



WASHINGTON COUNTY

Financial Report

For the fiscal year ended June 30, 2018

Cindy Byrd, CPA
State Auditor & Inspector

**WASHINGTON COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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Cindy Byrd, CPA | State Auditor & Inspector

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June 3, 2021

TO THE CITIZENS OF
WASHINGTON COUNTY, OKLAHOMA

Transmitted herewith is the audit of Washington County, Oklahoma for the fiscal year ended June 30, 2018. The audit was conducted in accordance with 19 O.S. § 171.

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

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

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

Sincerely,

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

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR



**WASHINGTON COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Board of County Commissioners

District 1 – Mitch Antle
District 2 – Mike Bouvier
District 3 – Mike Dunlap

County Assessor

Todd Mathes

County Clerk

Marjorie Parrish

County Sheriff

Rick Silver

County Treasurer

Melissa Thornbrugh

Court Clerk

Jill Spitzer

District Attorney

Kevin Buchanan

**WASHINGTON COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

TABLE OF CONTENTS

FINANCIAL SECTION

Report of State Auditor and Inspector 1

 Financial Statement:

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

 Notes to the Financial Statement..... 5

SUPPLEMENTARY INFORMATION

 Comparative Schedule of Expenditures—Budget and Actual—Budgetary Basis—General Fund..... 12

 Comparative Schedule of Expenditures—Budget and Actual—Budgetary Basis—Health Fund..... 13

 Note to Supplementary Information..... 14

INTERNAL CONTROL AND COMPLIANCE SECTION

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance With
Government Auditing Standards..... 15

Schedule of Findings and Responses..... 17

FINANCIAL SECTION

Independent Auditor's Report

TO THE OFFICERS OF
WASHINGTON COUNTY, OKLAHOMA

Report on the Financial Statement

We have audited the combined total—all county funds on the accompanying regulatory basis Statement of Receipts, Disbursements, and Changes in Cash Balances of Washington County, Oklahoma, as of and for the year ended June 30, 2018, and the related notes to the financial statement, which collectively comprise the County's basic financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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

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



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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Washington County as of June 30, 2018, or changes in financial position for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined total of receipts, disbursements, and changes in cash balances for all county funds of Washington County, for the year ended June 30, 2018, in accordance with the basis of accounting described in Note 1.

Other Matters

Supplementary Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 28, 2021, on our consideration of Washington County’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County’s internal control over financial reporting or on compliance. That report is an

integral part of an audit performed in accordance with *Government Auditing Standards* in considering Washington County's internal control over financial reporting and compliance.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

May 28, 2021

REGULATORY BASIS FINANCIAL STATEMENT

**WASHINGTON COUNTY, OKLAHOMA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS
(WITH COMBINING INFORMATION)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	Beginning Cash Balances July 1, 2017	Receipts Apportioned	Transfers Out	Disbursements	Ending Cash Balances June 30, 2018
Combining Information:					
County General Fund	\$ 3,799,720	\$ 7,765,222	\$ 16	\$ 7,852,748	\$ 3,712,178
Highway Cash	1,687,047	3,463,053	-	3,002,785	2,147,315
Emergency Operations Center Grant	52,088	158,033	-	100,814	109,307
Hazardous Mitigation Preparedness Grant	365	1,000	-	909	456
Juvenile Detention	3,705	-	-	3,296	409
Sheriff Service Fees	316,012	271,844	-	302,151	285,705
Sheriff Lake Patrol	9,230	-	-	9,155	75
Treasurer Fees	6,013	7,355	-	7,643	5,725
County Clerk Lien Fees	7,125	7,356	-	5,474	9,007
County Health	338,882	947,203	-	870,230	415,855
Assessor Revolving Fee	8,787	2,130	-	4,991	5,926
D.A.R.E. Program	20,981	2,000	-	-	22,981
Oklahoma Highway Safety Grant	18,618	-	-	18,508	110
Board of Prisoners	968,120	283,302	-	650,656	600,766
Sheriff Commissary	484,544	302,881	-	176,005	611,420
Forestry Grant	31,129	40,628	-	35,633	36,124
County Clerk Preservation	90,476	45,565	-	43,047	92,994
State Grant	119	-	-	47	72
Correctional Facility Sales Tax	808,929	3,064,250	-	3,127,761	745,418
Community Development	429	-	-	271	158
Community Development Block Grant	1,500	2,712	-	4,212	-
Resale	695,132	264,369	-	125,320	834,181
Court Clerk Payroll	7,448	137,087	-	127,726	16,809
Commissioners Trash Reward	401	-	-	-	401
Sheriff Grants	18,396	-	-	8,968	9,428
Adult Drug Court	30,382	79,443	-	78,087	31,738
Safe Room	-	114,348	-	96,736	17,612
OBA Donation for Court Areas	1,980	-	-	-	1,980
Combined Total - All County Funds	\$ 9,407,558	\$ 16,959,781	\$ 16	\$ 16,653,173	\$ 9,714,150

