

OPERATIONAL AUDIT

SEMINOLE COUNTY

For the fiscal year ended June 30, 2016



*Independently serving the citizens of
Oklahoma by promoting the
accountability and fiscal integrity of
governmental funds.*



Oklahoma State
Auditor & Inspector
Gary A. Jones, CPA, CFE

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

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Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

November 20, 2017

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

Transmitted herewith is the audit report of Seminole County for the fiscal year ended June 30, 2016.

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

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

Sincerely,

A handwritten signature in blue ink that reads "Gary A. Jones". The signature is written in a cursive style with a long, sweeping underline.

GARY A. JONES, CPA, CFE
OKLAHOMA STATE AUDITOR & INSPECTOR

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

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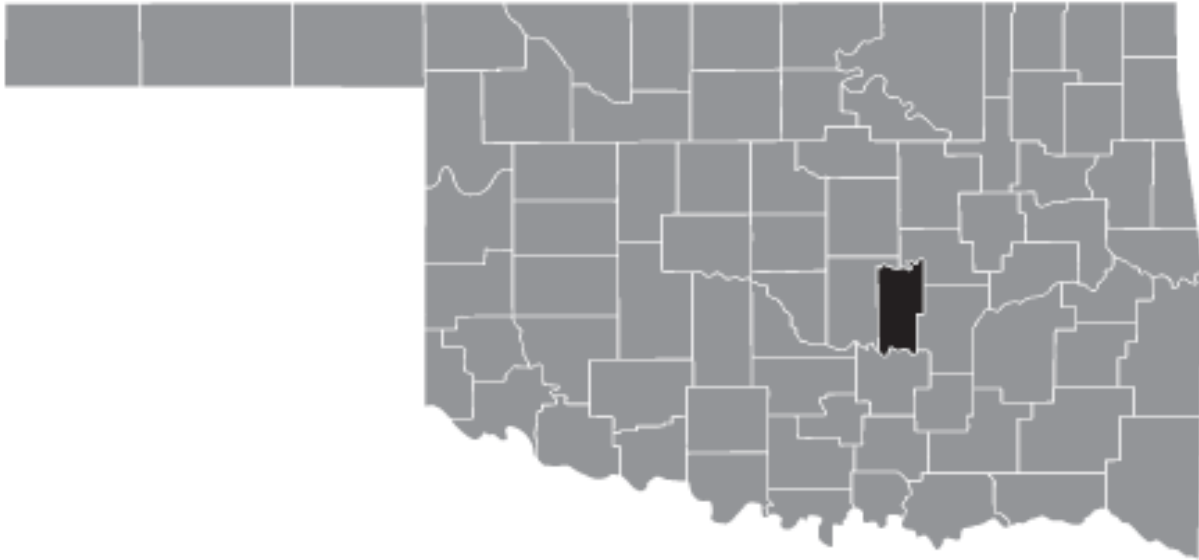
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**SEMINOLE COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**



Taking its name from a Creek word meaning “runaway” or “those who camp at a distance,” this county was originally part of the Seminole Nation, Indian Territory. As a result of a treaty with the Creeks in 1856, the Seminoles received an estimated 2,169,080 acres of land in the Indian Territory where they could establish their own government and laws. They were the last of the Five Civilized Tribes to organize their government in this region.

Although oil exploration began near Wewoka as early as 1902, it was not until 1923 and the discovery of the Greater Seminole Field that the county experienced an economic boom. By September 1929, this became the premier high-gravity oil field in the United States. Now, agriculture and manufacturing also contribute to the economy.

Businesses engaged in the production of clothing, oil field chemicals and tanks, air blasting equipment, and others are located in the area. Seminole State College continues the tradition first exemplified by the founding of the Mekasukey Academy for Seminole boys in 1891 and the Emahaka Boarding School for Seminole girls in 1893.

Sources of recreational activities include area lakes as well as public golf courses in Seminole and Wewoka. For more information, call the county clerk’s office at 405/257–2501.

County Seat – Wewoka

Area – 640.57 Square Miles

County Population – 25,421
(2014 est.)

