



TEXAS COUNTY

Operational Audit

For the fiscal year ended June 30, 2017

Cindy Byrd, CPA
State Auditor & Inspector

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

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Cindy Byrd, CPA | State Auditor & Inspector

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May 14, 2019

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

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

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

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

Sincerely,

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

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR



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

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

Board of County Commissioners

District 1 – Ted Keeling
District 2 – Richard Bryan
District 3 – Jack Strain

County Assessor

Judyth Campbell

County Clerk

Wendy Johnson

County Sheriff

Matt Boley

County Treasurer

Lavena Chastine

Court Clerk

M. Renee Ellis

District Attorney

James M. Boring

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

Sales Tax

Sales Tax of August 1, 1994

On November 4, 2008, Texas County voters approved a one-cent sales tax continuation of the sales tax which began August 1, 1994 and expired July 31, 2009. Said sales tax collections continued on August 1, 2009 and will end July 31, 2024. The sales tax shall be to provide necessary funding for expenses relating to the operations of county entities providing services essential for the health, safety, security, and wellbeing of the citizens of Texas County.

Distribution of the sales tax is 60% for assistance to the County Sheriff and 40% for assistance to the Texas County Memorial Hospital, Rural Emergency Service Departments including fire, ambulance, and 911 services, Texas County Free Fair, and Texas County Detention Center, including the payment of debt service on indebtedness incurred by or for any such county entities by the county or any public trust of which the county is the beneficiary.

These funds are accounted for within the Sheriff Sales Tax fund and 40% Sales Tax fund.

During the fiscal year, the County collected \$1,904,652 in sales tax collections.

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

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

	Beginning Cash Balances July 1, 2016	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2017
Combining Information:				
County Funds:				
County General Fund	\$ 4,435,484	\$ 3,075,532	\$ 3,619,845	\$ 3,891,171
County Highway Cash	6,365,082	5,697,270	5,871,280	6,191,072
County Health Department	676,247	595,184	511,063	760,368
Sheriff Sales Tax	673,017	1,161,274	1,408,177	426,114
State Criminal Alien Assistance Program Grant	42,787	13,541	6,811	49,517
County Sales Tax Proceeds	2,529,430	-	10,568	2,518,862
40% Sales Tax	926,117	768,213	1,140,580	553,750
Grant Account	96,335	22,000	36,175	82,160
County Commissioner Reward Fund	1,164	-	-	1,164
Resale Property	289,425	167,417	72,664	384,178
Treasurer Mortgage Tax Certification Fee	24,732	2,745	14,432	13,045
County Clerk Lien Fee	171,709	82,214	67,416	186,507
County Clerk Records Preservation Fee	50,959	20,091	21,611	49,439
Sheriff Service Fee	1,160,204	487,057	450,085	1,197,176
Sheriff Special Revenue	149,477	60,815	78,535	131,757
Sheriff Commissary	47,917	72,239	25,696	94,460
Sheriff Training	844	-	-	844
Juvenile Detention	174,210	381,549	393,118	162,641
Juvenile Child Nutrition	9,318	6,627	11,714	4,231
Assessor Revolving Fee	4,883	2,174	-	7,057
Assessor Visual Inspection	412	-	-	412
Assessor Equipment Upgrade	101	-	-	101
Activity Center/Free Fair	20,772	29,068	29,448	20,392
Local Emergency Planning Committee	35,237	4,150	18,978	20,409
ACCO Safety Awards	1,001	-	-	1,001
County Building	243,440	855	-	244,295
Sinking Fund	5	-	-	5
Court Fund Payroll	31,124	222,068	244,962	8,230
Combined Total - All County Funds	\$ 18,161,433	\$ 12,872,083	\$ 14,033,158	\$ 17,000,358

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

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

Description of County Funds

The County uses funds to report on receipts, disbursements, and changes in cash balances. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

Following are descriptions of the county funds within the Presentation of Apportionments, Disbursements, and Cash Balances of County Funds:

County General Fund – accounts for the general operations of the government.