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

**WASHINGTON COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

B. Fund Accounting

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

Following are descriptions of the county funds included as combining information within the financial statement:

County General Fund – accounts for the general operations of the government. This fund also accounts for the collection of ½ cent sales tax revenue and the disbursement of funds as restricted by the sales tax resolution for the construction, operation, and maintenance of the road and bridge system of Washington County and to equip and maintain the County Jail and other Courthouse facilities.

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

Emergency Operations Center Grant – accounts for the receipt and disbursement of funds from federal, state and local governments for the operations of the Emergency Management office.

Hazardous Mitigation Preparedness Grant – accounts for revenues from an environmental protection grant. Disbursements are for the controlling of hazardous materials.

**WASHINGTON COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Juvenile Detention – accounts for revenues from the State of Oklahoma. Disbursements are for travel reimbursements for juvenile offender transport.

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

Sheriff Lake Patrol – accounts for revenues from the Corps of Engineers. Disbursements are for the expense of patrolling Corps of Engineers lands.

Treasurer Fees – accounts for the collection of fees by the Treasurer for mortgage tax certificates and disbursements as restricted by state statute.

County Clerk Lien Fees – accounts for lien fee collections and disbursements 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 operations of the county health department.

Assessor Revolving Fee – accounts for fees collected by the Assessor to maintain electronic databases and geographic information systems associated with the Assessor’s statutory duties.

D.A.R.E. Program – accounts for revenues from a federal grant and donations for drug education. Disbursements are for payroll of drug officers who teach Drug Abuse Resistance Education in schools.

Oklahoma Highway Safety Grant – accounts for revenues from grant monies received from the National Highway Traffic Safety Administration to be used to reimburse the County Sheriff’s office for extra law enforcement shifts put in place to enforce seatbelt usage and to deter impaired driving.

Board of Prisoners – accounts for revenues from fees charged for boarding prisoners of non-county entities in the county jail. Disbursements are for feeding and housing inmates of the county jail.

Sheriff Commissary – accounts for collections from commissary sales in the county jail and disbursements for the operation of the jail as restricted by state statute.

Forestry Grant – accounts for revenues from federal, state, and local governments. Disbursements are for the purchase of communication equipment for the Emergency Management Office.

**WASHINGTON COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

County Clerk Preservation – accounts for revenues from a fee charged by the County Clerk for recording instruments. Disbursements are for the maintenance and preservation of public records.

State Grant – accounts for revenues from the State of Oklahoma. Disbursements are for REAP projects.

Correctional Facility Sales Tax – accounts for the collection of ½ cent sales tax revenue and the disbursement of funds as restricted by the sales tax resolution for the acquisition, construction, equipping, operating, and maintaining of the Washington County Detention Center.

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

Community Development Block Grant – accounts for collections and disbursements of federal Community Development Block Grant monies.