Farms – 1,054

Land in Farms – 243,260 Acres

Primary Source: Oklahoma Almanac 2015-2016

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

Board of County Commissioners

District 1 – Gary Choate
District 2 – Tommy Monks
District 3 – John Kirby

County Assessor

Denise Bailey

County Clerk

Tahasha Wilcots

County Sheriff

Shannon Smith

County Treasurer

Lisa Turpin

Court Clerk

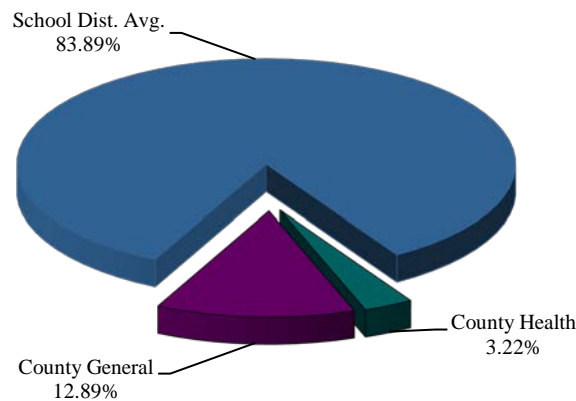
Kim Davis

District Attorney

Chris L. Ross

**SEMINOLE COUNTY, OKLAHOMA
AD VALOREM TAX DISTRIBUTION
SHARE OF THE AVERAGE MILLAGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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								
				Gen.	Bldg.	Skg.	Career Tech.	Career Tech Bldg.	Common	Total
County General	10.44									
County Health	2.61	Seminole	I-1	36.17	5.17	-	10.50	5.25	4.18	61.27
		Wewoka	I-2	36.99	5.28	23.59	10.50	5.25	4.18	85.79
		Bowlegs	I-3	37.57	5.37	7.37	10.50	5.25	4.18	70.24
		Konawa	I-4	35.45	5.06	7.43	-	-	4.18	52.12
		New Lima	I-6	37.59	5.37	-	10.50	5.25	4.18	62.89
		Varnum	I-7	38.33	5.48	-	10.50	5.25	4.18	63.74
		Sasakwa	I-10	37.91	5.42	16.30	10.83	2.00	4.18	76.64
		Strother	I-14	39.28	5.61	3.07	10.50	5.25	4.18	67.89
		Butner	I-15	38.11	5.44	4.77	10.50	5.25	4.18	68.25
		Justice	I-54	38.16	5.45	-	10.50	5.25	4.18	63.54
		Maud	I-117	37.83	5.40	12.04	10.50	5.25	4.18	75.20

**SEMINOLE COUNTY, OKLAHOMA
AD VALOREM TAX DISTRIBUTION
SHARE OF THE AVERAGE MILLAGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Sales Tax

Sales Tax of November 7, 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. These funds are accounted for in the Jail Tax fund.

Sales Tax of February 9, 2010 and 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. 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.

Sales Tax of October 11, 2011

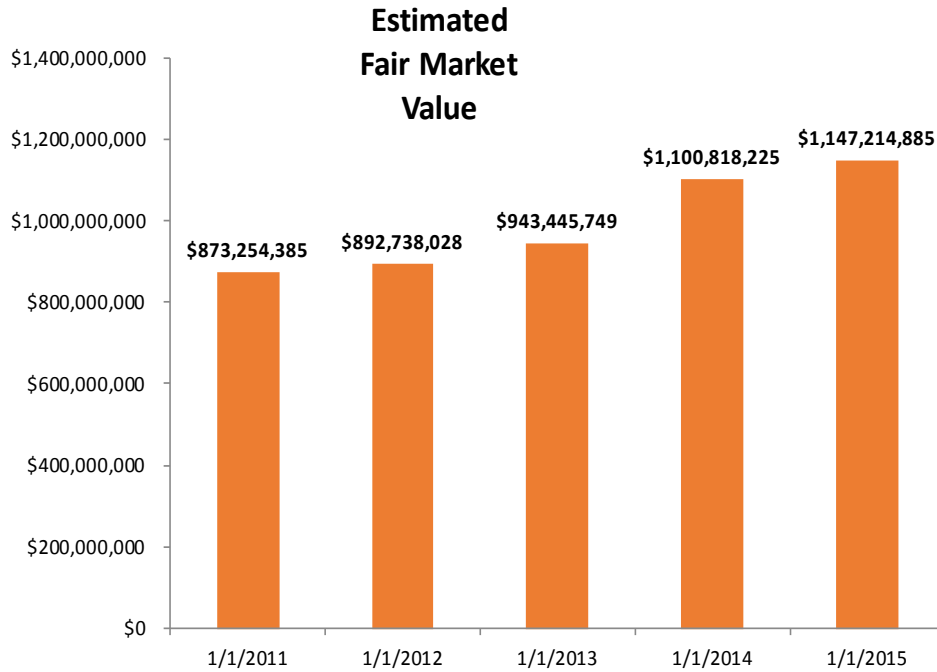
The voters of Seminole County approved an additional one-quarter percent (1/4%) sales tax for a term of five years beginning January 1, 2012. Proceeds of tax are designated as follows:

- 14.33 percent – Divided equally between eight 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 – 24.76 percent goes to City of Seminole ambulance services; 12.38 percent goes to Wewoka Ambulance services; and 6.2 percent goes to Konawa ambulance services. These funds are accounted for in the Ambulance Tax fund.
- 11.5 percent – Divided equally between Seminole, Wewoka, and Konawa police departments. These funds are accounted for in the Police Tax fund.

During the fiscal year, the County collected \$2,770,974 in total sales tax.

**SEMINOLE COUNTY, OKLAHOMA
 ASSESSED VALUE OF PROPERTY
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

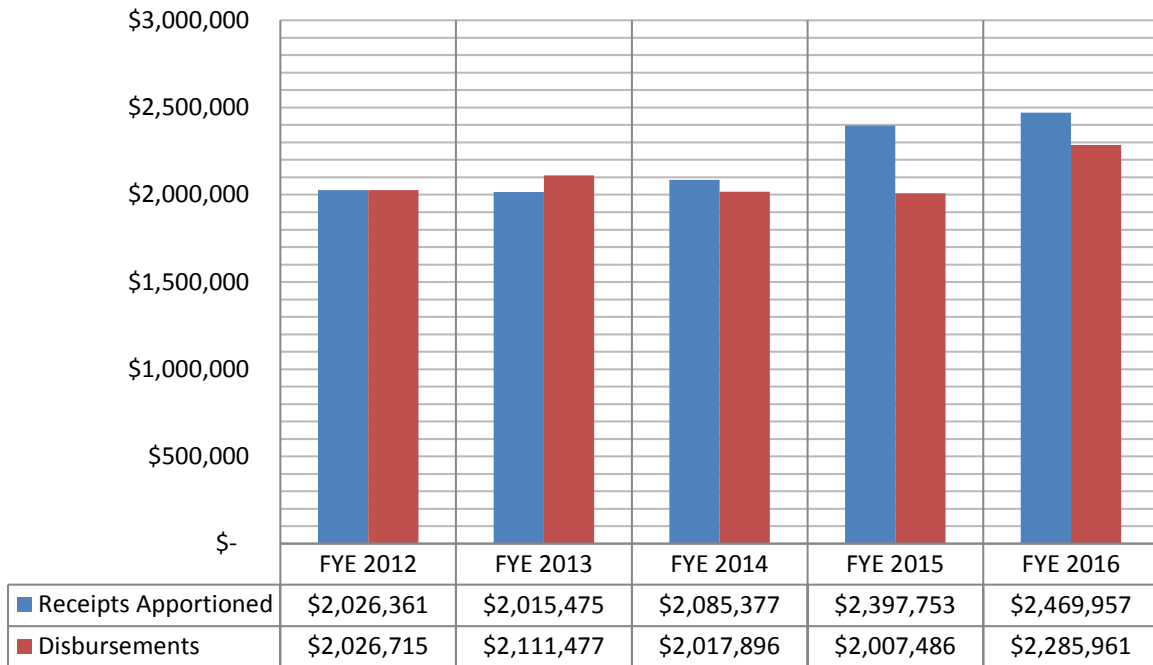
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2015	\$27,301,764	\$77,618,461	\$69,583,745	\$6,269,859	\$168,234,111	\$1,147,214,885
1/1/2014	\$24,373,944	\$76,024,634	\$67,781,353	\$6,287,357	\$161,892,574	\$1,100,818,225
1/1/2013	\$22,057,245	\$46,287,938	\$66,847,481	\$6,438,319	\$128,754,345	\$943,445,749
1/1/2012	\$19,743,929	\$43,693,070	\$64,438,602	\$6,491,277	\$121,384,324	\$892,738,028
1/1/2011	\$18,882,446	\$44,302,759	\$62,641,861	\$6,591,132	\$119,235,934	\$873,254,385