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

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

Sheriff Sales Tax – accounts for the collection of sales tax money and is disbursed for the purpose of maintenance and operations of the Sheriff's office.

State Criminal Alien Assistance Program Grant – accounts for the reimbursement for housing of illegal aliens.

County Sales Tax Proceeds – accounts for the collection of sales tax monies to be disbursed to provide assistance to the Texas County Memorial Hospital, Rural Emergency Service Departments including fire, ambulance, and 911 services, and the Texas County Free Fair.

40% Sales Tax – accounts for the collection of sales tax money to be disbursed for rural Texas County emergency providers including ambulance and fire services, rural 911 emergency telephone services, the Texas County Memorial Hospital, the Texas County Free Fair, and the Sheriff of Texas County for the Texas County Detention Center.

Grant Account – accounts for the collection of grant funds emergency civil management to be disbursed in compliance with grant requirements.

County Commissioner Reward Fund – accounts for money received through the District Court and disbursed to citizens reporting crime in the County in which a reward is offered.

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

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

Treasurer Mortgage Tax 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 collection and disbursements as restricted by state statute.

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

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

Sheriff Special Revenue – accounts for the collection of medical fees reimbursed from prisoners and disbursements are made for general operations of the Sheriff’s office.

Sheriff Commissary – accounts for the collection of fees from purchases of commissary goods by prisoners. Disbursements are for the maintenance and operation of the jail and commissary vendor payments.

Sheriff Training – accounts for the collection of miscellaneous receipts and disbursements for the training of sheriff deputies.

Juvenile Detention – accounts for the collection from the State of Oklahoma and other Oklahoma Counties for the housing of juvenile offenders. Disbursements are for the operation of the juvenile detention center.

Juvenile Child Nutrition – accounts for collections from the Department of Education and used to provide healthy meals for the children at the Juvenile Detention Center.

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

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

Assessor Equipment Upgrade – accounts for grant receipts to be used to update equipment in the Assessor’s office.

Activity Center/Free Fair – accounts for the collection of sales tax funds and is disbursed for the operations of the free fair organization.

Local Emergency Planning Committee – accounts for the collection of fees received from pipeline companies and disbursement of funds may be used for emergency planning, training, and equipment.

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

ACCO Safety Awards – accounts for the collection of a state-wide safety award from the Association of County Commissioners of Oklahoma to be disbursed to employees of Texas County qualifying for the award.

County Building – accounts for the collection of funds used for the maintenance and remodeling of county buildings.

Sinking Fund – accounts for monies collected on behalf of Texas County from ad valorem taxes, used to pay principal and interest on outstanding bonds. There has been no activity in this fund for several years.

Court Fund Payroll – accounts for funds deposited by the court and disbursed for payroll for the Court Clerk's office.

TEXAS COUNTY, OKLAHOMA
COMPARATIVE STATEMENT OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
COUNTY GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 4,435,484	\$ 4,435,484	\$ -
Less: Prior Year Outstanding Warrants	(144,383)	(144,383)	-
Less: Prior Year Encumbrances	(137,728)	(115,091)	22,637
Beginning Cash Balances, Budgetary Basis	<u>4,153,373</u>	<u>4,176,010</u>	<u>22,637</u>
Receipts:			
Ad Valorem Taxes	2,554,589	2,334,728	(219,861)
Charges for Services	68,956	80,359	11,403
Intergovernmental Revenues	591,516	642,354	50,838
Miscellaneous Revenues	15,674	18,091	2,417
Total Receipts, Budgetary Basis	<u>3,230,735</u>	<u>3,075,532</u>	<u>(155,203)</u>
Expenditures:			
District Attorney - County	13,800	10,374	3,426
County Sheriff	549,979	547,824	2,155
County Treasurer	252,788	222,184	30,604
County Commissioners	288,465	175,554	112,911
OSU Extension	102,823	83,797	19,026
County Clerk	393,866	362,676	31,190
Court Clerk	207,509	157,411	50,098
County Assessor	281,696	251,801	29,895
Revaluation of Real Property	349,329	318,165	31,164
Juvenile Shelter Bureau	103,000	34,709	68,291
District Court	1,000	905	95
General Government	998,802	291,200	707,602
Excise - Equalization Board	5,200	2,678	2,522
County Election Expense	77,530	57,219	20,311
Insurance - Benefits	1,638,640	778,549	860,091
Charity	11,000	2,780	8,220
Firefighting Services	110,700	90,767	19,933
Civil Defense	70,755	66,347	4,408
Highway Budget Account	16,547	10,614	5,933
County Audit Budget Account	38,652	1,006	37,646
Free Fair Budget Account	51,055	50,910	145
Library Budget Account	2,000	500	1,500
County Hospital Budget Account	70,464	70,464	-
Building Maintenance Account	1,748,508	29,219	1,719,289
Total Expenditures, Budgetary Basis	<u>7,384,108</u>	<u>3,617,653</u>	<u>3,766,455</u>