Resale – accounts for revenues from interest and penalties on delinquent ad valorem taxes. Disbursements are to offset the expense of collecting delinquent ad valorem taxes.

Court Clerk Payroll – accounts for collections from the state to pay for Court Clerk office employees' salaries.

Commissioners Trash Reward – accounts for revenue collected in accordance with Title 21 O.S. § 1753.3 and disbursements as restricted by state statute.

Sheriff Grants – accounts for donations received from local businesses to purchase equipment for the County Sheriff's office and conduct community training.

Adult Drug Court – accounts for revenues generated from fines and costs assessed to individuals participating in the Drug Court program and contractual payments from the Oklahoma Department of Mental Health to be used to offset costs associated with running the program.

Safe Room – accounts for federal grant revenues and disbursements to reimburse individuals for the construction of safe rooms.

OBA Donation for Court Areas – accounts for revenues received from the Oklahoma Bar Association to be used for Court area updates and remodeling.

**WASHINGTON COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

C. Basis of Accounting

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

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

D. Budget

Under current Oklahoma Statutes, a general fund and a county health department fund are the only funds required to adopt a formal budget. On or before May 31 of each year, each officer or department head submits an estimate of needs (budget) to the governing body. The budget is approved for the respective fund by office, or department and object. Within weeks, the County Budget Board may approve changes of appropriations within the fund by office or department and object.

E. Cash and Investments

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

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

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

**WASHINGTON COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

2. Ad Valorem Tax

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

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

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

3. Other Information

A. Pension Plan

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

**WASHINGTON COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

B. Other Post Employment Benefits (OPEB)

In addition to the pension benefits described in the Pension Plan note, OPERS provides post-retirement health care benefits of up to \$105 each for retirees who are members of an eligible group plan. These benefits are funded on a pay-as-you-go basis as part of the overall retirement benefit. OPEB expenditure and participant information is available for the state as a whole; however, information specific to the County is not available nor can it be reasonably estimated.

C. Contingent Liabilities

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

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

D. Sales Tax

On November 7, 2000, the voters of Washington County approved a permanent one-half percent (1/2%) sales tax effective December 1, 2002. This sales tax was established to provide revenue for the construction, operation and maintenance of the road and bridge system of Washington County and to equip and maintain the County Jail and other Courthouse facilities. These funds are accounted for in the County General Fund.

On June 9, 2009, the voters of Washington County approved a one-half percent (1/2%) sales tax effective July 1, 2009. The revenue from this sales tax was pledged toward the retirement of indebtedness incurred for the acquisition, construction and equipping a new Washington County Detention Facility; operating and maintaining the Washington County Detention Facility; and certain Courthouse improvements. One-quarter (1/4%) of one cent shall have a limited duration of ten (10) years from the date of commencement, or until the principal and interest upon indebtedness incurred on behalf of Washington County by the Washington County Correctional Facilities Authority in furtherance of the new County Detention Facility and certain Courthouse improvements is paid in full, whichever occurs earlier; while the remaining portion of such sales tax, one-quarter (1/4%) of one cent to continue until repealed by a majority of electors of Washington County. These funds are accounted for in the Correctional Facility Sales Tax fund.

**WASHINGTON COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

E. Interfund Transfers

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

- \$16 was transferred from the County General Fund to correct a fiscal year 2014 accrued interest apportionment error.