**SEMINOLE COUNTY, OKLAHOMA
COUNTY GENERAL FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

County General Fund

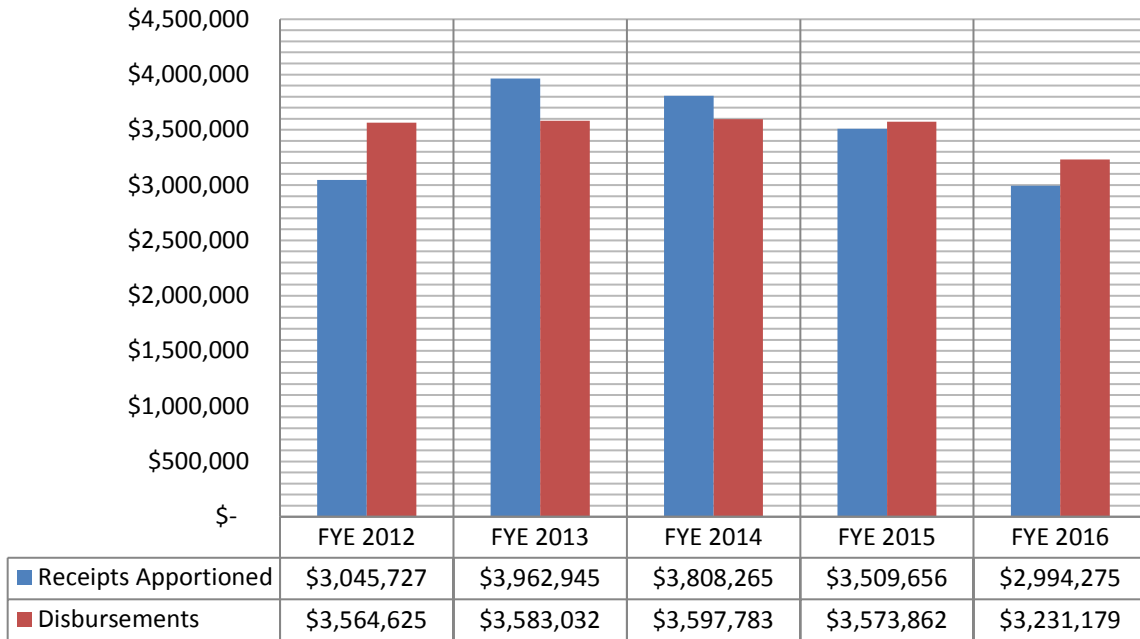
The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the county's primary source of operating revenue. The County General Fund is typically used for county employees' salaries plus many expenses for county maintenance and operation. It also 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.



**SEMINOLE COUNTY, OKLAHOMA
COUNTY HIGHWAY FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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.