Continued on next page

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

TEXAS COUNTY, OKLAHOMA
COMPARATIVE STATEMENT OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
COUNTY GENERAL FUND - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	General Fund		
	Budget	Actual	Variance
Continued from previous page			
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	3,633,889	\$ 3,633,889
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Cancelled Warrants		80	
Add: Current Year Outstanding Warrants		80,334	
Add: Current Year Encumbrances		176,868	
Ending Cash Balance		\$ 3,891,171	

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

TEXAS COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
COUNTY HEALTH DEPARTMENT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 675,747	\$ 676,247	\$ 500
Less: Prior Year Outstanding Warrants	(2,184)	(2,184)	-
Less: Prior Year Encumbrances	(55,542)	(51,228)	4,314
Beginning Cash Balances, Budgetary Basis	618,021	622,835	4,814
Receipts:			
Ad Valorem Taxes	408,734	367,934	(40,800)
Charges for Services	112,582	226,650	114,068
Intergovernmental Revenues	-	98	98
Miscellaneous Revenues	-	502	502
Total Receipts, Budgetary Basis	521,316	595,184	73,868
Expenditures:			
Health and Welfare	1,205,049	540,972	664,077
Total Expenditures, Budgetary Basis	1,205,049	540,972	664,077
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ (65,712)	677,047	\$ 742,759
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		56,164	
Add: Current Year Outstanding Warrants		27,157	
Ending Cash Balance		\$ 760,368	

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

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

PURPOSE, SCOPE, AND SAMPLE METHODOLOGY

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

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

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

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

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

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

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

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

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

FINDINGS AND RECOMMENDATIONS

Finding 2017-002 – Inadequate Internal Controls Over Bank Reconciliations

Condition: Based upon on testwork regarding bank reconciliations, the following weaknesses were noted:

- Eight (8) bank reconciliations have no documentation of being reviewed and approved by someone other than the preparer.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure all accounts are reconciled, approved, and accurately reported on the general ledger.

Effect of Condition: This condition could result in unrecorded transactions, misstated financial reports, undetected errors, or misappropriation of funds not being detected in a timely manner.

Recommendation: The Oklahoma State Auditor and Inspector’s Office (OSAI) recommends that all bank reconciliations be reviewed and approved by someone other than the preparer.

Management Response:

County Treasurer: The office will be more diligent in having another person review and documenting bank account reconciliations to ensure they are accurately reported on the general ledger.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. An important aspect of procedures is the safeguarding of assets. Procedures 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.

Finding 2017-004 – Inadequate Internal Controls Over Reconciliation of Appropriation Ledger to General Ledger (Repeat Finding)

Condition: The County Clerk does not reconcile the appropriation ledger to the County Treasurer’s general ledger for all County funds on a monthly basis.

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

Effect of Condition: This condition could result in unrecorded transactions, misstated financial reports, undetected errors, misappropriation of assets, or clerical errors that are not detected in a timely manner.

Recommendation: OSAI recommends that the County Clerk’s appropriation ledger be reconciled monthly to the County Treasurer’s general ledger for all funds. The reconciliation should be reviewed and approved by someone other than the preparer and documentation of the reconciliation should be maintained and evidenced with initials and date.

