



WOODWARD COUNTY

Operational Audit

For the fiscal year ended June 30, 2017

Cindy Byrd, CPA
State Auditor & Inspector

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

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June 12, 2019

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

Transmitted herewith is the audit report of Woodward 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,



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR



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

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

Board of County Commissioners

District 1 – David Dezort (Acting Commissioner)
District 2 – Randy Johnson
District 3 – Vernie R. Matt

County Assessor

Mistie Dunn

County Clerk

Charolett Waggoner

County Sheriff

Kevin Mitchell

County Treasurer

Sonya Coleman

Court Clerk

Tammy Roberts

District Attorney

Christopher Boring

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

Sales Tax

Sales Tax of June 1, 1994

An unlimited one-fifth (1/5%) percent of one cent sales tax became effective June 1, 1994. The sales tax is distributed among the following entities within the Sales Tax fund: firefighting services (37.5%); county fair board (16.5%); OSU Extension Office (16.5%); fire safety and prevention (12%); and drug abuse assistance education (17.5%). The sales tax is accounted for in the Sales Tax fund.

Sales Tax of August 11, 2009

On August 11, 2009, county voters authorized a sales tax of five-eighths (5/8) of one cent for the purpose of acquisition, construction and equipping a new Woodward County Detention Facility, and operating and maintaining the Woodward County Detention Facility. A portion of the sales tax, .425 of one (1) cent, shall have a limited duration of ten (10) years from the date of commencement, or until principal and interest upon indebtedness incurred on behalf of Woodward County at the Woodward County Public Facilities Authority in furtherance of the new county detention facility is paid in full, whichever occurs earlier. The remaining portion of such sales tax, one-fifth (1/5) of one (1) cent, to continue until repealed by a majority of the electors of Woodward County in an election called for the purpose of posing said proposition; making provisions separable; and declaring an emergency. The sales tax is accounted for in the Sales Tax fund.

Sales Tax of February 12, 2013

On February 12, 2013, county voters authorized a one-half (.50%) of one percent sales tax on gross receipts or proceeds on certain sales for the purpose of design, construction, financing, furnishings, capital facilities and improvements, equipment, fixtures, site preparation, street improvements, and continuing maintenance and operation expenses for a new Woodward County Fairgrounds and Expo Facility to be located in Woodward County. The sales tax is to terminate thirteen (13) years from the effective date of the tax or at the date of retirement of any debt. One-tenth (1/10) of one percent shall be perpetual to be used for operation and maintenance of the new fairgrounds and expo facility and shall remain outstanding until lawfully repealed. The sales tax is accounted for in the Sales Tax fund.

During the fiscal year, the County collected and distributed \$3,522,497 in total sales tax.

**WOODWARD 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	Transfers In	Disbursements	Ending Cash Balances June 30, 2017
Combining Information:					
County Funds:					
County General Fund	\$ 3,440,995	\$ 3,937,187	\$ -	\$ 3,639,131	\$ 3,739,051
County Highway Cash	1,652,870	3,363,341	-	3,487,361	1,528,850
County Bridge and Road Improvement Fund 105	858,003	166,711	-	279,932	744,782
County Health Department	452,106	399,509	-	342,854	508,761
County Clerk Records Preservation Fee	50,224	44,425	-	48,073	46,576
Treasurer Mortgage Tax Certification Fee	19,723	4,065	-	4,393	19,395
County Assessor Visual Inspection	6,641	-	-	-	6,641
County Clerk Lien Fee	68,307	36,609	-	45,356	59,560
County Assessor Revolving	23,363	6,802	-	4,494	25,671
Sales Tax	4,174,144	3,957,863	-	3,408,064	4,723,943
Resale Property	299,181	80,222	8,985	34,759	353,629
Sheriff Jail Commissary	40,039	62,102	-	79,878	22,263
Fort Supply Lake Patrol	14,146	12,875	-	15,586	11,435
Sheriff Prisoner Revolving	78,312	138,639	-	102,072	114,879
Sheriff Service Fee	166,379	124,200	-	36,844	253,735
Sheriff Special	151	600	-	65	686
Sheriff Training	39	-	-	-	39
Northwest Oklahoma Juvenile Detention Center	27,141	41	-	-	27,182
Northwest Oklahoma Cattle/Rural	1,020	-	-	-	1,020
UTPHONE E-911	107,477	240,491	-	229,327	118,641
Sara Title III	4,938	-	-	1,347	3,591
Wireless 911 Cell Phones	252,555	140,209	-	80,477	312,287
County Rewards Program	200	-	-	-	200
Flood Plain Board	125	1,700	-	325	1,500
Court Funded Payroll	5,612	111,130	-	112,749	3,993
National Association of County and City Health Officials Grant	1,600	-	-	1,600	-
Sheriff Grant	10,000	10,000	-	14,084	5,916
Combined Total - All County Funds	\$ 11,755,291	\$ 12,838,721	\$ 8,985	\$ 11,968,771	\$ 12,634,226