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

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

	Beginning Cash Balances July 1, 2015	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2016
Combing Information:						
County Funds:						
County General Fund	\$ 921,138	\$ 2,469,957	\$ 175,000	\$ 175,000	\$ 2,285,961	\$ 1,105,134
County Highway	2,686,383	2,994,275	336,694	-	3,231,179	2,786,173
Resale Property	519,969	182,188	258,286	175,000	103,791	681,652
County Health	532,526	438,483	-	-	490,023	480,986
County General Sales Tax	983,748	280,541	-	-	411,230	853,059
County Highway Sales Tax	1,166,946	767,224	96,761	-	1,225,633	805,298
Sheriff Sales Tax	192,746	258,764	195,501	-	346,131	300,880
Treasurer Mortgage Certification Fee	22,511	3,180	-	-	3,481	22,210
County Clerk Lien Fee	91,299	25,981	-	-	39,135	78,145
Sheriff Service Fee	102,364	171,089	-	-	137,935	135,518
Sheriff Transport B4	539,035	329,198	-	-	759,382	108,851
L.E.P.C.	2,282	3,424	-	-	2,801	2,905
Local Emergency Planning Committee Grant	100	-	-	-	-	100
Flood Plain	50	-	-	-	-	50
Solid Waste - Trash Fund	5,588	286	-	-	-	5,874
Special Project BIA - Road	79,677	-	-	-	-	79,677
Assessor Revolving Fund	12,570	4,739	-	-	6,525	10,784
County Clerk Preservation	111,907	36,130	-	-	60,437	87,600
Sheriff Commissary Fund	21,560	-	-	-	7,690	13,870
E-911	66,369	249,551	-	-	251,874	64,046
E-911 Tax	158,046	172,524	-	-	280,519	50,051
Pipeline Use Tax	949,151	1,066	-	414,272	-	535,945
Ambulance Tax	184,536	240,893	-	-	355,756	69,673
Police Tax	162,585	63,732	-	-	53,345	172,972
CDBG Fairground Grant	2,015	-	-	-	-	2,015
Sheriff Donation	2,904	-	-	-	-	2,904
Jail Tax	700,632	1,109,201	-	-	1,442,869	366,964
Fire Tax	258,316	-	-	-	41,200	217,116
Emergency Management Fund	1,242	-	-	-	209	1,033
CBRI 105	903,692	206,816	-	214,684	21,914	873,910
Sheriff Special Operation Team	908	-	-	-	-	908
CDBG 09 13589	1,500	-	-	-	1,500	-
Rural Water Dist 1 CDBG	142,249	41,800	-	-	184,049	-
CBRI 103	14,446	-	-	-	-	14,446
FEMA	107,390	414,076	-	-	10,000	511,466
Fire Tax 2	169,489	79,416	-	-	105,351	143,554
Mental Health and Drug Court	30,208	171,167	-	-	184,840	16,535
Seminole County Extension Building Fund	351	-	-	-	-	351
County Clerk Petty Cash	180	-	-	-	-	180
OBF Donations for Court	-	6,470	-	-	6,470	-
CDBG 16300 Fair Building	-	49,957	-	-	39,254	10,703
Combined Total - All County Funds	\$ 11,848,608	\$ 10,772,128	\$ 1,062,242	\$ 978,956	\$ 12,090,484	\$ 10,613,538

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

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

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 revenues from ad valorem taxes, officers’ fees, interest earnings, and miscellaneous collections of the County. Disbursements are for the general operations of the County.

County Highway – accounts for state, local, and miscellaneous receipts and disbursements are 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 disposition of 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.

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

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

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

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.

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

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 for local emergency planning committees.

Local Emergency Planning Committee Grant – accounts for the receipt and disbursement of Hazard Material Emergency Preparedness Planning Grant.

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 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.

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

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 resolution.

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

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

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

Sheriff Donation – accounts for donations to the Sheriff’s department and the disbursements are 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 resolution.

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

Emergency Management Fund – accounts for 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 from this fund are to be made for the purchase of equipment.

CDBG 09 13589 – accounts for Community Development Block Grant funds received and disbursement of funds as restricted to grant agreement.

Rural Water Dist 1 CDBG – accounts for Community Development Block Grant funds received and disbursement of funds as restricted to grant agreement.

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 resolution.

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

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 obtained from the County Clerk’s and held in the office for change.

OBF Donation for Court – accounts for monies from the Oklahoma Bar Association. Disbursements are for the remodeling of courtroom furniture.

CDBG 16300 Fair Building – accounts for Community Development Block Grant funds received and disbursement of funds as restricted to grant agreement.

Transfers

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

- \$175,000 was transferred from the County General Fund to the Resale Property fund for repayment of the loan in accordance with 68 O.S. § 3021.
- \$175,000 was transferred from the Resale Property fund to the County General Fund to meet requirements of appropriations in accordance with 68 O.S. § 3021.
- \$83,286 was transferred from the Excess Resale Fund (a trust and agency fund) to the Resale Property fund in accordance with 68 O.S. § 3131 (c).
- \$166,423 was transferred from the CBRI 105 fund to the County Highway fund for reimbursement of expenditures for road projects.
- \$48,261 was transferred from the CBRI 105 fund to the County Highway Sales Tax fund for reimbursement of expenditures for road projects.
- \$414,272 was transferred from the Pipeline Use Tax fund to the following funds:
 - County Highway fund - \$170,271
 - County Highway Sales Tax fund - \$48,500
 - Sheriff Sales Tax fund - \$195,501

Monies received for use tax is apportioned to the County Commissioners Use Tax and Special Economic Development funds. As per Board of County Commissioners’ resolution this money can be used for any lawful expenditure. Instead of expending the money from the funds where it was originally apportioned, the Board of County Commissioners made transfers to the funds listed above.

SEMINOLE COUNTY, OKLAHOMA
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
COUNTY GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 921,138	\$ 921,138	\$ -
Less: Prior Year Outstanding Warrants	(190,736)	(190,736)	-
Less: Prior Year Encumbrances	(83,900)	(75,110)	8,790
Beginning Cash Balances, Budgetary Basis	<u>646,502</u>	<u>655,292</u>	<u>8,790</u>
Receipts:			
Ad Valorem Taxes	1,596,695	1,744,559	147,864
Charges for Services	242,085	255,627	13,542
Intergovernmental Revenues	387,921	387,990	69
Miscellaneous Revenues	68,489	81,781	13,292
Total Receipts, Budgetary Basis	<u>2,295,190</u>	<u>2,469,957</u>	<u>174,767</u>
Expenditures:			
County Sheriff	523,186	489,093	34,093
County Treasurer	138,473	131,987	6,486
County Commissioners	50,601	8,871	41,730
OSU Extension	27,756	27,237	519
County Clerk	161,051	161,015	36
Court Clerk	162,229	162,200	29
County Assessor	144,523	140,841	3,682
Revaluation of Real Property	299,531	290,397	9,134
District Court	155,430	132,464	22,966
General Government	355,625	126,553	229,072
Excise Equalization	4,471	2,393	2,078
County Election Expense	72,134	58,151	13,983
Insurance - Benefits	718,722	444,522	274,200
Emergency Management	44,799	1,027	43,772
County Audit Budget Account	24,836	-	24,836
County Cemetary Account	35,025	7,020	28,005
Free Fair Budget Account	23,300	16,668	6,632
Total Expenditures, Budgetary Basis	<u>2,941,692</u>	<u>2,200,439</u>	<u>741,253</u>

