little Cemetary Chapel Donation Fund	2,719	2,577	-	-	-	5,296
CAMTA (Child Abuse Multidisciplinary Team Account)	1,712	-	-	-	-	1,712
CDBG Building 1591000-51	-	111,933	-	-	96,543	15,390
OBF Donations For Court	-	13,492	-	-	-	13,492
Sheriff Forfeiture	-	3,185	-	-	-	3,185
Combined Total - All County Funds, as Restated	\$ 9,994,756	\$11,223,832	\$260,574	\$260,574	\$ 11,346,252	\$ 9,872,336

The notes to the financial statement are an integral part of this statement.

**SEMINOLE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

1. Summary of Significant Accounting Policies

A. Reporting Entity

Seminole County is a subdivision of the State of Oklahoma created by the Oklahoma Constitution and regulated by Oklahoma Statutes.

The accompanying financial statement presents the receipts, disbursements, and changes in cash balances of the total of all funds under the control of the primary government. The general fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund, where its use is restricted for a specified purpose. Other funds established by statute and under the control of the primary government are also presented.

The County Treasurer collects and remits material amounts of intergovernmental revenues and ad valorem tax revenue for other budgetary entities, including school districts and cities and towns. The cash receipts and disbursements attributable to those other entities do not appear in funds on the County's financial statement; those funds play no part in the County's operations. Any trust or agency funds maintained by the County are not included in this presentation.

B. Fund Accounting

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 included as combining information within the financial statement:

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 ad valorem taxes. Disbursements are to offset the expense of collecting delinquent ad valorem taxes 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.

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

**SEMINOLE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

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

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

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

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

Sheriff Transport B4 – accounts for monies received from the State of Oklahoma for the boarding and feeding of Department of Corrections’ prisoners and for service fees received for transportation of inmates and juveniles.

L.E.P.C. – accounts for state funds received and disbursed for local emergency planning.

Local Emergency Planning Committee Grant – accounts for grant funds received and disbursed for local emergency planning.

Flood Plain – accounts for the collection of permits and disbursements are for office supplies.

Solid Waste – Trash Fund – accounts for grant funds received from the State of Oklahoma for the enforcement of trash and litter laws.

Special Project BIA – Road – accounts for funding received from the Bureau of Indian Affairs and disbursed to the County for special road projects.

Assessor Revolving Fund – accounts for fees collected for copies restricted by state statute.

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

Sheriff Commissary Fund – accounts for collection of fees transferred from inmate trust funds for commissary items and disbursement of funds as restricted by state statute.

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

**SEMINOLE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

E-911 Tax – accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the emergency sales tax ballot.

Pipeline Use Tax – accounts for the collection of use tax revenue from pipelines running across Seminole County and the disbursement of funds as restricted by the Board of County Commissioners.

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

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

CDBG Fairground Grant – accounts for Community Development Block Grant funds received and the disbursement of funds as restricted to grant agreement.

Sheriff Donation – accounts for donations to the Sheriff’s department and disbursements for the operation of the Sheriff’s office.

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

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

Emergency Management Fund – accounts for the collection of funds from the Federal Emergency Management Agency (FEMA). Disbursements are for the operation of Seminole County Emergency Management office.

CBRI 105 – accounts for state, local, and miscellaneous receipts and disbursements are for the purpose of constructing and maintaining county roads and bridges.

Sheriff Special Operation Team – accounts for collection of funds from a fundraising effort by the County Sheriff and area police departments. Disbursements are for the purchase of equipment.

CBRI 103 – accounts for state receipts and disbursements are for the purpose of maintaining county bridges.

FEMA – accounts for federal funds to be used for disaster recovery FEMA projects.

Fire Tax 2 – accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the sales tax ballot.

**SEMINOLE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Mental Health and Drug Court – accounts for funds received from Oklahoma Department of Mental Health and Substance Abuse Services to be expended for the maintenance and operation of the Drug Court.

Seminole County Extension Building Fund – accounts for the donations given to the OSU Extension office to construct an office at the fairgrounds.

County Clerk Petty Cash– accounts for cash held in the County Clerk’s office for change.

Cash in Offices – accounts for cash held by the various county offices for change funds.

Use Tax – accounts for the collection of use tax revenue and the disbursement of funds as restricted by the use tax resolution.