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

**WOODWARD COUNTY
DESCRIPTION OF COUNTY FUNDS AND TRANSFERS
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 Bridge and Road Improvement Fund 105 – 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 ad valorem taxes and state and local revenues.

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

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 statute.

County Assessor Visual Inspection – accounts for the receipt and disbursement of funds by the Assessor as restricted by state statute for the visual inspection program.

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

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

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

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

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

Sheriff Jail Commissary – accounts for the collection of the sale of items to inmates and disbursements to purchase commissary goods and operating and maintaining the jail. Excess funds are used for maintenance and operations of the Sheriff's department.

Fort Supply Lake Patrol – accounts for the collections from the State of Oklahoma. Disbursements are for the salary of a Sheriff's deputy to patrol Fort Supply Lake area.

Sheriff Prisoner Revolving – accounts for the collection of monies from the Oklahoma Department of Corrections and disbursements are for the purpose of maintaining the jail.

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

Sheriff Special – accounts for donations given to the Sheriff's office and disbursement are for the purchase of ammunition.

Sheriff Training – accounts for the collection of forfeitures of seized property and disbursements are for the purchase of equipment, materials, or supplies that may be used in crime prevention, education, training, or programming.

Northwest Oklahoma Juvenile Detention Center – accounts for the state grants and county reimbursements and disbursements are to support the programs and services provided at the juvenile detention facility.

Northwest Oklahoma Cattle/Rural – accounts for restitution and donations and disbursements are for the expenses associated with combating cattle theft.

UTPHONE E-911 – accounts for five percent of a 911 fee received from the Excel Phone Company. Funds are disbursed to defray the cost of E-911 services.

Sara Title III – accounts for \$20.00 fee for the Local Emergency Planning Committee for filing hazardous material reports, and for donations. Disbursements are to defray the cost of special search and recovery operations.

Wireless 911 Cell Phones – accounts for the revenue from fees charged on cell phones. Funds are disbursed to defray the cost of E-911 services.

County Rewards Program – accounts for collections remitted by the Court Clerk on cases where flaming or glowing substances are thrown from vehicles. Disbursements are for rewards for information leading to the arrest and conviction of such persons as outlined by state statute.

Flood Plain Board – accounts for the collection of fees for flood plain permits issued by the Woodward County Flood Plain Board. Disbursements are the operations of the program.

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

Court Funded Payroll – accounts for funds deposited to be disbursed for payroll for the Court Clerk’s office.

National Association of County and City Health Officials Grant – accounts for a Department of Health and Human Services grant and disbursements are for the strengthening of Medical Reserve Corp Units through projects that align with one of the four focus areas; community resilience, chronic disease, prevention, partners for empowered communities, and mental and emotional wellbeing.

Sheriff Grant – accounts for Justice Assistance Grants awarded yearly to Local Law Enforcement for the purchase of protection equipment including new vehicles and ballistic vests.

Transfer

\$8,985 was transferred to the Resale Property fund from the Excess Resale fund in accordance with 68 O.S. § 3131. Excess Resale is a trust and agency fund; therefore, it is not accounted for on the County’s financial statement.