Continued on next page

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

SEMINOLE COUNTY, OKLAHOMA
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
COUNTY GENERAL FUND - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	General Fund		
	Budget	Actual	Variance
Continued from previous page			
Excess of Receipts and Beginning Cash			
Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	924,810	<u>\$ 924,810</u>
Operating Transfers			
Transfers In		175,000	
Transfers Out		<u>(175,000)</u>	
Net Transfers		-	
Disbursements, and Changes in Cash Balances			
Add: Cancelled Warrants		129	
Add: Current Year Outstanding Warrants		147,192	
Add: Current Year Encumbrances		<u>33,003</u>	
Ending Cash Balance		<u>\$ 1,105,134</u>	

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

SEMINOLE COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
COUNTY HEALTH DEPARTMENT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 532,526	\$ 532,526	\$ -
Less: Prior Year Outstanding Warrants	(60,415)	(60,415)	-
Less: Prior Year Encumbrances	(30,397)	(29,428)	969
Beginning Cash Balances, Budgetary Basis	441,714	442,683	969
Receipts:			
Ad Valorem Taxes	399,174	436,140	36,966
Miscellaneous Revenues	741	2,343	1,602
Total Receipts, Budgetary Basis	399,915	438,483	38,568
Expenditures:			
Health and Welfare	841,629	472,114	369,515
Total Expenditures, Budgetary Basis	841,629	472,114	369,515
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	409,052	\$ 409,052
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		68,524	
Add: Current Year Outstanding Warrants		3,410	
Ending Cash Balance		\$ 480,986	

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

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

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, 2016. 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.

Objective 1: To determine the receipts apportioned, disbursements, and cash balances are accurately presented on the County Treasurer's monthly reports for FY 2016.

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

FINDINGS AND RECOMMENDATIONS

Finding 2016-1 – Inadequate Internal Controls Over the Treasurer's Monthly Reports (Repeat Finding)

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

- One (1) of five (5) monthly reports was not reviewed and approved by someone other than the preparer.
- The month of October 2015 had a bank account balance on the bank statement that did not agree to the balance on the monthly report.
- Bank reconciliations are not being performed on two (2) accounts, the Protest Savings Account and the Tax Account.
- The Tax Account is not listed on the general ledger.
- The County Clerk's reconciliation of the County Clerk's appropriation ledger to the County Treasurer's general ledger is not being reviewed and approved by someone other than the preparer and not all county funds are being reconciled.

Additionally, we noted that all employees issue receipts and have administrator rights to void receipts.

Cause of Condition: Policies and procedures have not been designed and implemented to review apportionments, disbursements, and cash balances to verify that these amounts are accurately presented on the monthly reports, and ensure a reconciliation of the County Clerk's appropriation ledger to the County Treasurer's general ledger for all county cash funds. Procedures have not been designed to ensure all bank accounts are reconciled, approved, and on the general ledger.

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

Recommendation: The Oklahoma State Auditor & Inspector's Office (OSAI) recommends that the County Treasurer implement a system of internal controls to provide reasonable assurance that receipts apportioned,

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

disbursements, and cash balances are accurately presented on the County Treasurer's monthly reports. To improve internal controls over the County Treasurer's monthly reports, we recommend the following:

- Monthly reports should be reviewed for accuracy by someone other than the preparer.
- Bank reconciliations should be performed monthly for all accounts and reviewed by someone other than the preparer. Reconciling items should be documented with the bank statements. All bank accounts in the County's name, identified with the County's tax identification number should be included on the general ledger.
- The funds presented on the County Clerk's appropriation ledger and the County Treasurer's general ledger should be reconciled monthly. Documentation of this reconciliation should be reviewed and approved by someone other than the preparer and include all county cash funds.
- 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.

Management Response:

County Treasurer: In response to bank statements and monthly reports not being reviewed by someone other than the preparer, we have implemented the process of someone other than preparer review and sign off on monthly reports and bank reconciliations. We will also begin reconciling the Protest Account and will add the Tax Account to the general ledger.

In response to voided receipts, I will have employees print and give me receipts that were voided in addition to maintaining a receipt binder. I will also check the receipt number exception report from our tax software and review the report.

In response to the reconciliation of the County Clerk's appropriation ledger to the Treasurer's general ledger, I will make sure the County Clerk has all of the documentation required for reconciliation.

County Clerk: I will implement a new policy to provide better oversight to ensure the County Clerk's office reconciles all cash funds with the County Treasurer on a monthly basis.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. An important aspect of internal controls is the safeguarding of assets. Internal controls over safeguarding of assets constitute a process, affected by an entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions, and safeguarding assets from misappropriation.

Failure to perform tasks that are part of internal controls, such as reconciliation not prepared or not timely prepares are deficiencies in internal controls. Further, reconciliations should be reviewed for accuracy and performed on a monthly basis.

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Objective 2: To determine the County's financial operations complied with 68 O.S. § 1370E, which requires the sales tax collections to be deposited in the general revenue or Sales Tax Revolving Fund of the County and be used only for the purpose for which such sales tax was designated.

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

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

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

FINDINGS AND RECOMMENDATIONS

Finding 2016-2 – Inadequate Internal Controls Over Ad Valorem Tax Apportionments (Repeat Finding)

Condition: Upon inquiry and observation of the recordkeeping process of apportioning ad valorem collections, the following was noted:

- The County Treasurer's office did not maintain documentation that certified levies were reviewed for accuracy when entered into the ad valorem tax system.