SUPPLEMENTARY INFORMATION

**WASHINGTON COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF EXPENDITURES—BUDGET AND ACTUAL—
BUDGETARY BASIS— COUNTY GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	General Fund		
	Budget	Actual	Variance
District Attorney	\$ 27,250	\$ 27,242	\$ 8
County Sheriff	1,188,001	1,091,470	96,531
County Treasurer	311,102	311,081	21
County Commissioners	288,201	286,470	1,731
County Commissioners O.S.U. Extension	125,314	96,681	28,633
County Clerk	399,801	397,012	2,789
Purchasing Agent	77,100	71,181	5,919
Court Clerk	468,403	468,196	207
County Assessor	225,500	225,497	3
Visual Inspection	381,301	380,535	766
General Government	811,160	282,886	528,274
Excise - Equalization Board	2,400	1,610	790
County Election Expense	207,617	195,871	11,746
Insurance - Benefits	155,623	141,452	14,171
Information Technology	359,501	356,351	3,150
Charity	2,000	250	1,750
Volunteer Fire	12,001	11,920	81
Emergency Management	189,666	180,032	9,634
E911 Coordinator	60,734	60,617	117
Community Development	10,000	-	10,000
County Audit Budget	39,432	1,600	37,832
Free Fair Budget Account	78,400	74,227	4,173
Sales Tax Jail	1,222,214	1,132,497	89,717
Sales Tax District 1	700,001	476,656	223,345
Sales Tax District 2	700,001	676,411	23,590
Sales Tax District 3	700,001	673,015	26,986
Sales Tax General	1,214,513	132,923	1,081,590
Sales Tax Juvenile Detention	40,000	34,983	5,017
Total Expenditures, Budgetary Basis	<u>\$ 9,997,237</u>	<u>\$ 7,788,666</u>	<u>\$ 2,208,571</u>

**WASHINGTON COUNTY, OKLAHOMA
 COMPARATIVE SCHEDULE OF EXPENDITURES—BUDGET AND ACTUAL—
 BUDGETARY BASIS—COUNTY HEALTH FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	Health Fund		
	Budget	Actual	Variance
Health and Welfare	\$ 1,196,591	\$ 919,973	\$ 276,618
Total Expenditures, Budgetary Basis	\$ 1,196,591	\$ 919,973	\$ 276,618

**WASHINGTON COUNTY, OKLAHOMA
NOTE TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

1. Budgetary Schedules

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

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

INTERNAL CONTROL AND COMPLIANCE SECTION

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

TO THE OFFICERS OF
WASHINGTON COUNTY, OKLAHOMA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined total—all funds of the accompanying Statement of Receipts, Disbursements, and Changes in Cash Balances (with Combining Information) of Washington County, Oklahoma, as of and for the year ended June 30, 2018, and the related notes to the financial statement, which collectively comprises Washington County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated May 28, 2021.

Our report included an adverse opinion on the financial statement because the statement is prepared using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. However, our report also included our opinion that the financial statement does present fairly, in all material respects, the receipts, disbursements, and changes in cash balances – regulatory basis of the County for the year ended June 30, 2018, on the basis of accounting prescribed by Oklahoma state law, described in Note 1.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be material weaknesses: 2018-001 and 2018-005.

Compliance and Other Matters

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

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

Washington County's Response to Findings

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

Purpose of this Report

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

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



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

May 28, 2021

**WASHINGTON COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

2018-001 – Lack of County-Wide Internal Controls (Repeat Finding – 2012-001, 2013-001, 2014-001, 2017-001)

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

Cause of Condition: Policies and procedures have not been designed and implemented to ensure that an adequate system of county-wide controls exists.

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: The Oklahoma State Auditor and Inspector’s Office (OSAI) recommends that the County design and implement procedures to identify and address risks. OSAI also recommends that the County design monitoring procedures to assess the quality of performance over time. These procedures should be written policies and procedures and could be included in the County’s policies and procedures handbook.

Management Response:

Chairman of the Board of County Commissioners: Washington County has implemented quarterly meetings to address county-wide internal controls over Risk Assessment, Information and Communication, and Monitoring. Additionally, the BOCC will take a more active role in ensuring the County’s financial statements are prepared in a timely manner and are accurate and free from error.

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

The GAO Standards – Section 1 – Fundamental Concepts of Internal Control – OV1.01 states in part:

Definition of Internal Control

Internal control is a process effected by an entity’s oversight body, management, and other personnel that provides reasonable assurance that the objectives of an entity will be achieved.

