



PAYNE COUNTY

County Audit

For the fiscal year ended June 30, 2015

Cindy Byrd, CPA
State Auditor & Inspector

**PAYNE COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

This publication, issued by the Oklahoma State Auditor and Inspector's Office as authorized by 19 O.S. § 171, has not been printed, but is available on the agency's website (www.sai.ok.gov) and in the Oklahoma Department of Libraries Publications Clearinghouse Digital Prairie Collection (<http://digitalprairie.ok.gov/cdm/search/collection/audits/>) pursuant to 65 O.S. § 3-114.

February 26, 2019

TO THE CITIZENS OF
PAYNE COUNTY, OKLAHOMA

Transmitted herewith is the audit of Payne County, Oklahoma for the fiscal year ended June 30, 2015. The audit was conducted in accordance with 19 O.S. § 171.

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

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

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

Sincerely,



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR



**PAYNE COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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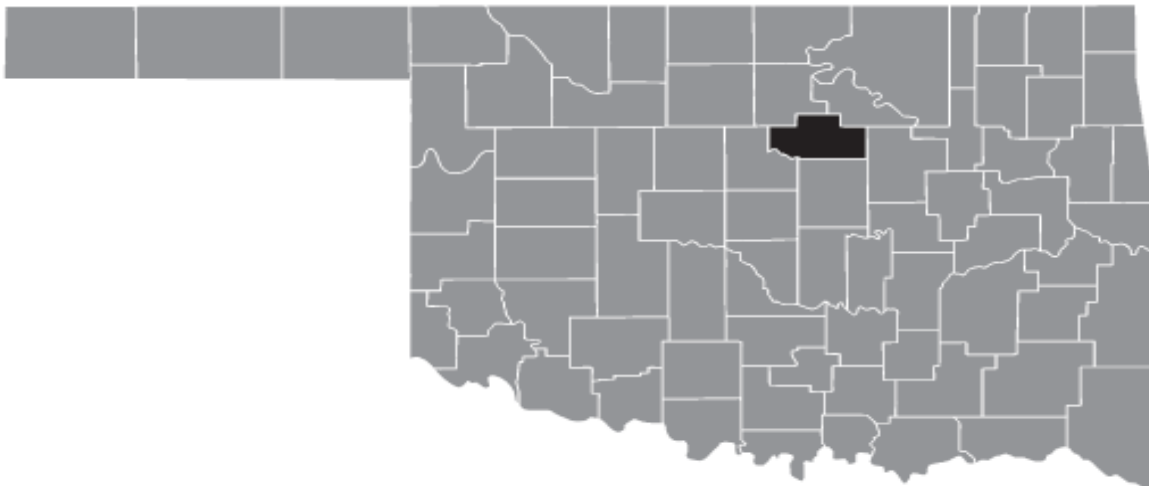
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**PAYNE COUNTY, OKLAHOMA
STATISTICAL INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**



Payne was among the first counties settled during the land run on April 22, 1889. It was named to honor David L. Payne, the Boomer leader. After Payne’s death in 1884, William L. Couch led the Boomers to a settlement on the banks of a creek they called the Still Water. Stillwater, thus, became the name of the settlement and later of the county seat.

For more than half a century, agriculture was the basis of the county’s economy, with cotton, corn, and later oats, wheat, and alfalfa the major crops. Agriculture remains an important part of the economy. The number of farms has actually increased, but many are now much smaller. Livestock and hay are the primary agricultural commodities. Wheat production and dairies have declined but continue to make an impact in the county.

Since World War II, the economic base has changed. Industry has replaced agriculture as the leading source of employment. Major industrial plants along North Perkins Road in Stillwater employ more than 2,500 workers, many of whom commute from Yale, Ripley, Glencoe, Perkins, and Cushing. Oklahoma State University, which opened in 1891, is still the county’s largest employer.

From 1913 to 1930, oil was a major economic factor in the county, but this, too, has declined except for massive facilities at Cushing, enhancing its status as “Pipeline Crossroads of the World.” For more information, call the county clerk’s office at 405/747–8310.

County Seat – Stillwater

Area – 697.13 Square Miles

County Population – 80,264
(2014 est.)

Farms – 1,466

Land in Farms – 349,732 Acres

Primary Source: Oklahoma Almanac 2015-2016

Board of County Commissioners

District 1 – Zachary Cavett
District 2 – Chris Reding
District 3 – Kent Bradley

County Assessor

James Cowan

County Clerk

Glenna Craig

County Sheriff

R.B. Hauf

County Treasurer

Bonita Stadler

Court Clerk

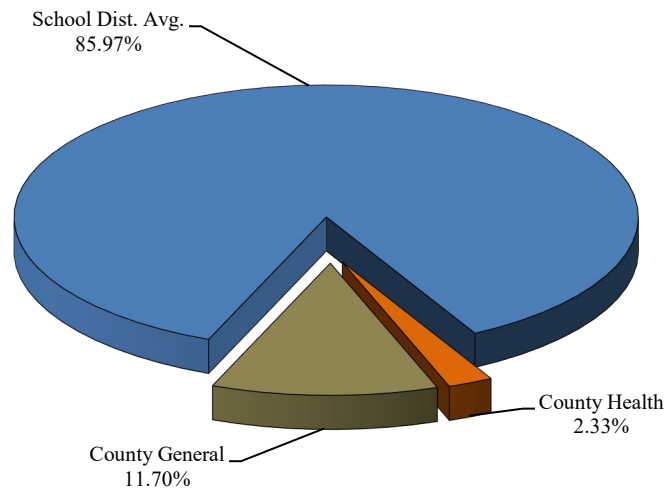
Lori Allen

District Attorney

Laura Thomas

**PAYNE COUNTY, OKLAHOMA
AD VALOREM TAX DISTRIBUTION
SHARE OF THE AVERAGE MILLAGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