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

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

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

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Management Response:

County Treasurer: I always reviewed the levies for accuracy, but will now make sure to have someone else review and sign off on the Treasurer levies that they agree to the Assessor's totals.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. Effective internal controls include a documented review of key functions be performed by someone other than the preparer to reduce the risk of error or fraud.

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.

In addition, the County's financial operations did not comply with 19 O.S. § 1505, which requires that disbursements be timely encumbered.

FINDINGS AND RECOMMENDATIONS

Finding 2016-3 – Inadequate Internal Controls and Noncompliance Over the Disbursement Process (Repeat Finding)

Condition: Upon inquiry and observation of the County's disbursement process, the following weaknesses were noted:

- One employee encumbers purchase orders, prepares warrants, prints warrants, takes warrants to be registered and distributes the warrants.
- Purchase order numbers are issued before monies are encumbered.

The test of forty (40) purchase orders reflected the following exceptions:

- Four (4) were not timely encumbered.

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

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

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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.

OSAI recommends the County adhere to state purchasing guidelines. Purchase orders should be encumbered before goods or services are ordered.

Management Response:

Chairman of the Board of County Commissioners: The Board of County Commissioners will work together with County Clerk to implement compensating controls to reduce the risk of errors or misappropriation of funds.

County Clerk: I agree with the finding and will do my best to assist the Board of County Commissioners with implementing better policies and procedures regarding purchases.

County Commissioner District 2: I will inform all employees of state statutes regarding purchasing to ensure that purchase orders are encumbered in a timely matter.

County Commissioner District 3: In the future, all purchase orders will be encumbered in a timely manner. We are in the process of entering into a contractual agreement with our vendor to reflect the cost of gravel so that we will have the needed supporting documentation to attach to our purchase orders.

County Sheriff: We are in the process of acquiring more training in regards to purchasing. I have requested to have a purchasing workshop in our facility after January 1, 2017.

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 disbursements and/or transactions.

Effective internal controls require that management properly implement procedures to ensure that purchases comply with 19 O.S. § 1505.

Finding 2016-4 – Inadequate Internal Controls and Segregation of Duties Over Payroll Process (Repeat Finding)

Condition: Upon inquiry and observation of the County’s payroll disbursement process, the following weaknesses were noted:

- The Payroll Clerk enrolls new employees, inputs payroll information into the system, maintains personnel files, and prepares state and federal tax reports, processes payroll claims, prints and

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reviews payroll verification reports for errors, prints payroll warrants, distributes payroll warrants, and initiates direct deposits.

The test of thirty-five (35) payroll disbursements reflected the following exceptions:

- Two (2) timesheets tested were not signed by the supervisor.

Cause of Condition: Policies and procedures have not been designed and implemented with regards to segregation of duties and/or compensating controls over the payroll process. Additionally, policies and procedures have not been designed and implemented to ensure timesheets are signed by the employee and approved by the supervisor.

Effect of Condition: These conditions could result in unrecorded transactions, undetected errors, inaccurate records, incomplete information, and 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. Additionally, all timesheets should be signed by the employee and approved by the official or immediate supervisor.

Management Response:

Chairman of the Board of County Commissioners: Management will implement policy requiring proper timesheet documentation, that will be signed by the employee and approved by a supervisor.

County Sheriff: Timesheets are now signed by the employee; hours are verified by supervisor and turned into Jail Administrator.

County Clerk: I agree with the finding and will begin implementing more oversight by requiring signatures by a preparer and a reviewer. I will begin segregating the duties of the payroll clerk to involve someone else reviewing all timesheets for employee and supervisor signatures.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. Internal controls should be designed to analyze and check accuracy, completeness, and authorization of payroll calculations and/or transactions. To help ensure a proper accounting of funds, the duties of processing, authorizing, and payroll distribution should be segregated and supporting documentation such as payroll claims and timesheets should be signed and approved by the appropriate personnel.

All Objectives:

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

Finding 2016-5 – Inadequate County-Wide Controls (Repeat Finding)

Condition: County-wide controls regarding Risk Assessment, Information and Communication, and Monitoring have not been designed and implemented to address risks of the County.

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

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

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

Management Response:

Chairman of the Board of County Commissioners, County Clerk and County Treasurer: It has been agreed upon by the Chairman of the Board of County Commissioners, the County Treasurer, and the County Clerk, that we will conduct monthly meetings involving all elected officials and department heads to correct this issue. The meetings will be held during the BOCC meetings and will be recorded in the minutes.

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, Information and Communication, 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.

**SEMINOLE COUNTY
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Information and Communication is a component of internal control in which information should be recorded and communicated to management and others within the County who need it and in a form and within a time frame that enables them to carry out their internal control and other responsibilities. For a County to run and control its operations, it must have relevant, reliable, and timely communications relating to internal as well as external events. Information is needed throughout the County to achieve all of its objectives.

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

Other Item(s) Noted:

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

Finding 2016-6 – Inadequate Internal Controls Over the Schedule of Expenditures of Federal Awards (Repeat Finding)

Condition: During our audit, we identified federal programs that were not listed accurately on the County's Schedule of Expenditures of Federal Awards (SEFA). Federal expenditures were understated by \$591,258.

The following misstatements were noted:

- The actual expenditures for the Community Development Block Grants State's program and Non-Entitlement Grants in Hawaii 16188 and 16300 (CDBG) CFDA 14.228 were \$184,049 and \$39,254 respectively; and the County reported \$0. The County understated the expenditures for CFDA 14.228 by \$223,303.

**SEMINOLE COUNTY
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- The actual expenditures for the Disaster Grants - Public Assistance (Presidentially Declared Disaster) CFDA 97.036, were \$367,955 and the County reported \$0. The County understated the expenditures for CFDA 97.036 by \$367,955.