Management Response:

County Clerk: We are currently working on the reconciliation of the appropriation ledger to the County Treasurer’s general ledger.

Criteria: Safeguarding controls are an important aspect of internal control. Safeguarding controls relate to the prevention or timely detection of unauthorized transactions and unauthorized access to assets. Failure to perform task that are part of internal controls, such as reconciliations not prepared or not timely prepared, are deficiencies in internal control. Further, reconciliations should be performed on a monthly basis and document evidence of a review by someone other than the preparer.

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

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

Objective 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.

**TEXAS COUNTY
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Conclusion: With respect to the items tested, the County complied with 68 O.S. § 2923, which requires the ad valorem tax collections to be apportioned and distributed monthly among the different funds to which they belong.

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

Conclusion: The County’s internal controls did provide reasonable assurance that expenditures, including payroll, were accurately reported in the accounting records.

The County’s financial operations complied with 19 O.S. § 1505, which requires that disbursements be properly supported and charged to the appropriate fund and account.

All Objectives:

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

Finding 2017-012 – Inadequate County-Wide Controls (Repeat Finding)

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

Cause of Condition: Policies and procedures have not been designed and implemented to address county-wide controls.

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

Recommendation: OSAI recommends that the County design and implement a system of county-wide procedures to identify and address risks related to financial reporting and to ensure that information is communicated effectively. OSAI also recommends 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.

**TEXAS COUNTY
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Management Response:

District 1 Commissioner: We will discuss this in our monthly officers' meeting.

District 2 Commissioner: We will bring this to the attention of officers in our monthly meeting.

District 3 Commissioner: We will address this issue in our monthly officers' meetings.

County Clerk: We will implement the county-wide internal controls in the next officers' Meeting.

County Treasurer: The office will work with other County officials to help monitor and prevent risk within the County.

County Assessor: This issue will be addressed first in the County Officer's monthly meeting. After that meeting, I will address this issue, along with time management, inventory resource management and county policies with the employees in my office.

County Sheriff: I will participate in the officers' meetings of the County.

Court Clerk: I am willing to participate in any discussions of risk management and/or the County Handbook and determine any other areas that may require improvement regarding the implementation of county-wide controls.

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

Information and communication is a component of internal control which should provide for a county to run and control its operations. A county must have relevant, reliable information, both financial and nonfinancial. The 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 operational responsibilities. In addition, the county needs to make sure that the forms of communication are broad-based and that information technology management assures useful, reliable, and continuous communications.

**TEXAS COUNTY
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FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

REPORT ON STATUTORY COMPLIANCE – OTHER MATTERS

Texas County
Board of County Commissioners
Texas County Courthouse
Guymon, Oklahoma 73942

Dear Chairman:

For the purpose of complying with 19 O.S. § 171 and 20 O.S. § 1312, we have performed statutory procedures regarding the following offices and departments for the fiscal year ended June 30, 2017:

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

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

Based on our procedures performed, we have presented our findings in the accompanying schedule.

This report is intended for the information and use of the management of the County. This restriction is not intended to limit the distribution of this report, which is a matter of public record.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

May 13, 2019



**TEXAS COUNTY, OKLAHOMA
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

SCHEDULE OF FINDINGS AND RESPONSES

Finding 2017-008 – Inadequate Internal Controls and Noncompliance Over Inmate Trust Fund Checking Account and Sheriff Commissary Fund (Repeat Finding)

Condition: Upon inquiry of County Officials and employees, and observation of records in regard to the Inmate Trust Fund Checking Account and the Sheriff Commissary Fund, the following weaknesses were noted:

- Collections were not deposited daily.
- Seventy-six (76) checks, totaling \$38,516 were issued to payees not allowable by state statute.
 - Payees included: the commissary provider, and the County Sheriff's office for reimbursement for destruction of property, DNA fees, and transport fees.
- There is no reconciliation verification or secondary signature to verify accuracy of reconciliations of the Inmate Trust Fund Checking Account.
- The Sheriff's Annual Commissary Report had not been completed and submitted to the Board of County Commissioners by January 15th.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure that internal controls are in place with regard to the Inmate Trust Fund Checking Account and Sheriff Commissary Fund's financial operations. The County Sheriff issued checks from the Inmate Trust Fund Checking Account rather than transferring the proceeds from the inmate sales to the Sheriff Commissary fund for disbursement.