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

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 3,440,995	\$ 3,440,995	\$ -
Less: Prior Year Outstanding Warrants	(161,170)	(161,170)	-
Less: Prior Year Encumbrances	(23,424)	(19,147)	4,277
Beginning Cash Balances, Budgetary Basis	<u>3,256,401</u>	<u>3,260,678</u>	<u>4,277</u>
Receipts:			
Ad Valorem Taxes	2,649,660	3,214,481	564,821
Charges for Services	92,170	170,374	78,204
Intergovernmental Revenues	149,662	436,335	286,673
Miscellaneous Revenues	700	115,997	115,297
Total Receipts, Budgetary Basis	<u>2,892,192</u>	<u>3,937,187</u>	<u>1,044,995</u>
Expenditures:			
District Attorney	3,000	3,000	-
County Sheriff	1,408,142	1,360,444	47,698
County Treasurer	249,438	249,027	411
County Commissioners	308,072	231,959	76,113
County Clerk	341,066	336,143	4,923
Court Clerk	394,735	370,191	24,544
County Assessor	308,523	306,662	1,861
Revaluation of Real Property	236,215	230,385	5,830
Juvenile Shelter Bureau	37,800	14,456	23,344
General Government	2,598,719	386,870	2,211,849
Excise-Equalization Board	3,811	3,173	638
County Election Board	100,893	96,432	4,461
Insurance	20,000	15,650	4,350
Charity	2,000	200	1,800
Recording Account	11,000	8,934	2,066
Civil Defense	42,000	42,000	-
County Audit Budget Account	83,179	55,921	27,258
Total Expenditures, Budgetary Basis	<u>6,148,593</u>	<u>3,711,447</u>	<u>2,437,146</u>

Continued on next page

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

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

	General Fund		
	Budget	Actual	Variance
Continued from previous page			
Excess of Receipts and Beginning Cash			
Balances Over Expenditures, Budgetary Basis	\$ -	3,486,418	\$ 3,486,418
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Cancelled Warrants		1,149	
Add: Current Year Outstanding Warrants		166,683	
Add: Current Year Encumbrances		84,801	
Ending Cash Balance		\$ 3,739,051	

WOODWARD 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	\$ 452,106	\$ 452,106	\$ -
Less: Prior Year Outstanding Warrants	(3,537)	(3,537)	-
Less: Prior Year Encumbrances	(34,154)	(33,750)	404
Beginning Cash Balances, Budgetary Basis	414,415	414,819	404
Receipts:			
Ad Valorem Taxes	265,979	322,472	56,493
Charges for Services	76,871	76,871	-
Intergovernmental Revenues	-	147	147
Miscellaneous Revenues	-	19	19
Total Receipts, Budgetary Basis	342,850	399,509	56,659
Expenditures:			
County Health Budget Account	757,265	389,258	368,007
Total Expenditures, Budgetary Basis	757,265	389,258	368,007
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	425,070	\$ 425,070
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		45,360	
Add: Current Year Outstanding Warrants		38,331	
Ending Cash Balance		\$ 508,761	

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

PURPOSE, SCOPE, AND GENERAL 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, and observations of the County's operations. Further details regarding our methodology are included under each objective.

We utilized sampling of transactions to achieve our objectives. To ensure the samples were representative of the population and provided sufficient, appropriate evidence, the random sample methodology was 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.

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

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

Conclusion: With respect to the items reconciled and reviewed; the receipts apportioned, disbursements, and cash balances are accurately presented on the County Treasurer's monthly reports.

Objective 1 Methodology: To accomplish objective 1, we performed the following:

- Evaluated significant internal controls related to preparing the Treasurer's Monthly Reports, which included:
 - Reviewing a random sample of 3 Treasurer's monthly reports (25% of months in the population tested) to ensure the monthly reports were signed and approved by someone other than the preparer, reconciled to the general ledger, and reconciled to the bank statement.
 - Reviewing a random sample of 6 bank statements and related bank reconciliations (6% of the total bank statements in the population tested) to ensure bank reconciliations were signed and approved by someone other than the preparer and correctly reconciled to the bank statement.
- Reconciled total collections from the monthly reports to the apportionment ledger for each month and to the annual summary of the Treasurer's reports.
- Confirmed \$7,060,355 in cash receipts (55% of total cash receipts) received from the Oklahoma Tax Commission, Federal grantor agencies, and the State Treasurer's Office, and determined that these receipts were apportioned to the proper fund in the proper amount.
- Prepared a general ledger schedule of cash and investments at June 30 to ensure the schedule reconciled to the annual summary of the Treasurer's reports.
- Confirmed all cash and investment balances.
- Re-performed the June 30 bank reconciliation and confirmed reconciling items.
- Reviewed bank balances of all accounts at June 30 on the Treasurer's general ledger to ensure that investments were adequately secured as required by 62 O.S. § 517.4.
- Examined the Treasurer's total cash disbursements and compared it to the County Clerk's total checks and cash vouchers issued to ensure the totals reconciled.

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 financial operations did not comply 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.