Police Tax 3 – accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the emergency sales tax ballot.

Little Cemetery Chapel Donation Fund – accounts for the donations given to the Little Cemetery to remodel the chapel.

CAMTA (Child Abuse Multidisciplinary Team Account) – accounts for funds received from the Oklahoma Commission on Children and Youth and expended for salaries and equipment for contracted eligible freestanding child abuse teams.

CDBG Building 1591000-51 – accounts for Community Development Block Grant funds received and disbursement of funds as restricted to grant agreement for the County Fair building.

OBF Donations for Court – accounts for grant monies received from the Oklahoma Bar Association and disbursements are for the purchase of smart boards for the court rooms.

Sheriff Forfeiture – accounts for proceeds of forfeited property. Disbursements are for the enforcement of controlled substance laws.

C. Basis of Accounting

The financial statement is prepared on a basis of accounting wherein amounts are recognized when received or disbursed. This basis of accounting differs from accounting principles generally accepted in the United States of America, which require revenues to be recognized when they become available and measurable or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred. This regulatory basis financial presentation is not a comprehensive measure of economic condition or changes therein.

**SEMINOLE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Title 19 O.S. § 171 specifies the format and presentation for Oklahoma counties to present their financial statement in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) or on a regulatory basis. The County has elected to present their financial statement on a regulatory basis in conformity with Title 19 O.S. § 171. County governments (primary only) are required to present their financial statements on a fund basis format with, at a minimum, the general fund and all other county funds, which represent ten percent or greater of total county revenue with all other funds included in the audit presented in the aggregate in a combining statement. However, the County has elected to present all funds included in the audit in the Statement of Receipts, Disbursements, and Changes in Cash Balances—Regulatory Basis.

D. Budget

Under current Oklahoma Statutes, a general fund and a county health department fund are the only funds required to adopt a formal budget. On or before the first Monday in July of each year, each officer or department head submits an estimate of needs to the governing body. The budget is approved for the respective fund by office, or department and object. The County Board of Commissioners may approve changes of appropriations within the fund by office or department and object. To increase or decrease the budget by fund requires approval by the County Excise Board.

E. Cash and Investments

For the purposes of financial reporting, “Ending Cash Balances, June 30” includes cash and cash equivalents and investments as allowed by statutes. The County pools the cash of its various funds in maintaining its bank accounts. However, cash applicable to a particular fund is readily identifiable on the County’s books. The balance in the pooled cash accounts is available to meet current operating requirements.

State statutes require financial institutions with which the County maintains funds to deposit collateral securities to secure the County’s deposits. The amount of collateral securities to be pledged is established by the County Treasurer; this amount must be at least the amount of the deposit to be secured, less the amount insured (by, for example, the FDIC).

The County Treasurer has been authorized by the County’s governing board to make investments. Allowable investments are outlined in statutes 62 O.S. § 348.1 and § 348.3.

All investments must be backed by the full faith and credit of the United States Government, the Oklahoma State Government, fully collateralized, or fully insured. All investments as classified by state statute are nonnegotiable certificates of deposit. Nonnegotiable certificates of deposit are not subject to interest rate risk or credit risk.

**SEMINOLE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

2. Ad Valorem Tax

The County's property tax is levied each October 1 on the assessed value listed as of January 1 of the same year for all real and personal property located in the County, except certain exempt property. Assessed values are established by the County Assessor within the prescribed guidelines established by the Oklahoma Tax Commission and the State Equalization Board. Title 68 O.S. § 2820.A. states, ". . . Each assessor shall thereafter maintain an active and systematic program of visual inspection on a continuous basis and shall establish an inspection schedule which will result in the individual visual inspection of all taxable property within the county at least once each four (4) years."

Taxes are due on November 1 following the levy date, although they may be paid in two equal installments. If the first half is paid prior to January 1, the second half is not delinquent until April 1. The County Treasurer, according to the law, shall give notice of delinquent taxes and special assessments by publication once a week for two consecutive weeks at any time after April 1, but prior to the end of September following the year the taxes were first due and payable. Unpaid real property taxes become a lien upon said property after the treasurer has perfected the lien by public notice.

Unpaid delinquent personal property taxes are usually published in May. If the taxes are not paid within 30 days from publication, they shall be placed on the personal tax lien docket.