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

Recommendation: OSAI recommends that collections be deposited daily in accordance with state statutes. Additionally, we recommend expenditures be made from the Inmate Trust Fund Checking Account in accordance with 19 O.S. § 531(A).

Furthermore, an annual report of commissary operations should be submitted to the Board of County Commissioners no later than January 15th of each year in accordance with 19 O.S. § 180.43(D) and that bank reconciliations be approved by someone other than the preparer.

Management Response:

County Sheriff: I will deposit daily. I will take this under advisement to determine how to fix the issue related to the issuance of checks from the Inmate Trust Fund Checking Account. I am now aware that the annual commissary report is a requirement and have started completing it. I will start signing and dating the reconciliations and have someone else review and sign also.

**TEXAS COUNTY, OKLAHOMA
STATUTORY REPORT
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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 approved by someone other than the preparer.

Effective internal controls should provide procedures wherein receipts for the monies collected are maintained and available for inspection and collections be deposited daily.

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

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

Finding 2017-009 – Inadequate Internal Controls and Noncompliance Over Fixed Asset Inventories (Repeat Finding)

Condition: Upon inquiry and observation of fixed assets records and inventory items, the following weaknesses were noted:

District 2:

- Annual inventory of fixed assets is not performed. The last documented inventory count was performed in 2015.

County Sheriff:

- Documentation of fixed assets inventory verifications is not maintained.
- Inventory numbers are not affixed to the fixed assets in the County Sheriff’s office/jail.
 - Of twenty (20) items selected, eighteen (18) items did not have an inventory number affixed to the asset.

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Cause of Condition: Policies and procedures have not been designed and implemented to ensure compliance with state statutes nor to identify fixed assets, maintain accurate inventory records and safeguard fixed assets.

Effect of Condition: These conditions resulted in noncompliance with state statutes and could result in inaccurate fixed assets records and misuse or loss of fixed assets.

Recommendation: OSAI recommends management implement internal controls to ensure the safeguarding of fixed assets. These controls would include that all offices:

- Retain documentation to verify the physical inventory counts were performed.
- Have someone other than the inventory officer perform inventory counts.
- File inventory records with the County Clerk.
- Identify road equipment as “Property of” the County when required.
- Attach assigned inventory numbers to all equipment.

Additionally, OSAI recommends management implement internal controls to ensure compliance with 19 O.S. § 178.1, 19 O.S. § 178.2, and 69 O.S. § 645.1 by maintaining inventory records and marking assets with county identification numbers and “Property Of” on road equipment.

Management Response:

District 2 Commissioner: We are working on the inventory list of equipment.

County Sheriff: We are currently working on correcting this condition.

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.

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

Title 19 O.S. § 178.2 states in part, “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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Title 69 O.S. § 645 requires all county owned, rented, or leased road machinery or equipment be clearly and visibly marked “Property Of...”

Finding 2017-010 – Inadequate Internal Control and Noncompliance Over Disposition of Fixed Assets (Repeat Finding)

Condition: Upon inquiry of County Officials and employees, and observation of records in regard to disposing of fixed assets, the following weaknesses were noted:

- The BOCC meeting minutes did not contain detailed information regarding the items to be disposed.
 - Missing information for these items includes: acquisition date, disposition date, reason for disposal, name and address of the buyer if item is sold/transferred, price received, location of the item after disposition.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure compliance with state statute.

Effect of Condition: This condition resulted in noncompliance with state statute.

Recommendation: OSAI recommends that management implement internal controls to ensure compliance with state statute, by entering into the minutes the complete description of item, serial number, the date property was acquired, the name and address of the person or firm from whom property was acquired, the cost price at time of acquisition or contract price if acquired under lease-rental agreement, the date of disposition, the name and address of the person or firm to whom property transferred, the price received therefore and the reason for disposition.