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

Objective 2 Methodology: To accomplish objective 2, we performed the following:

- Evaluated significant internal controls related to sales tax, which included:
 - Reviewing sales tax collections to ensure the collection was apportioned and appropriated in accordance with the sales tax ballot and that the apportionment and appropriation were reviewed and approved.
 - Confirmed all sales tax receipts received from the Oklahoma Tax Commission.

FINDINGS AND RECOMMENDATIONS

Finding 2017-001 – Inadequate Internal Controls and Noncompliance Over Discrete Presentation of Sales Tax Activity (Repeat Finding)

Condition: The County sales tax appropriations and expenditures are not discretely presented in the financial records.

Due to the sales tax being comingled with other sources of revenue, it could not be determined how much county sales tax was expended nor did we perform a test of sales tax expenditures.

Total Apportionments into the Sales Tax Fund	Total Sales Tax Collections	Other Sources of Revenue
\$3,957,863	\$3,522,497	\$435,366

Furthermore, there is not an independent verification of amounts appropriated into individual sales tax accounts.

Cause of Condition: Policies and procedures have not been designed and implemented with regard to controls over all aspects of the sales tax appropriation and expenditure processes to ensure adequate internal controls. Additionally, the County was unaware of the statutes and Attorney General (AG) opinions concerning the county sales tax.

Effect of Condition: This condition resulted in noncompliance with state statute. A lack of review over the sales tax appropriation process could result in incorrect amounts being appropriated, unrecorded transactions, misstated financial reports, undetected errors, or misappropriation of funds.

Recommendation: OSAI recommends management be aware of these conditions concerning the sales tax appropriations process and provide independent oversight of office operations and a periodic review of operations. Additionally, OSAI recommends that the County establish procedures that would allow for the sales tax balances and activity to be distinguished from other revenue sources activity within the County General Fund or deposited into separate revolving funds as required by state statute.

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

Management Response:

District 1 County Commissioner: I will discuss with the other commissioners the possibility of a Use Tax fund instead of having use tax revenue placed in the Sales Tax fund.

District 2 County Commissioner: I will ask that the sales tax revenue be kept separate from other sources of revenue.

District 3 County Commissioner: We will place use tax revenue into another fund.

County Clerk: We will separate sales tax from other sources of revenue.

County Treasurer: The accounting of sales and use tax revenue will be restructured through the implementation of the new chart of accounts.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. Internal controls should be designated to analyze and check accuracy, completeness, and authorization of sales tax calculations and/or transactions. To help ensure a proper accounting of funds, calculations for sales tax appropriations should be reviewed and approved for accuracy.

Title 68 O.S. § 1370(E) requires the sales tax collections 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.

AG opinion 2005 OK AG 23 dated 07/13/2005 (14) states:

“3. Proceeds of a county sales tax voted for a specific purpose but placed in the county’s general fund must be accounted for as a discrete fund, and any surplus not needed for the stated purpose during one fiscal year must be transferred to the county budget for the next fiscal year, for the same specified purpose.”

AG opinion 2014 OK AG 15 dated 10/31/2014 states:

“4. C. As the fiscal agent responsible for superintending the funds of Canadian County, the board of county commissioners is responsible to ensure that the sales tax proceeds are not intermingled and are used exclusively for the purpose expressed in the ballot measure and resolution. The board can direct that the funds be deposited in a dedicated revolving fund and not intermingled with other revenues. Okla. Const. art. X, § 19; 68 O.S. 2011, § 1370; 19 O.S. Supp. 2013, § 339; 19 O.S. 2011, § 345; Cavin v. Bd. of County Comm’rs, 1934 OK 245 ¶ 11, 33 P.2d 477, 479.”

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

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

Objective 3 Methodology: To accomplish objective 3, we performed the following:

- Evaluated significant internal controls related to ad valorem tax collections, which included comparing the certified levies to the approved levies entered into the computer system to ensure levies were entered correctly.
- Recalculated the apportionment of ad valorem tax collections to determine collections were accurately apportioned to the taxing entities.

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 provide do not reasonable assurance that expenditures, including payroll, were accurately reported in the accounting records.

Objective 4 Methodology: To accomplish objective 4, we performed the following:

- Evaluated significant internal controls related to the expending of County funds through purchase orders, which included reviewing a random sample of purchase orders totaling \$824,371 (7% of purchase orders in the population tested) to ensure:
 - The purchase order was requisitioned and signed by an approved Requisition County Official,
 - The encumbrance was made or funds were available prior to ordering goods or services and the encumbrance was approved by the County Clerk/Deputy,
 - The disbursement was reviewed and authorized and supported by adequate documentation, and
 - The BOCC reviewed and approved the disbursement and the disbursement was made for the appropriate amount.
- Evaluated significant internal controls related to the expending of County funds through cash vouchers, which included reviewing a random sample of cash vouchers totaling \$1,658 (5% of cash vouchers in the population tested) to ensure:
 - The disbursement was reviewed and authorized,
 - The claimant signed the cash voucher claim,
 - The disbursement was made for the appropriate amount, and

- The disbursement was supported by adequate documentation.