**WASHINGTON COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Additionally, GAO Standards – Section 2 – Establishing an Effective Internal Control System – OV2.04 states in part:

Components, Principles, and Attributes

Risk Assessment - Assesses the risks facing the entity as it seeks to achieve its objectives. This assessment provides the basis for developing appropriate risk responses.

Information and Communication - The quality information management and personnel communicate and use to support the internal control system.

Monitoring - Activities management establishes and operates to assess the quality of performance over time and promptly resolve the findings of audits and other reviews.

2018-005 – Lack of Internal Controls Over Payroll (Repeat Finding – 2012-004, 2013-004, 2017-005)

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

- One employee enrolls new hires, removes terminated employees from payroll system, inputs payroll information into the system, reviews time records; prepares and prints payroll warrants, distributes payroll warrants, and maintains personnel files.
- Timesheets are not prepared and reviewed for accuracy for each pay period prior to the issuance of payroll.
- Policies are not in place to ensure timesheets are signed by both the employee and Supervisor/County Official certifying the validity of the hours worked and/or leave use.
- Timesheets for the Sheriff and Court Clerk’s offices are not submitted to the County Clerk’s office.

Cause of Condition: Policies and procedures have not been designed and implemented with regard to segregation of duties and/or compensating controls of the payroll process. Additionally, procedures have not been designed and implemented to ensure time records are maintained in a manner to support payroll expenditures.

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

Recommendation: OSAI recommends that 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.

The following key accounting functions of the payroll process should be adequately segregated:

- Enrolling/removing employees and maintaining personnel files.

**WASHINGTON COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

- Reviewing time records and preparing payroll.
- Distributing payroll warrants to individuals.

Additionally, OSAI recommends the County design and implement policies and procedures to reduce the risk of an individual being paid for time not worked. At a minimum, these policies and procedures should include:

- Time records be used to document hours worked and leave used each day.
- Time records be prepared and reviewed for accuracy prior to the issuance of payroll for that time period.
- Time records be signed by both the employee and supervisor certifying the validity of the hours worked and/or leave used.
- Time records be submitted and filed with the County Clerk.

Management Response:

Chairman of the Board of County Commissioners: We will work to implement a payroll policy within the Employee Handbook to detail the process in which employees' checks are handled. The Court Clerk has been submitting the timesheets. I will work with the Sheriff's office to ensure they turn in timesheets to the County Clerk's office. It shall be the responsibility of the Elected Official to ensure the timesheets are accurate and signed by the employee and the supervisor.

County Clerk: Although I was not in office during this fiscal year, I have implemented a policy along with steps to separate the key processes to the semi-monthly payroll process which allows for the segregation of payroll duties.

To ensure employees are only paid for time worked/earned, we have a verbal policy in place that the first 30 hours of regular pay is held back when a new employee is hired. The employee receives pay for their first 30 hours upon separation of employment from the County. If at any time during employment, the employee's accruals are insufficient to cover usage, the employee will receive a written check until time has been built back up. Also, with Washington County having direct deposit, the initial check and the last check an employee receives is a written check. We will work to implement a payroll policy within the Employee Handbook to detail the process in which employees' checks are handled.

Washington County has been issuing payroll semi-monthly since 1992 and timesheets have always been submitted monthly. I will discuss and work with the other Elected Officials during a Budget Board meeting to address timesheets being turned in to my office semi-monthly and to take a vote on this matter. The Payroll Affidavit that is handed out by my office, prior to payroll being processed, is signed by the Elected Official certifying the payroll claim is correct. Washington County is salaried and any changes that need to be made are notified by a Payroll Change Sheet from the Elected Official.

The Court Clerk has been submitting the timesheets for her office. I will work with the Sheriff's office to ensure receipt of their timesheets and that they are reviewed for accuracy. It shall be the responsibility of the Elected Official to ensure the timesheets are accurate and signed by the employee and the supervisor.