Management Response:

District 1 Commissioner: This will be discussed in our monthly officers’ meeting.

District 2 Commissioner: We will discuss proper disposition methods in officer meeting.

District 3 Commissioner: I will ensure the necessary information is detailed in the minutes.

County Clerk: I will do better to put more detail in the minutes on inventory. A lot of this inventory was before my time and I try to get all the information I can on all the inventory and scan in everything that goes along with it.

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.

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Title 19 O.S. § 421 states, “From and after the effective date of this act, each board of county commissioners of the several counties in the state shall within thirty (30) days after the disposition of any tools, apparatus, machinery, and equipment belonging to the county or leased or otherwise let to it or any department thereof, the original cost of which is more than Five Hundred Dollars (\$500.00), whether sold, exchanged, junked, leased or let where authorized by statute, shall enter, or cause to be entered, in the minutes of the proceedings of the board the fact of such disposition, including complete description of item, serial number, the date property was acquired, the name and address of the person or firm from whom property was acquired, the cost price at time of acquisition or contract price if acquired under lease-rental agreement, the date of disposition, the name and address of the person or firm to whom property transferred, the price received therefore and the reason for disposition.”

Finding 2017-011 – Inadequate Internal Controls and Noncompliance Over Consumable Inventories (Repeat Finding)

Condition: Upon inquiry of County personnel, observation and review of documentation regarding consumable inventories, the following weaknesses were noted:

District 1:

- Of the five (5) consumable items tested, one (1) item on hand did not correlate with the inventory record.

District 2:

- Monthly review of consumable inventory is not performed.
- Transfer documents are not signed.
- Adequate documentation was not maintained to verify the reconciliation of fuel for the district.
- No records of consumable items were maintained.

District 3:

- Monthly review of consumable inventory items is not performed.
- Rural fire departments all use the same personal identification number (PIN) to access fuel.
- Adequate documentation was not maintained to verify the reconciliation of fuel.
- Consumable inventory records were not up to date.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure compliance with state statutes regarding consumable inventories to provide accurate consumable inventory records and protection against unauthorized use.

Effect of Condition: These conditions resulted in noncompliance with state statutes. Failure to maintain accurate records of consumable inventories and to perform a periodic physical inventory of consumable inventories could result in inaccurate records, unauthorized use of consumable inventories, or misappropriation of consumable inventories.

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Recommendation: OSAI recommends that policies and procedures be designed and implemented to ensure accurate reporting of consumable inventories and to safeguarding of assets. These activities would include performing and documenting a monthly consumable inventory count. Counts should be signed and dated by the employee performing the physical count and retained to show the design and implementation of internal controls by the County. Additionally, items removed from consumable inventory should be adequately documented and approved as indicated by signatures.

Management Response:

District 1 Commissioner: We will review policies and procedures showing the physical count and retain proof in a file, with signature and date performed.

District 2 Commissioner: Our fuel pumps are not accurate, making it difficult to accurately track fuel. We have contacted a fuel dispensary about getting new fuel pumps that have card readers in order to better track fuel. We also are making a concentrated effort to track consumable inventory.

District 3 Commissioner: We will do a better job of documenting our monthly inventory of consumable items and adding new items to the inventory on a timely basis. We will start reconciling fuel on weekly basis. We will work on issuing a different PIN to all the fire departments.

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 transaction and safeguarding of assets from misappropriations.

Title 19 O.S. § 1502(A)(1) requires a prescribed uniform identification system for all supplies, materials, and equipment of a county used for maintenance for roads and bridges.

Title 19 O.S. § 1502(B)(1) requires a prescribed uniform identification system for all supplies, materials, and equipment of a county not used in the construction and maintenance for roads and bridges.

Title 19 O.S. § 1504 requires the receiving officer to maintain a record of all items received, disbursed, stored and consumed by the department.

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STATE AUDITOR & INSPECTOR



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