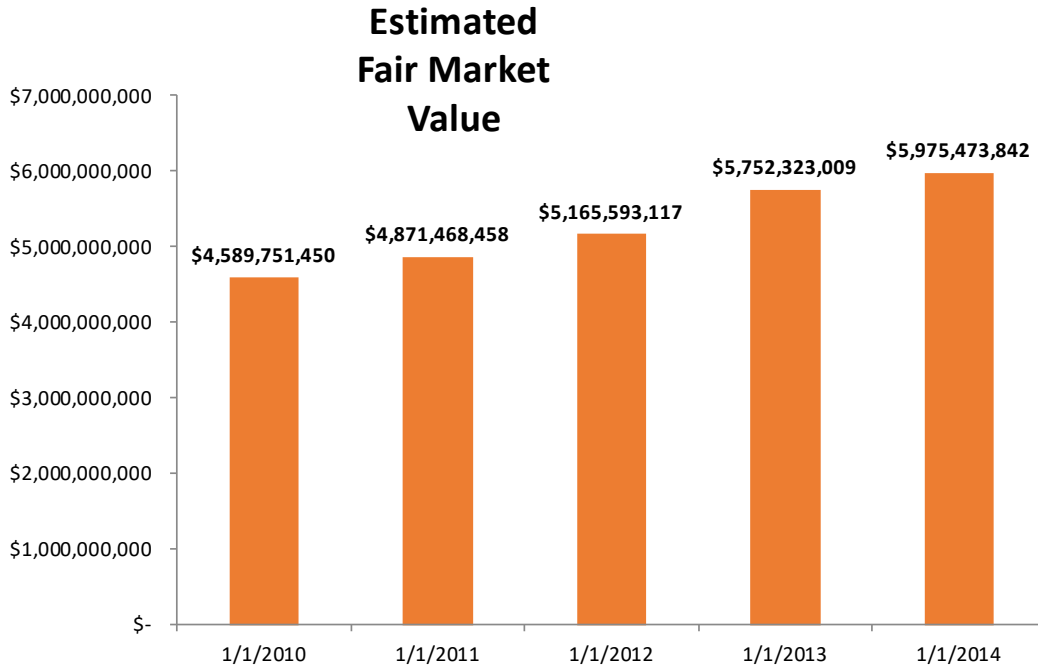
Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of a property is \$1,000.00 and the millage rate is 1.00, then the tax on that property is \$1.00. This chart shows the different entities of the County and their share of the various millages as authorized by the Constitution.



County-Wide Millages		School District Millages							
				Gen.	Bldg.	Skg.	Career Tech.	Common	Total
County General	10.27								
County Health	2.05	Ripley	I-3	36.75	5.25	19.72	13.22	4.11	79.05
		Logan (Mulhall-Orlando)	I-3	36.44	5.21	5.29	15.47	4.11	66.52
		Noble	I-6	36.55	5.22	19.89	15.47	4.11	81.24
		Logan (Coyle)	I-14	38.31	5.47	13.92	-	4.11	61.81
<u>Individual Millages</u>		Stillwater	I-16	36.04	5.15	27.35	15.47	4.11	88.12
Stillwater	4.16	Creek (Oilton)	I-20	38.21	5.46	21.67	13.22	4.11	82.67
Yale EMS	3.15	Creek (Drumright)	I-39	36.12	5.16	33.12	13.22	4.11	91.73
Perkins	0.41	Perkins	I-56	36.32	5.19	22.76	15.47	4.11	83.85
		Cushing	I-67	35.37	5.05	16.53	13.22	4.11	74.28
		Glencoe	I-101	36.39	5.20	12.22	15.47	4.11	73.39
		Yale	I-103	36.74	5.25	-	13.22	4.11	59.32
		Oak Grove	D-104	35.99	5.14	5.35	13.22	4.11	63.81

**PAYNE COUNTY, OKLAHOMA
 ASSESSED VALUE OF PROPERTY
 TREND ANALYSIS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

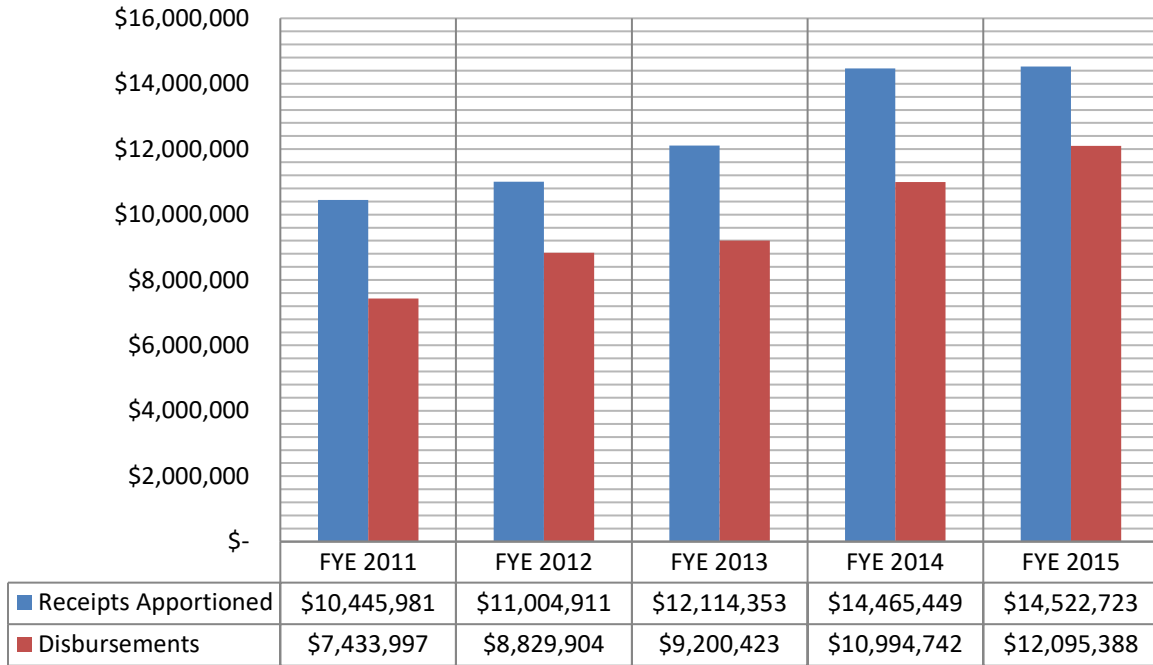
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2014	\$200,984,152	\$70,041,660	\$424,685,744	\$14,507,538	\$681,204,018	\$5,975,473,842
1/1/2013	\$169,453,290	\$93,658,888	\$407,144,353	\$14,491,708	\$655,764,823	\$5,752,323,009
1/1/2012	\$152,076,914	\$87,945,104	\$392,012,723	\$12,163,567	\$619,871,174	\$5,165,593,117
1/1/2011	\$135,559,314	\$77,901,489	\$383,342,653	\$12,227,241	\$584,576,215	\$4,871,468,458
1/1/2010	\$125,334,566	\$56,547,094	\$381,354,005	\$12,465,491	\$550,770,174	\$4,589,751,450