**WASHINGTON COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Court Clerk: I began submitting timesheets to be filed with the County Clerk in November 2018 and will continue to do so.

County Sheriff: This office will provide the County Clerk's office with copies of the timesheets for each pay period.

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

Internal Control System Monitoring

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

Appropriate documentation of transactions and internal control

Management clearly documents internal control and all transactions and other significant events in a manner that allows the documentation to be readily available for examination. The documentation may appear in management directives, administrative policies, or operating manuals, in either paper or electronic form. Documentation and records are properly managed and maintained.

Segregation of Duties

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

Additionally, Principle 10 - Segregation of Duties states:

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

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

**WASHINGTON COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

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

Finding 2018-008 – Lack of Internal Controls and Noncompliance Over Court Fund Disbursement Process (Repeat Finding)

Condition: Upon inquiry and observation of the Court Fund disbursement process, the following was noted:

- One person, the Court Clerk, receives invoices; prepares, approves, and reviews Court Fund claims; compares claims to invoices; prepares, signs, and distributes registered Court Fund vouchers; records expenditures in financial records.
- Court Fund claims for court ordered attorney fees are not supported by invoices.
- Court Fund claims for court reporter fees are prepared by the court reporters and signed by the judge prior to being requisitioned by the Court Clerk.

Cause of Condition: Policies and procedures have not been designed and implemented with regard to internal controls over all aspects Court Fund disbursement processes.

Effect of Condition: These conditions resulted in noncompliance with state statute and could result in unrecorded transactions, misappropriation of funds, or clerical errors that are not detected in a timely manner.

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 claims should be requisitioned by the Court Clerk and supported by adequate documentation in accordance with 20 O.S. § 1304.

Management Response:

Court Clerk: The Court Fund claims and vouchers are now prepared and signed by the Court Clerk and the First Deputy, and reviewed by the Second Deputy, who compares the claims to the invoices and distributes the vouchers. I am now attaching a copy of the contract for court-appointed counsel paid by the Court Fund to the Court Fund claim for each appointed attorney every month. Currently, I receive the

**WASHINGTON COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Court Fund claims from the court reporters and prepare a separate Court Fund claim in our software system. I attach our claim to their claim, using their claim as an invoice, and submit it to the District Judge for a signature. I will visit with the Court Reporters to request an invoice from them instead of a Court Fund claim.

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

Segregation of Duties

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

Additionally, Principle 10 - Segregation of Duties states:

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

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

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

Title 20 O.S. § 1304 provides guidance regarding the expenditure processes for the Court Fund.

Finding 2018-009 – Lack of Internal Controls and Noncompliance Over the Inmate Trust Fund Checking Account, Sheriff Commissary, and Sheriff Commissary Fund (Repeat Finding)

Condition: Upon inquiry, observation of procedures and records, and testwork performed, OSAI noted the following regarding the Inmate Trust Fund Checking Account, Sheriff Commissary, and Sheriff Commissary Fund:

**WASHINGTON COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Inmate Trust Fund Checking Account:

- One employee is responsible for accessing and balancing the lock box collections, preparing the deposit slip, and is denoted as an official check signer in the bank account.
- There is no oversight over the Inmate Trust Fund Checking Account bookkeeping process to ensure completeness and accuracy.
- Outstanding deposits from September 4, 2012 through June 20, 2015 in the amount of \$1,190 were noted as reconciling items on the June 30, 2018 bank reconciliation. These funds were noted as collections on the Inmate Trust Fund ledgers but have not been deposited at the bank.
- Expenditures were made from the Inmate Trust Fund Checking Account for purposes other than what is statutorily allowed.

Sheriff Commissary:

- One employee is responsible for ordering or purchasing goods for the commissary, receiving items ordered, maintaining and updating inventory records, maintaining inventory items on hand, and calculating sales tax to be paid.