3. Other Information

A. Pension Plan

Plan Description. The County contributes to the Oklahoma Public Employees Retirement Plan (the Plan), a cost-sharing, multiple-employer defined benefit pension plan administered by the Oklahoma Public Employees Retirement System (OPERS). Benefit provisions are established and amended by the Oklahoma Legislature. The Plan provides retirement, disability, and death benefits to Plan members and beneficiaries. Title 74, Sections 901 through 943, as amended, establishes the provisions of the Plan. OPERS issues a publicly available financial report that includes financial statements and supplementary information. That report may be obtained by writing OPERS, P.O. Box 53007, Oklahoma City, Oklahoma 73105 or by calling 1-800-733-9008.

Funding Policy. The contribution rates for each member category are established by the Oklahoma Legislature and are based on an actuarial calculation which is performed to determine the adequacy of contribution rates.

B. Other Post Employment Benefits (OPEB)

In addition to the pension benefits described in the Pension Plan note, OPERS provides post-retirement health care benefits of up to \$105 each for retirees who are members of an eligible group

**SEMINOLE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

plan. These benefits are funded on a pay-as-you-go basis as part of the overall retirement benefit. OPEB expenditure and participant information is available for the state as a whole; however, information specific to the County is not available nor can it be reasonably estimated.

C. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, primarily the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time; although, the County expects such amounts, if any, to be immaterial.

As of the end of the fiscal year, there were no claims or judgments that would have a material adverse effect on the financial condition of the County; however, the outcome of any lawsuit would not be determinable.

D. Sales Tax

Sales Tax of November 7, 2006

The voters of Seminole County approved one-half percent (1/2%) sales tax for acquiring, construction, equipping, repairing, renovating, operating, and maintaining County jail facilities; to pay the principle of and interest on indebtedness incurred on behalf of said County by the Seminole County Public Building Authority for such purposes; and any remainder for other County purposes expiring April 1, 2027. These Funds are accounted for in the Jail Tax fund.

Sales Tax of February 10, 2015

The voters of Seminole County approved the renewal of a one-half percent (1/2%) sales tax for a period of five years beginning September 1, 2015. Proceeds of the tax are designated as follows:

- 60 percent – county road fund for the repair or replacement of county roads, bridges, and equipment to be divided equally between the three districts. These funds are accounted for in the County Highway Sales Tax fund.
- 20 percent – county sheriff. These funds are accounted for in the Sheriff Sales Tax fund.
- 20 percent – county general government for the maintenance and operations on County property and operating expenses. These funds are accounted for in the County General Sales Tax fund.

**SEMINOLE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Sales Tax of June 28, 2016

The voters of Seminole County approved a one-quarter percent (1/4%) sales tax for a term of five (5) years beginning January 1, 2017. Proceeds of the tax are designated as follows:

- 20.08 percent – Divided equally between eight (8) fire departments those being Seminole, Wewoka, Konawa, Bowlegs, Maud, Cromwell, Sasakwa, and Strother. These funds are accounted for in the Fire Tax 2 fund.
- 30.83 percent – to the County-wide 911 service. These funds are accounted for in the E-911 Tax fund.
- 43.34 percent – 24 percent goes to City of Seminole ambulance services; 12 percent goes to City of Wewoka Ambulance services; and 7.34 percent goes to City of Konawa ambulance services. These funds are accounted for in the Ambulance Tax fund.
- 5.75 percent – Divided equally between Seminole, Wewoka, and Konawa police departments. These funds are accounted for in the Police Tax and Police Tax 3 funds.

E. Interfund Transfers

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

- \$14,059 was transferred from the Sheriff Service Fee fund into the County General Fund for payroll reimbursements.
- \$1,479 was transferred from County General Fund into the Assessor Revolving Fund for postage machine rental.
- \$231,838 was transferred from the FEMA fund into the County Highway fund for reimbursement.
- \$10,926 was transferred from the Sheriff Service Fee fund into the Sheriff Sales Tax fund for payroll reimbursements.
- \$214 was transferred from the E-911 fund into the Sheriff Service Fee fund for fuel reimbursement.
- \$2,058 was transferred from the County General Fund into the Sheriff Service Fee fund for transport of prisoners.