**PAYNE COUNTY, OKLAHOMA
COUNTY GENERAL FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

County General Fund

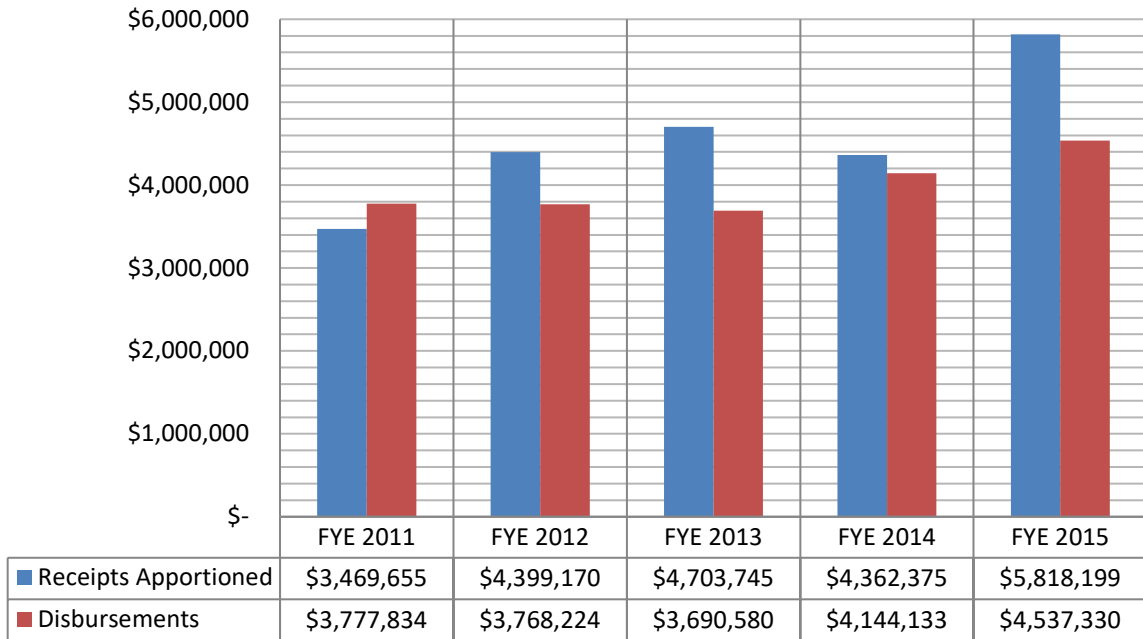
The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the county’s primary source of operating revenue. The County General Fund is typically used for county employees’ salaries plus many expenses for county maintenance and operation. It also provides revenue for various budget accounts and accounts that support special services and programs. The Board of County Commissioners must review and approve all expenditures made from the County General Fund. The primary revenue source for the County General Fund is usually the county’s ad valorem tax collected on real, personal (if applicable), and public service property. Smaller amounts of revenue can come from other sources such as fees, sales tax, use tax, state transfer payments, in-lieu taxes, and reimbursements. The chart below summarizes receipts and disbursements of the County’s General Fund for the last five fiscal years.



**PAYNE COUNTY, OKLAHOMA
COUNTY HIGHWAY FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

County Highway Fund

The County receives major funding for roads and highways from a state imposed fuel tax. Taxes are collected by the Oklahoma Tax Commission. Taxes are imposed on all gasoline, diesel, and special fuel sales statewide. The County's share is determined on formulas based on the County population, road miles, and land area and is remitted to the County monthly. These funds are earmarked for roads and highways only and are accounted for in the County Highway Fund. The chart below summarizes receipts and disbursements of the County's Highway Fund for the last five fiscal years.



FINANCIAL SECTION

Independent Auditor's Report

TO THE OFFICERS OF
PAYNE 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 Payne County, Oklahoma, as of and for the year ended June 30, 2015, 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 the 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 of the financial statement, the financial statement is prepared by Payne 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 statements 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 Payne County as of June 30, 2015, or changes in its financial position for the year then ended.

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 Payne County, for the year ended June 30, 2015, in accordance with the basis of accounting described in Note 1.

Other Matters

Other 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 Other 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 Other Supplementary Information, as listed in the table of contents, is the responsibility of management and was derived from and related 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 Other Supplementary Information, as listed in the table of contents, is fairly stated, in all material respects, in relation to the combined total— all county funds.

The information listed in the table of contents under Introductory Section has not been subjected to the auditing procedures applied in the audit of the financial statement, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 2019, on our consideration of Payne 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and in considering Payne County's internal control over financial reporting and compliance.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

February 20, 2019

REGULATORY BASIS FINANCIAL STATEMENT

PAYNE COUNTY, OKLAHOMA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS
(WITH COMBINING INFORMATION)—MAJOR FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Beginning Cash Balances July 1, 2014	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2015
Combing Information:						
Major Funds:						
County General Fund	\$ 10,124,951	\$ 14,522,723	\$ 54,936	\$ 1,111,459	\$ 12,095,388	\$ 11,495,763
Highway Cash Fund	2,651,109	5,818,199	19,447	79,936	4,537,330	3,871,489
Board of Prisoners Fund	112,027	132,451	-	-	163,228	81,250
Resale Property Fund	1,057,773	388,740	13,742	800,000	383,584	276,671
County Health Department	2,396,684	1,399,943	-	-	2,033,892	1,762,735
Sheriff Service Fee	473,100	480,042	-	-	478,209	474,933
Self Insurance Fund	3,122,655	893,638	-	2,500,000	422,468	1,093,825
Jail Operations and Maintenance	1,521,507	1,693,655	1,350,000	-	3,134,044	1,431,118
Limited Purpose Sales Tax 2006	4,865,394	3,367,549	-	5,400,000	2,145,648	687,295
E-911 Fund	373,847	461,644	50,000	400,000	331,635	153,856
105 Monies	1,256,862	311,482	-	-	176,787	1,391,557
Court Fund Salaries and Fringe	67,037	440,500	-	-	437,731	69,806
Remaining Aggregate Funds	6,331,970	667,315	9,101,476	326,464	795,722	14,978,575
Combined Total - All County Funds	<u>\$ 34,354,916</u>	<u>\$ 30,577,881</u>	<u>\$ 10,589,601</u>	<u>\$ 10,617,859</u>	<u>\$ 27,135,666</u>	<u>\$ 37,768,873</u>

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

**PAYNE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

1. Summary of Significant Accounting Policies

A. Reporting Entity

Payne 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 emergency medical districts, 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 County.

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

Board of Prisoners Fund – accounts for the collection of fees charged for boarding prisoners for other governments in the jail. Disbursements are for the operations of the jail.

Resale Property Fund – accounts for the collection of interest and penalties on delinquent taxes. Disbursements are for the cost of delinquent tax collection and as restricted by state statute.

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

**PAYNE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

Self Insurance Fund – established to administer the County’s self insurance and accounts for insurance receipts and disbursements.

Jail Operations and Maintenance – accounts for the collection of county sales tax, and disbursements are for the purpose of jail operations and maintenance.