Reported Total Expenditures of Federal Award	\$ -
Add: CDBG (CFDA #14.228)	223,303
Add: FEMA (CFDA # 97.036)	<u>367,955</u>
Actual Federal Expenditures of Federal Awards	<u>\$591,258</u>
Original SEFA understated by	<u>\$591,258</u>

Cause of Condition: Policies and procedures have not been designed and implemented to ensure accurate reporting of expenditures for all federal awards.

Effect of Condition: This could result in the erroneous reporting and/or a material misstatement of the County's SEFA, and increases the potential for material noncompliance.

Recommendation: OSAI recommends county officials and department heads gain an understanding of federal programs awarded to Seminole County. Internal control procedures should be designed and implemented to ensure accurate reporting of expenditures on the SEFA and to ensure compliance with federal requirements.

Management Response:

Chairman, Board of County Commissioners: As recommended, we will take measures to implement procedures that will accurately report the SEFA awards.

County Treasurer: As a County, we need to discuss implementing a procedure to address this finding. As for reporting the receipts, I will report all grant money received on the SEFA report.

County Clerk: We will work on designating a preparer for the County and the SEFA funds, numbering, project worksheets will be verified on a monthly basis to balance with the County Treasurer and County Clerk's office.

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

Subpart F—Audit requirements

§___.510 Financial statements

The auditee shall:

- 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.

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(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 should be overall goals in management's accounting of federal funds. Internal controls should be designed to monitor compliance with laws and regulations pertaining to grant contracts.

REPORT ON STATUTORY COMPLIANCE – OTHER MATTERS



Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

Seminole County
Board of County Commissioners
Seminole County Courthouse
Wewoka, Oklahoma 74884

Dear Chairman:

For the purpose of complying with 19 O.S. § 171 and 20 O.S. § 1312, we have performed statutory procedures regarding the following offices and departments for the fiscal year ended June 30, 2016:

- All County Offices - Fixed Assets procedures (19 O.S. § 178.1, 19 O.S. § 178.2, and 69 O.S. § 645).
- All County Offices - Consumable Inventories procedures (19 O.S. § 1502 and 19 O.S. § 1504).
- Court Clerk procedures (20 O.S. § 1304 and 19 O.S. § 220).
- Inmate Trust Fund procedures (19 O.S. § 531 and 19 O.S. § 180.43).

Our statutory compliance engagement was limited to the procedures related to the statutes above and was less in scope than an audit performed in accordance with generally accepted auditing standards. Accordingly, we do not express an opinion on any basic financial statement of Seminole 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.

A handwritten signature in blue ink that reads "Gary A. Jones".

GARY A. JONES, CPA, CFE
OKLAHOMA STATE AUDITOR & INSPECTOR

November 16, 2017

SCHEDULE OF FINDINGS AND RESPONSES

Finding 2016-13 – Inadequate Segregation of Duties Overall Court Clerk Revolving Fund and Court Fund (Repeat Finding)

Condition: Upon inquiry and observation of the Court Clerk’s office, we noted the following weaknesses with regard to internal controls related to receipting and the expenditure processes.

Receipting process:

- One employee issues receipts, balances cash drawer, prepares official depository tickets, posts, deposits, and has access to void receipts.
- A mail log is not maintained.
- All employees have ability to void receipts and there is no control in place to document the review of the void receipt report.

Expenditure process:

- One employee is responsible for ordering purchases, receiving purchases, printing vouchers, signing vouchers, mailing vouchers, and reconciling accounts.

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, clerical 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 concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. Regarding the receipting process, OSAI recommends that one employee should not be performing all of the duties regarding balancing the cash drawer, preparing the deposit, delivering the deposit to the Treasurer’s office, and reconciling.

Management Response:

Court Clerk: Due to the number of employees verses number of duties, segregation of duties will probably always be a finding in Seminole County. However, recommendations made by OSAI are appreciated and will be implemented when possible. I have already started using some of the recommendations offered, as well as, initiating some of my own segregation of duties for more transparency. Yes, all employees have the clearance to void receipts when there is an error. However, there is a control in place. When voiding a receipt, another employee oversees the action and reason and signs the receipt as accurate. The reason is typed on receipt internally and written on paper receipt, as well. I review the voided receipts at the end on each month.

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One of OSAI's recommendations is that we keep a mail log. In this office, a mail log would create more of an auditing issue than not doing it. If an employee utilized their time making a log, the money orders, etc., would perhaps lay on a desk un-receipted. As stated previously, due to the number of employees verses number of duties some situations just cannot be helped. We will continue to work toward adequate segregation of duties.

Criteria: Accountability and stewardship are over all 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 2016-11 - Inadequate Internal Controls and Noncompliance Over the Inmate Trust Fund Checking Account and Sheriff Commissary Fund (Repeat Finding)

Condition: Regarding the Inmate Trust Fund Checking Account and Sheriff Commissary Fund, the following exceptions were noted:

- One employee prepares the deposit, takes the deposit to the bank, and performs inmate account maintenance.
- Individual inmate trust fund balances are not being reconciled to the bank statements each month.
- Collections are not deposited daily.
- Commissions are not being transferred into the Sheriff Commissary Fund.
- Inmate Trust Fund Checking Account is not being reconciled monthly.
- The County Sheriff's office does not produce or file an annual report for the Sheriff Commissary Fund with the Board of County Commissioners by January 15th, of each year.

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

- Two (2) of seventy-one (71) disbursements were issued to a vendor for commissary services.

Cause of Condition: Policies and procedures have not been designed and implemented for proper administration regarding the Inmate Trust Fund Checking Account and Sheriff Commissary Fund.