**SEMINOLE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

F. Restatement of Fund Balance

The prior year ending balance included monies in the Jail Tax fund of \$468,174 that were not county funds, which resulted in an overstatement of the June 30, 2018 ending cash balance. The cash balance has been restated as follows:

Prior year ending balance, as reported	\$10,462,930
Correction to Jail Tax fund ending cash balance	<u>(468,174)</u>
Prior year ending balance, as restated	<u>\$ 9,994,756</u>

SUPPLEMENTARY INFORMATION

SEMINOLE COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF EXPENDITURES—BUDGET AND ACTUAL—
BUDGETARY BASIS—GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	General Fund		
	Budget	Actual	Variance
County Sheriff	\$ 724,022	\$ 654,914	\$ 69,108
County Treasurer	140,359	140,111	248
County Commissioners	28,200	22,694	5,506
County Commissioners O.S.U. Extension	28,674	19,019	9,655
County Clerk	191,651	191,423	228
Court Clerk	179,489	167,000	12,489
County Assessor	174,391	170,323	4,068
Revaluation of Real Property	306,757	272,074	34,683
District Court	158,685	158,685	-
General Government	664,554	257,310	407,244
Excise - Equalization Board	5,000	4,580	420
County Election Expense	73,855	68,313	5,542
Insurance - Benefits	696,371	556,161	140,210
Emergency Management	10,000	2,400	7,600
CAMTA	20,027	9,711	10,316
County Audit Budget Account	43,219	35,206	8,013
County Cemetary Account	60,849	23,196	37,653
Free Fair Budget Account	23,300	21,440	1,860
Total Expenditures, Budgetary Basis	<u>\$ 3,529,403</u>	<u>\$ 2,774,560</u>	<u>\$ 754,843</u>

SEMINOLE COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF EXPENDITURES—BUDGET AND ACTUAL—
BUDGETARY BASIS—HEALTH FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Health Fund		
	Budget	Actual	Variance
Health and Welfare	\$ 908,669	\$ 514,608	\$ 394,061
Total Expenditures, Budgetary Basis	\$ 908,669	\$ 514,608	\$ 394,061

**SEMIONLE COUNTY, OKLAHOMA
NOTE TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

1. Budgetary Schedules

The Comparative Schedules of Expenditures—Budget and Actual—Budgetary Basis for the General Fund and the Health Fund present comparisons of the legally adopted budget with actual data. The "actual" data, as presented in the comparison of budget and actual, will differ from the data as presented in the Statement of Receipts, Disbursements, and Changes in Cash Balances (with Combining Information) because of adopting certain aspects of the budgetary basis of accounting and the adjusting of encumbrances and outstanding warrants to their related budget year.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in these funds. At the end of the year unencumbered appropriations lapse.

INTERNAL CONTROL AND COMPLIANCE SECTION

Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

TO THE OFFICERS OF
SEMINOLE COUNTY, OKLAHOMA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined total—all funds of the accompanying Statement of Receipts, Disbursements, and Changes in Cash Balances (with Combining Information) of Seminole County, Oklahoma, as of and for the year ended June 30, 2019, and the related notes to the financial statement, which collectively comprises Seminole County’s basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated April 29, 2021.

Our report included an adverse opinion on the financial statement because the statement is prepared using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. However, our report also included our opinion that the financial statement does present fairly, in all material respects, the receipts, disbursements, and changes in cash balances – regulatory basis of the County for the year ended June 30, 2019, on the basis of accounting prescribed by Oklahoma state law, described in Note 1.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered Seminole County’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of Seminole County’s internal control. Accordingly, we do not express an opinion on the effectiveness of Seminole County’s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.



A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses: 2019-002, 2019-003, 2019-004, and 2019-005.

A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies: 2019-001 and 2019-007.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Seminole County's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters regarding statutory compliance that we reported to the management of Seminole County, which are included in Section 2 of the schedule of findings and responses contained in this report.

Seminole County's Response to Findings

Seminole County's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. Seminole County's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is also 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.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

April 29, 2021

**SEMINOLE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

SECTION 1—Findings related to the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Finding 2019-001 – Lack of Internal Controls Over Information Technology System

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

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

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

Recommendation: The Oklahoma State Auditor & Inspector’s Office (OSAI) recommends the County comply with best practices presented in the criteria. The specifics of the recommendation have been sanitized to protect the County pursuant to the provision of 51 O.S. § 24A.28.