Limited Purpose Sales Tax 2006 – accounts for monies collected from the one-fourth percent (1/4%) sales tax. Disbursements are for jail construction, maintenance and operation, and bond payments as defined in ballot language.

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

105 Monies – accounts for collections from state receipts and disbursements are for the purpose of maintaining bridges and roads.

Court Fund Salaries and Fringe – accounts for the portion of Court Fund collections used to pay Court Clerk employees’ salaries.

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. All other funds included in the audit shall be presented in the aggregate in a combining statement.

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

**PAYNE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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.

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

**PAYNE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

property taxes become a lien upon said property after the treasurer has perfected the lien by public notice.

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

3. Other Information

A. Pension Plan

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

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

B. Other Post-Employment Benefits (OPEB)

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

**PAYNE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

D. Sales Tax

The voters of Payne County approved a three-eighths percent (3/8%) sales tax effective January 1, 2014. This sales tax is set to expire on December 31, 2018. This sales tax was established to provide revenue for:

Road and Bridge Improvements	53.00%
Expo Center and Fairboard	20.00%
General Fund Purposes	15.00%
Extension Center	7.00%
Fire Departments	5.00%

These funds are accounted for in the County General Fund.

The voters of Payne County approved a one-fourth percent (1/4%) sales tax for the acquiring, construction, furnishing and equipping of the new County Jail effective April 1, 2006 and will terminate on March 31, 2021. These funds are accounted for in the Limited Purpose Sales Tax 2006 fund.

The voters of Payne County approved a one-eighth percent (1/8%) sales tax for the payment of the costs of operation and maintenance of the new County Jail effective April 1, 2006 and has an unlimited duration. The funds are accounted for in the Jail Operations and Maintenance fund.

The voters of Payne County approved a one-sixteenth percent (1/16%) sales tax to assist the fire departments within Payne County for the purpose of operations, equipment purchases, and capital outlay. This sales tax became effective on April 1, 2013 and shall terminate on March 31, 2018. These funds are accounted for in the County General Fund.

E. Interfund Transfers

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

- \$1,111,459 was transferred to the following funds from the County General Fund:
 - Sheriff Courthouse Security - \$158,192
 - Jail Operations and Maintenance - \$750,000
 - Solid Waste Fund - \$161,267
 - Fair Board Premium (a trust and agency fund) - \$42,000

- \$54,936 was transferred to the County General Fund from the Highway Cash Fund.

- \$19,447 was transferred to the Highway Cash Fund from the following funds:
 - Solid Waste Fund - \$13,447
 - Emergency Management Fund - \$6,000

**PAYNE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

- \$600,000 was transferred to the Jail Operations and Maintenance Fund from the Limited Purpose Sales Tax 2006 Fund.
- \$282,017 was transferred to the Bridge Improvement Fund from the following funds.
 - Highway Cash Fund - \$25,000
 - Bridge Improvement Investments - \$257,017
- \$13,742 was transferred to the Resale Property Fund from the Record Owner Resale Fund (a trust and agency fund) in accordance with 68 O.S. § 3131.
- \$800,000 was transferred to the Resale Property Investments fund from the Resale Property Fund.
- \$2,500,000 was transferred to the Self Insurance Investments fund from the Self Insurance Fund.
- \$4,800,000 was transferred to the Jail Construction Investments fund from the Limited Purpose Sales Tax 2006 fund.
- \$50,000 was transferred to the E-911 Fund from the E-911 Investment fund.
- \$400,000 was transferred to the E-911 Investment fund from the E-911 Fund.

OTHER SUPPLEMENTARY INFORMATION

PAYNE COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 10,124,951	\$ 10,124,951	\$ -
Less: Prior Year Outstanding Warrants	(1,475,689)	(1,475,689)	-
Less: Prior Year Encumbrances	(350,566)	(350,566)	-
Beginning Cash Balances, Budgetary Basis	<u>8,298,696</u>	<u>8,298,696</u>	<u>-</u>
Receipts:			
Ad Valorem Taxes	6,646,167	6,949,377	303,210
Charges for Services	385,297	470,717	85,420
Sales Tax	5,160,116	5,890,549	730,433
Intergovernmental Revenues	595,494	903,774	308,280
Miscellaneous Revenues	371,357	308,306	(63,051)
Total Receipts, Budgetary Basis	<u>13,158,431</u>	<u>14,522,723</u>	<u>1,364,292</u>
Expenditures:			
District Attorney	119,000	98,517	20,483
County Sheriff	2,227,012	2,051,484	175,528
County Treasurer	147,336	145,702	1,634
County Commissioners	282,900	302,377	(19,477)
OSU Extension	770,031	293,793	476,238
County Clerk	408,656	403,906	4,750
Court Clerk	413,052	380,457	32,595
County Assessor	505,504	524,573	(19,069)
Revaluation of Real Property	875,337	850,748	24,589
General Government	5,461,848	551,151	4,910,697
Excise-Equalization Board	1,700	1,629	71
County Election Board	139,001	121,058	17,943
Insurance - Benefits	2,222,380	1,833,188	389,192
Early Settlement	-	57,383	(57,383)
Emergency Management	92,150	79,533	12,617
Building Maintenance Account	64,000	46,171	17,829
District 1 & 3 Maintenance & Operations	3,794,271	2,341,983	1,452,288
County Audit Budget Account	65,576	2,000	63,576
Fairboard Account	2,231,805	593,814	1,637,991
Cushing Fire Department	141,803	74,608	67,195
Glencoe Fire Department	191,458	145,200	46,258
Ingalls Fire Department	263,762	36,029	227,733
Perkins Fire Department	276,156	44,127	232,029
Ripley Fire Department	292,129	17,030	275,099
Stillwater Fire Department	253,190	300,000	(46,810)
Yale Fire Department	161,879	62,529	99,350
Drumright Fire Department	55,191	7,268	47,923
Total Expenditures, Budgetary Basis	<u>21,457,127</u>	<u>11,366,258</u>	<u>10,090,869</u>

Continued on next page

**PAYNE COUNTY, OKLAHOMA
 COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
 CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
 GENERAL FUND - CONTINUED
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	General Fund		
	Budget	Actual	Variance
Continued from previous page			
Excess of Receipts and Beginning Cash			
Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	11,455,161	<u>\$ 11,455,161</u>
Operating Transfers		(1,056,523)	
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Cancelled Warrants		2,185	
Add: Current Year Outstanding Warrants		737,192	
Add: Current Year Encumbrances		<u>357,748</u>	
Ending Cash Balance		<u>\$ 11,495,763</u>	