Sheriff Commissary Fund:

- The County Sheriff's office does not file an annual report for the Sheriff Commissary Fund with the Board of County Commissioners by January 15th, of each year.
- During the review of the annual report, OSAI noted that the ending balance on the report did not agree to the County Treasurer's ending balances and there was no reconciliation presented to document the differences.

Treasurer's Ending Balance:	\$ 581,977
Reported Ending Balance:	<u>\$ 410,263</u>
Reported Ending Balance Understated:	<u>\$ 171,714</u>

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

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

Recommendation: OSAI recommends that 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.

**WASHINGTON COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

OSAI further recommends the County Sheriff implement procedures to ensure:

- Expenditures are made from the Inmate Trust Fund Checking Account in accordance with 19 O.S. § 531(A).
- Irregularities in financial records are investigated and resolved in a timely manner.
- A report of the commissary is filed with the County Commissioners by January 15th, of each year in accordance with 19 O.S. § 180.43(D).

Management Response:

County Sheriff: I was not in office during this fiscal year. However, since taking office, I have and will continue to work with the Jail Administration staff to implement policies to improve transparency, oversight, and compliance with GAO internal control practice and state statutes by ensuring:

- Inmate Trust Checking Account bookkeeping duties are adequately segregated so that no one person can count cash received, prepare deposit ticket, and issue checks. In the event that segregation of duties is not possible,
 - All cash is secured and handled by the Assistant Jail Administrator or other member of management, in his absence, with cash counts conducted under video surveillance.
 - All deposits are reviewed for accuracy by a supervisor and indication of review will be noted.
- Irregularities in financial records are investigated and resolved in a timely manner.
- Inmate Trust Fund Checking account checks are only issued to the inmate upon his or discharge or the Sheriff Commissary fund in accordance with 19 O.S. § 531(A).
- Commissary inventory duties are adequately segregated. Separate individuals are designated to oversee purchasing, distribution, inventory control and maintenance, respectively. These activities are conducted by individuals on separate shifts for the Commissary.
- The annual report of the Sheriff Commissary Fund is reviewed for accuracy and filed with the Board of County Commissioners by January 15th of each year in accordance with Title 19 O.S. § 180.43(D).

Additionally, to help ensure an accurate account balance in the Inmate Trust Checking Account, we now issue debit cards from the Inmate Trust Fund Checking Account to the inmates, for their cash balances, upon their release; thereby, doing away with outstanding checks.

Criteria: Component objectives of effective internal control systems are to deter and detect fraud and to provide accurate and reliable information. Internal controls are designed to safeguard assets and to analyze and check accuracy, completeness, and authorization of transactions. Failure to perform tasks that are part of internal controls, such as segregating duties or implementing compensating reviews, performing bank reconciliations accurately and timely, and maintaining records in a manner to ensure compliance with state statutes and/or to minimize the risk of misappropriation, are deficiencies in internal control.

**WASHINGTON COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

Establishment of review of performance measurers and indicators

Management establishes physical control to secure and safeguard vulnerable assets. Examples include security for and limited access to assets such as cash, securities, inventories, and equipment that might be vulnerable to risk of loss or unauthorized use. Management periodically counts and compares such assets to control records.

Segregation of duties

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

Accurate and timely recording of transactions

Transactions are promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. This applies to the entire process or life cycle of a transaction or event from its initiation and authorization through its final classification in summary records. In addition, management designs control activities so that all transactions are completely and accurately recorded.

Additionally, GAO Standards – Section 2 – Establishing an Effective Internal Control System – OV2.23 states in part:

Objectives of an Entity – Compliance Objectives

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

Furthermore, GAO Standards – Section 2 – Establishing an Effective Internal Control System – OV2.24 states in part:

Safeguarding of Assets

Management designs an internal control system to provide reasonable assurance regarding prevention or prompt detection and correction of unauthorized acquisition, use, or disposition of an entity's assets.

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

**WASHINGTON COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

by the inmate during his or her incarceration and to the inmate from unencumbered balances due the inmate upon his or her discharge.”

Title 19 O.S. § 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.”

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