Management Response:

County Clerk: Management chose not to respond.

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

Finding 2019-002 – Reconciliation of Appropriation Ledger to General Ledger (Repeat Finding - 2012-015, 2013-017, 2014-016)

Condition: Based on our documentation of controls, reconciliations are not being performed between the County Clerk’s appropriation ledger and the County Treasurer’s general ledger.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure the reconciliation of the County Clerk’s appropriation ledger to the County Treasurer’s general ledger.

**SEMINOLE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

Recommendation: OSAI recommends management take steps to ensure reconciliations are performed between the funds presented on the County Clerk's appropriation ledger and the County Treasurer's general ledger monthly and are accurate. Documentation of this reconciliation should be reviewed and approved by someone other than the preparer.

Management Response:

County Clerk: I agree with the finding.

Criteria: The United States Government Accountability Office's *Standards for Internal Control in the Federal Government* (2014 version) aided in guiding our assessments and conclusion. Although this publication (GAO Standards) addresses controls in the federal government, this criterion can be treated as best practices and may be applied as a framework for an internal control system for state, local, and quasi-governmental entities.

The GAO Standards 16.05 states, in part:

Internal Control System Monitoring

Management performs ongoing monitoring of the design and operating effectiveness of the internal control system as part of the normal course of operations. Ongoing monitoring includes regular management and supervisory activities, comparisons, reconciliations and other routine actions.

Finding 2019-003 – Segregation of Duties Over Disbursements (Repeat Finding - 2012-005, 2013-005, 2014-005)

Condition: Upon inquiry and observation of the County's disbursement process, we noted the following duties are not properly segregated:

- One employee encumbers the funds, issues purchase order, assigns warrant on purchase order, verifies the purchase order upon receiving all supporting documentation, updates the purchase order in the system, prints expense verification reports, prepares warrants, prints warrants, takes warrants to be registered, receives registered warrants from Treasurer, and receives approved purchase orders from Board of County Commissioners and prepares them to be mailed.
- One employee can assign cash voucher numbers, review claims for accuracy, sign the cash voucher claims and prepare cash vouchers for mailing.

Cause of Condition: Policies and procedures have not been designed and implemented with regard to the segregation of duties and/or compensating controls of the disbursement process.

**SEMINOLE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

Recommendation: OSAI recommends management be aware of this condition 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 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:

County Clerk: I agree with the finding, we will do our best to segregate duties. We have implemented more steps and have three individuals involved in the process, yet there are times that the process allows for one individual to have possession more than once.

Criteria: The GAO Standards – Principal 10 – Design Control Activities – 10.03 states in part:

Segregation of Duties

Management divides or segregates key duties and responsibilities among different people to reduce the risk of error, misuse, or fraud. This includes separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets so that no one individual controls all key aspects of a transaction or event.

Additionally, Principal 10 - Segregation of Duties states:

10.12 – Management considers segregation of duties in designing control activity responsibilities so that incompatible duties are segregated and, where such segregation is not practical, designs alternative control activities to address the risk.

10.13 – Segregation of duties helps prevent fraud, waste, and abuse in the internal control system. Management considers the need to separate control activities related to authority, custody, and accounting of operations to achieve adequate segregation of duties. In particular, segregation of duties can address the risk of management override. Management override circumvents existing control activities and increases fraud risk. Management addresses this risk through segregation of duties but cannot absolutely prevent it because of the risk of collusion, where two or more employees act together to commit fraud.

10.14 – If segregation of duties is not practical within an operational process because of limited personnel or other factors, management designs alternative control activities to address the risk of fraud, waste, or abuse in the operational process.

**SEMINOLE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Finding 2019-004 – Lack of Segregation of Duties Over the Payroll Process (Repeat Finding - 2012-006, 2013-006, 2014-006)

Condition: Upon inquiry and observation of the County’s payroll process, it was noted duties are not properly segregated.

- The County Clerk enrolls new employees, maintains personnel files, makes payroll changes in the system, prints payroll verifications, reviews the payroll claims, calculates amounts to be paid to the employees and payroll related agencies.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure adequate segregation of duties in the County Clerk’s office with regard to the payroll process.

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

Recommendation: OSAI recommends management be aware of this condition 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.