**PAYNE 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, 2015**

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 2,396,684	\$ 2,396,684	\$ -
Less: Prior Year Outstanding Warrants	(1,880)	(1,880)	-
Less: Prior Year Encumbrances	(24,580)	(24,580)	-
Beginning Cash Balances, Budgetary Basis	2,370,224	2,370,224	-
Receipts:			
Ad Valorem Taxes	1,326,645	1,385,617	58,972
Charges for Services	-	11,710	11,710
Miscellaneous Revenues	-	2,616	2,616
Total Receipts, Budgetary Basis	1,326,645	1,399,943	73,298
Expenditures:			
Health and Welfare	3,696,869	2,376,753	1,320,116
Total Expenditures, Budgetary Basis	3,696,869	2,376,753	1,320,116
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	1,393,414	\$ 1,393,414
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		348,118	
Add: Current Year Outstanding Warrants		21,203	
Ending Cash Balance		\$ 1,762,735	

PAYNE COUNTY, OKLAHOMA
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS—
REMAINING AGGREGATE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Beginning Cash Balances July 1, 2014	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2015
Remaining Aggregate Funds:						
Flood Plain	\$ 11,020	\$ -	\$ -	\$ -	\$ 8,435	\$ 2,585
Resale Property Investments	-	998	800,000	-	-	800,998
Treasurer Mortgage Certification Fee Fund	202,858	12,225	-	-	133	214,950
Treasurer Mortgage Certification Investments	81,518	491	-	-	-	82,009
County Clerk Lien Fee Fund	391,286	91,895	-	-	43,160	440,021
County Clerk Lien Fee Investments	55,140	332	-	-	-	55,472
Self Insurance Investments	2,611,601	20,120	2,500,000	-	-	5,131,721
Sheriff Training Fund	16,870	1,950	-	-	9,164	9,656
Fairboard Cash Fund	314,546	197,253	-	-	162,780	349,019
Assessor Fee Revolving Fund	13,158	24,477	-	-	14,741	22,894
Sheriff Commissary Fund	119,385	100,115	-	-	120,107	99,393
Grants	74,403	9,900	-	-	9,900	74,403
Solid Waste Fund	(4,108)	16,968	161,267	13,447	132,489	28,191
Capital Projects	169,423	-	-	-	-	169,423
Jail Construction Investments 2006	1,224,274	14,152	4,800,000	-	1	6,038,425
Bridge Improvement	446	-	282,017	-	1,590	280,873
Bridge Improvement Investments	406,672	2,648	-	257,017	-	152,303
County Clerk Records Preservation	203,187	99,455	-	-	98,825	203,817
County Clerk Records Preservation Investments	84,890	511	-	-	-	85,401
E-911 Investments	-	459	400,000	50,000	-	350,459
Sheriff Courthouse Security	59,965	43,257	158,192	-	148,986	112,428
Emergency Management Fund	38,090	18,135	-	6,000	44,589	5,636
Local Emergency Planning Committee	6,144	1,000	-	-	767	6,377
Animal Control Strays	1,202	10,974	-	-	55	12,121
CDBG07 Lincoln County RWD Grant	250,000	-	-	-	-	250,000
Combined Total - Remaining Aggregate Funds	\$ 6,331,970	\$ 667,315	\$ 9,101,476	\$ 326,464	\$ 795,722	\$ 14,978,575

**PAYNE COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

1. Budgetary Schedules

The Comparative Schedules of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis for the General Fund and the County Health Department 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 Combined 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.

2. Remaining County Funds

Remaining aggregate funds as presented on the financial statement are as follows:

Flood Plain – accounts for monies from the Federal Government for the purpose of flood prevention.

Resale Property Investments – accounts for investments created using excess monies from the Resale Property Fund.

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

Treasurer Mortgage Certification Investments – accounts for investments created using excess monies from the Treasurer Mortgage Certification Fee Fund.

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

County Clerk Lien Fee Investments – accounts for investments created using excess monies from the County Clerk Lien Fee Fund.

Self Insurance Investments – accounts for investments created using excess monies from the Self Insurance Fund.

Sheriff Training Fund – accounts for the sale of property forfeited in drug cases and for the purpose of officer training, equipment, and crime prevention.

**PAYNE COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Fairboard Cash Fund – accounts for the collection of fees and donations from use of facility. Disbursements are for fairground and expo center maintenance and operation and capital improvements.

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

Sheriff Commissary Fund – accounts for the collection of the sale of items to inmates and to purchase commissary goods from the vendor and disbursements as restricted by state statute.

Grants – accounts for monies from federal grants and contracts, and state programs for the purpose listed in the grant agreements.

Solid Waste Fund – accounts for the sales tax monies collected for the operation of a solid waste system.

Capital Projects – accounts for money left over from the building and equipping of the administration building which are to be used for renovations to the administration building.

Jail Construction Investments 2006 – accounts for investments created using excess monies from the Limited Purpose Sales Tax 2006 fund.

Bridge Improvement – accounts for monies from the Oklahoma Department of Transportation for the purpose of bridge improvements throughout the County.

Bridge Improvement Investments – accounts for investments created using excess monies from the Bridge Improvement fund.

County Clerk Records Preservation – accounts for fees charged by the County Clerk for recording instruments. Disbursements are for the purpose of maintenance and preservation of public records.

County Clerk Records Preservation Investments – accounts for investments created using excess monies from the County Clerk Records Preservation fund.

E-911 Investments – accounts for investments created using excess monies from the E-911 Fund.

Sheriff Courthouse Security – accounts for collections of fees assessed for criminal and traffic cases filed in the Court Clerk's office for the purpose of enhancing existing, or providing additional, courthouse security.

Emergency Management Fund – accounts for monies from the Federal Government and State of Oklahoma for the operation of the Emergency Management department.

**PAYNE COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Local Emergency Planning Committee – accounts for state grant monies and disbursements as restricted by the grant agreement.

Animal Control Strays – accounts for monies collected from donations and disbursed for the purpose of caring for abandoned animals.

CDBG07 Lincoln County RWD Grant – accounts for federal money received for the purpose of assisting the Lincoln County Rural Water District construct a new water tower.

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
PAYNE 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 Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Payne County, Oklahoma, as of and for the year ended June 30, 2015, and the related notes to the financial statement, which collectively comprises Payne County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated February 20, 2019.

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, 2015, 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 Payne 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 Payne County's internal control. Accordingly, we do not express an opinion on the effectiveness of Payne County's internal control.

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

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



deficiencies described in the accompanying schedule of findings and responses to be material weaknesses: 2015-001, 2015-007, 2015-008, 2015-016, and 2015-019.

A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies: 2015-005 and 2015-021.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Payne 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2015-007, 2015-016, and 2015-019.