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:

- 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.

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- 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.
- All funds received should be deposited to the Inmate Trust Fund Checking Account daily.
- Proceeds from the sale of commissary items should be transferred to the Sheriff Commissary Fund on a monthly basis.
- Bank reconciliation should be performed monthly.
- The Sheriff should file a report of the Commissary with the Board of County Commissioners by January 15th, of each year.

OSAI recommends that the expenditures should be made from the Inmate Trust Fund Checking Account in accordance with 19 O.S. § 531(A). OSAI recommends that checks be issued with enough detail as to ascertain the name of the inmate being released/transferred. OSAI recommends that the Sheriff review all expenditures for accuracy and approve them by affixing his signature.

Management Response:

County Sheriff: The duties and responsibilities have been segregated to reduce the risk or error or fraud. We will make deposits daily. Commissary proceeds will be transferred monthly, Inmate trust funds will be reconciled with bank statements monthly, and a bank reconciliation will be performed monthly. Also an annual commissary report will be filed with the Board of County Commissioners.

Furthermore, we will no longer write checks from the Inmate Commissary Account to any vendors for services.

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

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

Title 19 O.S. § 180.43(D) states in part, "...Any funds received pursuant to said operations shall be the funds of the county where the persons 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..."

**SEMINOLE COUNTY, OKLAHOMA
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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."

Finding 2016-12 - Inadequate Internal Controls and Noncompliance Over Fixed Assets Records and Consumables (Repeat Finding)

Condition: While gaining an understanding of internal controls over fixed assets and testing compliance with state statutes over fixed assets, we noted the following weaknesses:

- Seminole County has not designed procedures to perform and document an annual physical inventory of all fixed assets.
- The following offices did not file an inventory list with the County Clerk : County Commissioner District 1, 2, and 3, County Treasurer, County Clerk, County Assessor, Emergency Management, and County Sheriff, Election Board and fire departments of Bowlegs, Cromwell, Konawa, Maud, Sasakwa, Seminole, Strother, and Wewoka.
- The following offices did not segregate duties of preparing the fixed asset inventory list and the annual review of fixed assets: County Commissioner District 1, 2, and 3.

Additionally, upon inspection of District 3 fuel log, we noted a recorded fuel loss of 971.5 gallons on October 26, 2016. Upon inquiry of this, the District stated that they contacted the County Sheriff by phone but they did not file a police report.

Cause of Condition: Policies and procedures have not been designed and implemented with regard to effective internal controls over safeguarding of fixed assets by performing an annual physical inventory count, creating and maintaining of a fixed assets inventory record, and properly identifying fixed assets.

Additionally, procedures have not been designed and implemented to provide 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.

Recommendation: OSAI recommends management implement internal controls to ensure compliance with 19 O.S. § 178.1 and 19 O.S. § 178.2. OSAI recommends the performing and documenting of periodic inventory of fixed assets. Additionally, the key functions of receiving duties and inventory control duties should be performed by separate employees in order to effectively segregate those duties.

Additionally, OSAI recommends the performing and documenting of a monthly consumable inventory count. Counts should be initialed and dated by the employee performing the physical count and retained to

**SEMINOLE COUNTY, OKLAHOMA
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show the design and implementation of internal controls by the County Commissioners. Additionally, the key functions of receiving duties and consumable inventory control duties should be performed by separate employees in order to effectively segregate those duties.

Management Response:

County Commissioner District 1: The monitoring of inventory is something we need to improve on. The management of Seminole County will put together a procedure to take inventory and document the inventory annually in all the county offices as recommended: County Commissioners District 1, 2, & 3, County Treasurer, County Clerk, County Assessor, Emergency Management, County Sheriff, Fire Departments and Election Board.

County Commissioner District 2: I will inform all employees of the state statutes regarding inventory control in regards to fixed assets and consumable inventory and in compliance with 19 O.S. § 178.1 and 178.2. I will assure that the statutes are implemented to the fullest with continued education and monitoring for accuracy.

County Commissioner District 3: My office has since filed an inventory list with the County Clerk's office, additionally we have implemented a monthly internal audit that is prepared by the Commissioner's Assistant. This monthly audit will then be used as a guide for comparison for the foreman to review and approve the completed annual audit that will be filed with the County Clerk's office.

Law enforcement was notified of the suspicion of the theft of fuel from our tank. Steps are being implemented to ensure no further loss of fuel. Fuel readings are checked daily and we will stick the tank weekly to reconcile fuel. Also, we have installed a security camera for surveillance.

County Clerk: I acknowledge this finding and will update my annual inventory list to remove items of discussion.

County Sheriff: My office does do an annual review, but did not have the review filed with the County Clerk's office.

County Assessor: We have been performing an annual inventory review but failed to file a final inventory list with the County Clerk following the end of each subsequent fiscal year.

County Treasurer: We will now start to keep the check off list with the County Clerk's office. This report was being done in July of every year, just not filed with the County Clerk.

Emergency Management: Inventory list of assets belonging to the department of Emergency Management, will be filed with the County Clerk's office.

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 transactions and safeguarding assets from misappropriation or theft.

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

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 therefore 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 custody of the county or of any office, board, department, commission or any 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. § 178.2 states, “It shall be and is hereby made the duty of every county officer, board, commission, or department, and by record directive of the board of county commissioners may be made the duty of any employee of the board of county commissioners subject to summary discharge and removal by the board, to conform in all respects and be amenable to all uniform resolutions adopted by their respective boards of county commissioners directing the taking, recording, maintaining and reporting inventories of properties in their respective custody in accordance with the provisions of this act. It shall be the duty and responsibility of each elected county official to create and maintain inventory records of said office. Such inventory shall be filed with the county clerk.”



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