Additionally, OSAI recommends that all payroll and payroll changes entered into the computer system be reviewed and evidenced with initials and date by someone other than the preparer.

Management Response:

County Clerk: I agree with the finding, we will do our best to segregate duties. We have implemented more steps and now have three individuals involved in the process, yet there are times that the process allows for one individual to have possession more than once. I have created an affidavit form, by which all parties involved with the process sign off, it is notarized and placed in the payroll affidavit book.

Criteria: The GAO Standards – Principal 10 – Design Control Activities – 10.03 states in part:

Segregation of Duties

Management divides or segregates key duties and responsibilities among different people to reduce the risk of error, misuse, or fraud. This includes separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets so that no one individual controls all key aspects of a transaction or event.

**SEMINOLE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Additionally, Principal 10 - Segregation of Duties states:

10.12 – Management considers segregation of duties in designing control activity responsibilities so that incompatible duties are segregated and, where such segregation is not practical, designs alternative control activities to address the risk.

10.13 – Segregation of duties helps prevent fraud, waste, and abuse in the internal control system. Management considers the need to separate control activities related to authority, custody, and accounting of operations to achieve adequate segregation of duties. In particular, segregation of duties can address the risk of management override. Management override circumvents existing control activities and increases fraud risk. Management addresses this risk through segregation of duties but cannot absolutely prevent it because of the risk of collusion, where two or more employees act together to commit fraud.

10.14 – If segregation of duties is not practical within an operational process because of limited personnel or other factors, management designs alternative control activities to address the risk of fraud, waste, or abuse in the operational process.

Finding 2019-005 – Lack of Internal Controls over Presentation of Financial Statement

Condition: The County has not designed and implemented internal controls for the presentation of the County financial statement. During the review and reconciliation of the financial statement as initially prepared by the County, we determined the preparer of the financial statement did not report accurate numbers.

The beginning balance, receipts apportioned, transfers in, transfers out, cash disbursements and ending balance were reported as \$10,462,930 \$11,484,406, \$0, \$0, \$11,732,143 and \$10,215,194, respectively. A review of the records provided by the County Treasurer determined that the actual beginning balance, receipts apportioned, transfers in, transfers out, cash disbursements and ending balance amounts were \$9,994,756, \$11,223,832, \$260,574, \$260,574, \$11,346,252 and \$9,872,336; this resulted in an overstatement of beginning balance in the amount of \$468,174; an overstatement of receipts apportioned in the amount of \$260,574; an understatement of transfers in and transfers out in the amount of \$260,574; an overstatement of disbursements in the amount of \$385,891 and an overstatement of the ending balance in the amount of \$342,858.

The misstatements were due to the co-mingling of the County sales tax funds and Seminole County Public Building Authority funds in the Jail Tax fund. Further, the County issued purchase orders between funds for various reasons and subsequently those funds were miscellaneously received by the County Treasurer's office.

Additionally, it was noted that the financial statement was not signed by the preparer and had no indication of a review.

**SEMINOLE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Cause of Condition: Internal controls have not been designed and implemented to ensure proper individuals take responsibility to accurately report the beginning balance, receipts apportioned, transfers in, transfers out, disbursements, and ending balance on the financial statement.

Effect of Condition: These conditions resulted in inaccurate reporting of beginning balance, cash receipts, transfers in, transfers out, cash disbursements and ending balance on the financial statement.

Recommendation: OSAI recommends the County design and implement procedures to ensure the beginning balance, receipts apportioned, transfers in, transfers out, disbursements, and ending balance are reported accurately on the financial statement.

Management Response:

Chairman of the Board of County Commissioners, County Clerk and County Treasurer: We Seminole County acknowledge this finding. The misstatements noted were due to co-mingling of County sales tax funds and the Seminole County Public Building Authority funds in the Jail Tax fund. The Treasurer will start keeping Building Authority monies separate as a trust and agency fund on the general ledger. The financial statement will also be signed by the preparer and reviewer.

Criteria: The County is required to present a financial statement for each fiscal year ended June 30. Title 19 O.S. § 171 states, in part, "Unless the county elects to prepare its financial statement in accordance with Generally Accepted Accounting Principles as prescribed by the Governmental Accounting Standards Board, the county shall present their financial statements in a regulatory basis of accounting."