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

Payne County's Responses to Findings

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

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

February 20, 2019

**PAYNE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

Finding 2015-001 – Inadequate County-Wide Controls (Repeat Finding)

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

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

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

Recommendation: The Oklahoma State Auditor & Inspector’s Office (OSAI) recommends that the County design and implement procedures to document their Internal Control Framework. This documentation should outline the importance of internal controls, the risk that the County has identified, and the methodology to monitor 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:

Board of County Commissioners Chairman: The overall issue of county-wide controls is recognized and the County will continue to identify and work to develop internal controls.

Criteria: Internal control is an integral component of an organization’s management that provides reasonable assurance that the objective 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 Control Environment, Risk Assessment, Information and Communication, and Monitoring for the achievement of these goals.

The Control Environment sets the tone of an entity and influences the control consciousness of its people. The Control Environment is the foundation for all other components of internal control and provides structure and discipline. Among the important elements of the control environment are the attitude, awareness, and actions of management, as well as those charged with governance, concerning internal control.

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

**PAYNE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

analyzed for their possible effect. Management then has to formulate an approach for risk management and decide upon the internal control activities required to mitigate those risks and achieve the internal control objectives.

Information and Communication is a component of internal control which should provide for a county to run and control its operations. A county must have relevant, reliable information, both financial and nonfinancial. The information should be recorded and communicated to management and others within the county who need it and, in a form, and with a time frame that enables them to carry out their internal control and operational responsibilities. In addition, the county needs to make sure that the forms of communication are broad-based, and that information technology management assures useful, reliable, and continuous communications.

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

Finding 2015-005 – Inadequate Internal Controls and Noncompliance Over County Sales Tax Collections (Repeat Finding)

Condition: During review of the procedures involved in the receipt, apportionment, and disbursement of sales tax collections, the following was noted:

- There are no internal controls in place to ensure sales tax funds are appropriated in accordance with the sales tax ballots.
- The County relies on the budget maker to make management decisions regarding sales tax balances.
- The County comingles the three-eighths percent (3/8%) of one percent portion for fire departments with the one-sixteen percent (1/16%) of one percent sales taxes in the General Fund.
- The County does not accurately track the true balances of the three-eighths percent (3/8%) of one percent sales tax in its respective accounts.
- The County does not track the carryover balances of the three-eighths percent (3/8%) of one percent sales tax from year-to-year.
- The budget maker uses a percentage of the three-eighths percent (3/8%) of one percent sales tax carryover amounts to be used to fund the Contingency Fund.
- The County is not tracking the interest collected from the three-eighths percent (3/8%) of one percent sales tax proceeds.

Cause of Condition: Policies and procedures have not been designed and implemented to oversee and review sales tax collections to ensure collections are apportioned, appropriated, and disbursed in accordance with sales tax ballots.

**PAYNE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Effect of Condition: These conditions resulted in noncompliance with state statute and misappropriation of sales tax funds. By not accurately tracking carryover balances, appropriations or the expenditures of the sales tax accounts, the County runs the risk of expending more funds than it actually collected.

Recommendation: OSAI recommends the County design and implement procedures to ensure sales tax collections are appropriated in accordance with the sales tax ballots, accurately track sales tax balances in each of its designated accounts, and to track any interest generated from the collection of these revenues.

Management Response:

County Treasurer: This audit year was prior to current County Treasurer's administration. Procedures have been implemented segregating sales tax money as defined by ballot language. County officers have implemented a new structure with checks and balances in segregating and tracking each portion of the sales tax money. Monthly reporting of sales tax monies received, funds credited, and interest earned by fund are tracked and reviewed.

County Clerk: This issue has been addressed and resolved for future accountability of funds by being audited and tracked internally.

Criteria: Effective internal controls require management to design procedures to ensure sales tax revenue is correctly distributed, recorded, and expended for the purpose it was intended.

Title 68 O.S. § 1370(E), states in part, "...the proceeds of any sales tax levied by a county shall be deposited in the general revenue or sales tax revolving fund of the county and shall be used only for the purpose for which such sales tax was designed."

Further, AG opinion 1993 OK AG 32 states:

12. It is therefore the official opinion of the Attorney General that Article X, Section 19 of the Oklahoma Constitution mandates that income earned on in investment of dedicated taxes must be deposited with the principal and the income allocation alternatives.

AG opinion 2005 OK AG 23 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."

Finding 2015-007 – Inadequate Internal Controls and Noncompliance Over the Disbursements Process (Repeat Finding)

Condition: During our review of internal controls related to the disbursements process, the following was noted:

**PAYNE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

- The Board of County Commissioners (BOCC) does not sign purchase orders until after the adjourning of its weekly scheduled meetings. Discussion about questionable purchase orders sometimes occurs during this time. This practice has the appearance of official business being conducted after the close of the meeting.
- Two of the County Clerk's deputies have access to print warrants with the electronic signatures of the County Clerk and BOCC Chairman.
- Procedures have not been designed for the County Clerk and County Treasurer to reconcile warrants issued to warrants paid.

Additionally, during our test of eighty-four (84) disbursements we noted the following:

- Four (4) disbursements were for brand development and travel reimbursement for a nonprofit organization. These were not legitimate expenses of the County and should not have been paid with County funds.
- Two (2) disbursements were not reviewed/authorized.
- One (1) disbursement was not made for the appropriate amount.
- Fourteen (14) disbursements were not encumbered before receiving goods or services.

Cause of Condition: Policies and procedures have not been designed and implemented with regard to the disbursement process to strengthen internal controls and ensure compliance with state statutes. Additionally, policies and procedures have not been designed and implemented to ensure all county business is conducted in a public meeting in accordance with the Open Meeting Act.

Effect of Condition: These conditions resulted in noncompliance with state statutes and violation of the Open Meetings Act. Additionally, these conditions could result in unrecorded transactions, misstated financial reports, undetected errors, and misappropriation of funds.

Recommendation: OSAI recommends the County implement internal control procedures to ensure compliance with purchasing guidelines. All purchases should be properly requisitioned, encumbered, approved, and received with proper supporting documentation attached. Additionally, policies and procedures should be implemented to ensure compliance with the Open Meeting Act, the safeguarding of elected officials electronic signature stamps, and warrants issued are reconciled to warrants paid.

Management Response:

County Clerk: Internal controls and dual verification policy has been adopted to address this concern.

Board of County Commissioners Chairman: We have received guidance from our Assistant District Attorney regarding this issue. If we do ask questions regarding particular purchase orders, it is for informational purposes only, and if we feel that the purchase needs to be discussed, it is held over to the next meeting for discussion during the open meeting.

Every effort is made to comply with the letter and spirit of the law. However, given the number of purchase orders that go through a county our size, an error can occasionally occur, even with as many eyes and signatures as each purchase order is supposed to have. Further, some things occur when it is not possible

**PAYNE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

to get a purchase order in place, especially at the Sheriff's office where they go non-stop, 24/7. Between prisoners, deputy's vehicles, and our K-9 partners, we sometimes have unexpected expenses when the office is closed.