FINDINGS AND RECOMMENDATIONS

Finding 2017-003 – Inadequate Internal Controls Over the Payroll Process (Repeat Finding)

Condition: Upon inquiry, observations, and test of thirty-one (31) payroll disbursements, the following weaknesses were noted:

One individual was responsible for all payroll processes as described below:

- Inputting a new hire into the system.
- Changing/adjusting deductions in employee payrolls.
- Reviewing timesheets and processed payroll two times per month.
 - 4-week payroll.
 - Monthly payroll.
- Entering hours into the software for each employee.
- Preparing the direct deposit.
- Preparing paper warrants.
- Taking warrants to the Treasurer for approval/signature.
- Completing state and federal tax filings and payments.
- Mailing insurance payments to appropriate vendors.

Thirteen (13) timesheets were not signed/approved by a supervisor or county official.

Cause of Condition: Policies and procedures have not been designed and implemented over the payroll process to ensure a proper segregation of duties and review and approval of timesheets being documented.

Effect of Condition: These conditions could result in unrecorded transactions, inaccurate reporting of employees' time and leave balances, misstated financials reports, undetected errors, or misappropriation of funds.

Recommendation: OSAI recommends that payroll duties be segregated. One individual should not be responsible for processing payroll claims while still having the ability to enroll new hires into the system and change withholding amounts. Additionally, all County employees should have properly approved time records to support monthly payroll on file with the County Clerk. Each employee's time record should reflect the hours worked for each day; the compensatory time earned, annual, sick and compensatory time taken or paid; and be approved by the County officer or department head.

Management Response:

District 1 County Commissioner: I will make sure all my employees' timesheets are approved.

**WOODWARD COUNTY
OPERATIONAL AUDIT
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District 2 County Commissioner: I will ask the Commissioner Secretary to not type my name on the signature line so that I can sign there.

District 3 County Commissioner: I will start approving timesheets, signing and dating.

County Clerk: We now have a payroll clerk and an assistant payroll clerk. They double check each other's work. I will check on having system controls to keep payroll clerks from placing new employees into the system. I will have the payroll clerks check for supervisory signatures on timesheets.

County Sheriff: My policy in the past has been to sign all deputies' timesheets. I will start signing all the detention officers also.

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

All Objectives:

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

Finding 2017-008 – Inadequate County-Wide Controls (Repeat Finding)

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

Cause of Condition: Policies and procedures have not been designed and implemented to address risks or to provide monitoring and oversight of the financial records of the County.

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

Recommendation: OSAI recommends that the County design 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.

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

Management Response:

Chairman of BOCC: We are updating the employee handbook and adding policies as necessary. I will research the requirements of documentation of county-wide controls.

County Clerk: We are currently going through the handbook during our quarterly meetings and discussing policies in depth in the Board of County Commissioners' Meeting. This will help document the environment of the County and once this is complete, we will move on to other components.

County Treasurer: In the past, I have collected and distributed information and examples regarding county-wide controls to each officer. Several officers have responded. It has been decided that a checklist format for county-wide controls would be more efficient and get better responses.

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

Risk Assessment is a component of internal control which should provide for an assessment of the risks the County faces from both internal and external sources. Once risks have been identified, they should be analyzed for their possible effect. Management then has to formulate an approach for risk management and decide upon the internal control activities required to mitigate those risks and achieve the internal control objectives of efficient and effective operations, reliable financial reporting, and compliance with laws and regulations.

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

REPORT ON STATUTORY COMPLIANCE – OTHER MATTERS



Cindy Byrd, CPA | State Auditor & Inspector

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

Woodward County
Board of County Commissioners
Woodward County Courthouse
Woodward, Oklahoma 73801

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 Woodward County.

Based on our procedures performed, there were no exceptions noted.

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

June 10, 2019



O·K·L·A·H·O·M·A
S·A·I
STATE AUDITOR & INSPECTOR



Cindy Byrd, CPA | State Auditor & Inspector

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