The limitations of the auditor are described in the American Institute of Certified Public Accountants Clarified Statements on Auditing Standards AU-C § 210, which states, in part:

The concept of an independent audit requires that the auditor's role does not involve assuming management's responsibility for the preparation and fair presentation of the financial statements or assuming responsibility for the entity's related internal control and that the auditor has a reasonable expectation of obtaining the information necessary for the audit insofar as management is able to provide or procure it. Accordingly, the premise is fundamental to the conduct of an independent audit.

Finding 2019-007 – Lack of Internal Controls and Noncompliance with Sales Tax Agreement

Condition: On November 7th, 2006 the voters of Seminole County approved an additional one-half percent (1/2%) sales tax for acquiring, construction, equipping, repairing, renovating, operating, and maintaining County jail facilities; to pay the principle of and interest on indebtedness incurred on behalf of said County by the Seminole County Public Building Authority for such purposes; and any remainder for other County purposes expiring April 1, 2027.

On July 1, 2009, Seminole County entered into a sales tax agreement with the Seminole County Public Building Authority (the Authority). In return for the Authority facilitating the design and construction of a

**SEMINOLE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

new jail facility serving Seminole County, Oklahoma and other related improvements and paying certain costs associated with the issuance of the 2009 note. The County agreed to appropriate each year all monies generated pursuant to the Sales Tax Revenue of a one half of one percent (0.5%) received for immediate deposit in a bank designated by the Authority.

Each month the County Treasurer remits, by Treasurer's check, the one half of one percent (1/2%) from the County General bank account to the Jail Tax bank account instead of being expended by purchase order. The monies are then special apportioned to the Jail Tax/Seminole County Public Building Authority fund.

Additionally, we noted that the County Sheriff has been operating the County Jail, but there is no contract between the Authority and the County Sheriff for such services.

Cause of Condition: Policies and procedures have not been designed or implemented to ensure the County's sales tax collections are properly expended in accordance with state statute.

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

Recommendation: OSAI recommends that the County sales tax be apportioned in accordance with the sales tax ballot as approved by the voters of the County in accordance with 68 O.S. § 1370E. Additionally, the Authority shall operate the jail or contract with the Board of County Commissioners and County Sheriff to operate jail.

Management Response:

Chairman of the Board of County Commissioners, County Clerk and County Treasurer: We Seminole County acknowledge this finding. We are in the process of getting contract between the Authority Board and Board of County Commissioners. The monthly one half of one percent (1/2%) sales tax will be collected and apportioned to the Jail Tax fund and expended by purchase order to the Seminole County Public Building Authority.

Criteria: The GAO Standards – Section 2 – Objectives of an Entity - OV2.23 states in part:

Compliance Objectives

Management conducts activities in accordance with applicable laws and regulations. As part of specifying compliance objectives, the entity determines which laws and regulations apply to the entity. Management is expected to set objectives that incorporate these requirements.

Further, GAO Standards – Principle 6 – Defined Objectives and Risk Tolerances - 6.05 states:

Definitions of Objectives

Management considers external requirements and internal expectations when defining objectives to enable the design of internal control. Legislators, regulators, and standard-setting bodies set external requirements by establishing the laws, regulations, and standards

**SEMINOLE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

with which the entity is required to comply. Management identifies, understands, and incorporates these requirements into the entity's objectives. Management sets internal expectations and requirements through the established standards of conduct, oversight structure, organizational structure, and expectations of competence as part of the control environment.

Effective internal controls require that management properly implement procedures to ensure compliance 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.

SECTION 2—This section contains certain matters not required to be reported in accordance with *Government Auditing Standards*. However, we believe these matters are significant enough to bring to management's attention. We recommend that management consider these matters and take appropriate corrective action.

Finding 2019-009 – Lack of Internal Controls and Noncompliance Over the Inmate Trust Fund Checking Account and Sheriff Commissary Fund (Repeat Finding)

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

- Collections are not deposited daily.
- Deposits in the inmate trust software system are not reconciled to the bank deposits.
- Bank reconciliations are not performed on the Inmate Trust Fund Checking Account.
- Individual inmate trust fund balances are not being reconciled to the bank statement.
- There is no process for tracking or reconciling unclaimed funds.
- An annual report for the Sheriff Commissary fund was not prepared and filed with the Board of County Commissioners.
- One employee collects monies from the drop box and kiosk, counts the monies and posts to accounts in the inmate trust software system, prepares the bank deposit, takes the deposits to the bank, and maintains all bank records.