We will, however, continue to strive to improve and reach our goal of zero mistakes, and continue to avoid any expenses without a purchase order whenever possible. The Commissioners have also taken steps to put the following in place:

- Review disbursements closely to ensure all have been signed by the BOCC.
- Review disbursements closely to ensure proper accounts are used.
- Review disbursements closely to ensure correct amounts have been documented properly.
- Attach and review proper documentation with all disbursements.
- Ensure that funds are encumbered prior to making purchases.

Auditor Response: To conduct County business outside a public meeting is a violation of the Open Meeting Act.

Criteria: An important aspect of internal control is the safeguarding of assets. Internal controls over safeguarding of assets constitute a process, affected by the entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or untimely detection of unauthorized acquisition, use, or disposition of the entity's assets and safeguarding assets from loss, damage, or misappropriation.

Title 19 O.S. § 1505 prescribes the procedures established for the requisition, purchase, lease-purchase, rental, and receipt of supplies, materials, and equipment for maintenance, operation, and capital expenditures of county government.

Title 25 O.S. § 304 states in part, "...2. Meeting" means the conduct of business of a public body by a majority of its members being personally together or, as authorized by Section 307.1 of this title, together pursuant to a videoconference...."

1982 OK AG 212 states in part:

Therefore, it is the official opinion of the Attorney General that:

1. When members of a public body meet among themselves to discuss the appropriation of funds, the requirements of the Open Meeting Act must be satisfied.
2. When a public body meets with a group of experts in order to gain insight into a particular matter, the meeting must be open to the public and satisfy other requirements of the Open Meeting Act.
3. When majority of members of a public body are together in an informal setting and begin discussing matters concerning the business of the public body, the discussion comes under the auspices of the Open Meeting Act.
4. When a public body meets to vote on a particular matter, the vote is subject to the provisions of the Open Meeting Act.

**PAYNE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

1982 OK AG 7 (2) states in part:

Therefore, it is the official opinion of the Attorney General that:

2. Any action taken in “willful” violation of the Open Meeting Act is invalid. 25 O.S. Supp. 1977 § 313. The term “willful” as used in the Open Meeting Act, does not require a showing of bad faith, malice or wantonness, and includes unintentional violations of the law and violations in disregard of the law.

Finding 2015-008 – Inadequate Segregation of Duties Over the Payroll Process (Repeat Finding)

Condition: A lack of segregation of duties exists in the County Clerk’s office because one deputy enrolls new employees, reviews the payroll claims, calculates amounts to be paid to the employees and payroll related agencies, updates the master payroll file, issues and prints payroll warrants, and removes terminated employees from payroll.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure adequate segregation of duties over the payroll process.

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

Recommendation: OSAI recommends management design and implement policies and procedures to sufficiently segregate the payroll process. Such a segregation of duties could consist of assigning certain aspects of the process to a different employee, or even assigning and documenting levels of review throughout the payroll process. 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.

Management Response:

County Clerk: Internal controls and a dual verification policy have been adopted to address this concern while complying with state and federal law.

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.

Finding 2015-016 - Inadequate Internal Controls and Noncompliance Over Operational Transfers (Repeat Finding)

Condition: During the fiscal year, the County made many transfers between the budgeted and restricted cash funds presented on the County Treasurer’s general ledger, as well as transfers between County funds

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and trust and agency funds. Budgeted funds and funds deposited into revolving cash funds are restricted by state statute and comingling of these funds are not allowed. Trust and agency funds do not appear on the County's financial statements and are not classified as audited county funds.

Further, the County General Fund revenues and County Health Department fund revenues are budgeted funds and the use of these funds are restricted by state statute. These funds are budgeted to meet the expenditure requirements for the current fiscal year. If the funds are not used, they are lapsed and used for the expenditure requirements of the next fiscal year.

Several of the transfers that occurred were back-dated from the day they were actually entered into the financial system.

The following transfers were noted:

- \$1,111,459 was transferred to the following funds from the County General Fund:
 - Sheriff Courthouse Security - \$158,192
 - Jail Operations and Maintenance - \$750,000
 - Solid Waste Fund - \$161,267
 - Fair Board Premium (a trust and agency fund) - \$42,000

- \$54,936 was transferred to the County General Fund from the Highway Cash Fund.

- \$19,447 was transferred to the Highway Cash Fund from the following funds:
 - Solid Waste Fund - \$13,447
 - Emergency Management Fund - \$6,000

- \$600,000 was transferred to the Jail Operations and Maintenance fund from the Limited Purpose Sales Tax 2006 fund on August 13, 2015 and backdated it to June 30, 2015.

- \$25,000 was transferred to the Bridge Improvement Fund from the Highway Cash Fund.

- \$3,135 was transferred to the Emergency Management Fund from the Sheriff Service Fee Cash Fund on August 13, 2015 and back-dated it to June 30, 2015. This transfer does not show up on the financial statement because it was an error correction which increased Emergency Management apportionments and decreased Sheriff Service Fee apportionments.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure compliance with 19 O.S. § 1418, 62 O.S. § 331 and 68 O.S. § 3021 which restricts the transferring and comingling of specific revenue sources.

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Effect of Condition: This condition resulted in noncompliance with state statutes and earmarked funds being used for purposes other than those outlined in state statutes.

Recommendation: OSAI recommends the County cease all activity of transferring funds between restricted and earmarked budgeted funds and revolving cash funds. Transfers between funds should only be made for those limited specific purposes as stated in the statutes and should be effective as of the day they are entered into the system.

Management Response:

Board of County Commissioners Chairman: Transfers between restricted and earmarked budgeted funds and revolving cash funds are no longer utilized unless specifically addressed in statute. We have also changed the way we use transfers, which has greatly reduced the overall number.

County Clerk: Transfers were monitored for each fund by the approval of the Board of County Commissioners and Budget Board upon the request of the elected official who was in authority of those funds. I, as the County Clerk, was not aware that funds were being requested to be transferred that should not have been until we were advised by the auditors and was following the direction of the approval of both boards.

County Treasurer: This audit year was prior to the current County Treasurer's administration. Transfers between restricted, budgeted, and revolving cash funds are no longer utilized unless specifically addressed in state statute.

Criteria: Effective internal controls require that management properly implement procedures to ensure compliance with state statutes and cease all backdating of transfers in an attempt to correct the county's financial system.