After performing testwork regarding Inmate Trust Fund Checking Account expenditures, the following noncompliance was noted regarding the two hundred and eight (208) disbursements/checks tested:

- Eight (8) were issued to a vendor for commissary services.
- Two (2) were issued to the Seminole County Sheriff Service Fee fund for commissary profit and phone card commissions.

**SEMINOLE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Additionally, we noted two (2) fraudulent checks, \$301 and \$432, that were cashed. The bank had issued a refund credit for (1) of the checks, \$301, but as of November 10, 2020, we did not have documentation for the other one.

Cause of Condition: Policies and procedures have not been designed to ensure financial transactions regarding the Inmate Trust Fund Checking Account and Sheriff Commissary fund are made in compliance with state statutes.

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

Recommendation: OSAI recommends the following:

- All funds received should be deposited to the Inmate Trust Fund Checking Account daily.
- Receipts should be reconciled to collections received and deposited.
- Bank reconciliations should be performed on a monthly basis and be reviewed and approved by someone other than the preparer.
- Inmate trust fund monies should be maintained in a manner that reflects each inmate trust deposits, disbursements, and account balances. The inmate's ledger balances and deposits should be reconciled to the bank statements each month.
- Policies and procedures should be designed and implemented to ensure disposition of inmates unclaimed property funds are handled in accordance with 22 O.S. § 1325.
- Expenditures from the Sheriff's Inmate Trust Fund Checking Account should be made in accordance with 19 O.S. § 531 A.
- Key duties and responsibilities should be segregated among different individuals to reduce the risk of error or fraud. No one individual should have the ability to authorize transactions, have physical custody of assets, and record transactions.
- The Sheriff should file a report of the Commissary with the Board of County Commissioners by January 15th of each year in accordance with 19 O.S. § 180.43 D.

Management Response:

County Sheriff: We are still working on the inmate trust fund policies and procedures.

Criteria: The GAO Standards – Principal 10 – Design Control Activities – 10.03 states in part:

Segregation of Duties

Management divides or segregates key duties and responsibilities among different people to reduce the risk of error, misuse, or fraud. This includes separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets so that no one individual controls all key aspects of a transaction or event.

**SEMINOLE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Additionally, Principal 10 - Segregation of Duties states:

10.12 – Management considers segregation of duties in designing control activity responsibilities so that incompatible duties are segregated and, where such segregation is not practical, designs alternative control activities to address the risk.

10.13 – Segregation of duties helps prevent fraud, waste, and abuse in the internal control system. Management considers the need to separate control activities related to authority, custody, and accounting of operations to achieve adequate segregation of duties. In particular, segregation of duties can address the risk of management override. Management override circumvents existing control activities and increases fraud risk. Management addresses this risk through segregation of duties but cannot absolutely prevent it because of the risk of collusion, where two or more employees act together to commit fraud.

10.14 – If segregation of duties is not practical within an operational process because of limited personnel or other factors, management designs alternative control activities to address the risk of fraud, waste, or abuse in the operational process

Title 19 O.S. § 180.43 D. states in part, "...Any funds received pursuant to said operations shall be the funds of the county where the persons are incarcerated and shall be deposited in the Sheriff's Commissary Account. The sheriff shall be permitted to expend the funds to improve or provide jail services. The sheriff shall be permitted to expend any surplus in the Sheriff's Commissary Account for administering expenses for training equipment, travel or for capital expenditures. The claims for expenses shall be filed with and allowed by the board of county commissioners in the same manner as other claims. The Sheriff shall receive no compensation for the operation of said commissary. The sheriff shall file an annual report on any said commissary under his or her operation no later than January 15 of each year."

Title 19 O.S. § 531 A. states in part, "The county sheriff may establish a checking account, to be designated the "Inmate Trust Fund Checking Account." The county sheriff shall deposit all monies collected from inmates incarcerated in the county jail into this checking account and may write checks to the Sheriff's Commissary Account for purchases made by the inmate during his or her incarceration and to the inmate from unencumbered balances due the inmate upon his or her discharge."

Title 22 O.S. § 1325(F, H) outlines 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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