Title 19 O.S. § 1418 states, "A county budget board may authorize transfers of any unencumbered and unexpended appropriation or any portion thereof from one expenditure category to another within the same department or from one department to another within the same fund, except that no appropriation for debt service or other appropriation required by law or resolution may be reduced below the minimums required. Interfund transfers may be made only as authorized by this act or as provided in the budget as adopted or amended according to Sections 10, 14, and 20 of this act."

Title 62 O.S. § 331 states in part, "First. All funds for current requirements arising out of an ad valorem tax levy assessed and collected under the provisions of Section 9, Article 10, Constitution, as amended, ... are hereby declared to constitute the "General Fund" of such county, city, town, independent or dependent school district, or other municipal subdivisions of the state. All special "funds" arising out of an ad valorem tax levy, within the limitations of said Section 9, Article 10, Constitution, ... authorized or required by existing laws to be devoted to a specific or special purpose, or that may hereafter be so authorized or required, unless specifically excepted, shall, from and after the effective date of this act, be accounted for as integral "budget accounts" within and as a part of the said

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"General Fund." Each such integral budget account shall bear the title ascribed by law to such special purpose, and it shall be subject to be so itemized for purpose of appropriation as the law may direct for the accomplishment of such special purpose, and none of the items of appropriation within such special budget account shall ever be expended for any purpose other than provided by the law creating such special fund (now budget account) ***nor shall any part of it ever be available for transfer to any other budget account within the General Fund. It is provided, however, that cancellation and/or transfer between the several items of appropriation for a special purpose within the limitations and in the manner provided by law is hereby authorized....***"

Title 68 O.S. § 3021 states, Whenever the public welfare or the needs of any county, city, town, or school district shall require, the excise board may, on call of the chair, convene at any time for the purpose of making supplemental or additional appropriations for current expense purposes; provided, that all such appropriations authorizing the creation of an indebtedness shall come within the limitations of Section 26, Article X, Oklahoma Constitution. No supplemental or additional appropriation shall be made for any county, city, town or school district in excess of the income and revenue provided or accumulated for the year. As to all such proposed appropriations the following procedure shall be followed:

First: The proper officers of the county, city, town or school district shall make and file with the excise board a financial statement showing its true fiscal condition as at the close of the month next preceding or as of May 15 or June 20, or both dates, preceding the date of filing, and shall submit therewith a statement of the amount and purpose for which each proposed supplemental appropriation is to be used. The financial statement shall show, as to current expense or general fund, the amount of cash in the treasury; the amount of taxes in process of collection as to which the date of sale for delinquency has not elapsed; the amount of the uncollected portion of the estimated income other than ad valorem tax as fixed by the excise board for the current fiscal year; the amount of warrants outstanding and an estimate of the interest accrued and accruing thereon; the amount of unexpended balance of all appropriations for current expense purposes as to which a period of six (6) months has not elapsed from the date of the close of the fiscal year for which the appropriation was available; and the surplus or deficit in revenue, if any, in each fund.

Second: If the financial statement herein required shall correctly reflect a surplus in revenue in any fund available for current expenses, and the excise board shall so affirmatively find, it may make supplemental appropriations to an amount not exceeding the aggregate of such surplus.

Third: If the surplus of revenue, as found and determined by the excise board, shall be insufficient for the additional needs and requirements of the county, or other municipal subdivision, the excise board shall have the power and authority to revoke and cancel in whole, or in part, any appropriation or appropriations, or parts thereof, previously made to any officer or department of government of any county, city, town or school district and to make in lieu thereof such supplemental and additional appropriations for current expense purpose as the interest of the public may require; provided, that no appropriation or part

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thereof shall be revoked or canceled against which there may be an unpaid claim or contract pending. The total amount of all such appropriations shall not exceed the aggregate of the amount of appropriations so revoked or canceled, and the surplus or unappropriated revenue, if any, of the county, city, town or school district for which it is proposed to make such additional appropriation; provided, that before any appropriation or part thereof shall be revoked or canceled, the officer or officers in charge of the office or department of government for which any such appropriation is available shall be notified of the proposed revocation or cancellation, and shall be afforded an opportunity, if so desired, to appear before the excise board and protest against such proposed action. As to counties, cities and school districts, the financial statement and request for supplemental appropriations herein required to be filed with the excise board shall be published at least one time in some newspaper of general circulation in the county or city for which made. The publication shall be made at least three (3) days prior to the date on which the excise board shall consider the proposed supplemental or additional appropriations. No appropriations shall be made and considered by the excise board in the absence of the financial statement herein required to be filed.

Fourth: If at any time during the budget year it appears to the county treasurer that there is temporarily insufficient money in a particular fund to meet the requirements of appropriation in the fund, the excise board, upon request of the county treasurer and upon notification to the county commissioners, may temporarily transfer money from one fund to any other fund with the permission of the county officer in charge of the fund that the money will be temporarily transferred from. No transfer shall be made from the debt service fund to any other fund except as may be permitted by the terms of the bond issue or applicable law. Any funds temporarily transferred shall be repaid to the original fund from which they were transferred within the fiscal year that the funds were transferred.

Finding 2015-019 – Inadequate Internal Controls and Noncompliance Over the Financial Statement Presentation (Repeat Finding)

Condition: The County has not designed and implemented internal controls to ensure the accurate presentation of the County's financial statement. During the review and reconciliation of the financial statement as initially prepared by the County, we determined that the disbursements were understated by \$2,145,648. The understatement was due to the County Treasurer's office electronically wiring the monthly bond payment for the Payne County Facilities Authority (PCFA) without following purchasing procedures and rules promulgated by OSAI.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure that the County's financial statement is accurately presented.

Effect of Condition: This condition resulted in the disbursements for the Limited Purpose Sales Tax 2006 fund to be materially understated on the County's financial statement.

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Recommendation: OSAI recommends the County design and implement policies and procedures to ensure the County's financial statement is accurately presented in accordance with state statute.

Management Response:

Board of County Commissioners Chairman: We will continue to strive for a greater understanding and transparency of this account as we become more familiar with it. We have always endeavored to be fully transparent, but have not always known exactly what to do, so certain efforts that were made were subsequently found to be incorrect and stopped, and another path tried. This could look confusing and obtuse, but as we learn, we do not repeat our mistakes.

Resolving this issue continues to be a learning process, and we thank the auditors for their help in getting a clean and proper operation in place.

County Treasurer: This audit year was prior to the current County Treasurer's administration. Changes have been made to the process of receiving and disbursing this sales tax money. The Payne County Facilities Authority sales tax is received from the Oklahoma Tax Commission through Payne County. By use of a purchase order to the County Clerk, a warrant is issued. This warrant for the sales tax money is then deposited into a separate Facilities Authority bank account keeping a clear distinction between sales tax money and county money. This also creates a clear record trail between the County Clerk and the County Treasurer. The Facilities Authority disburses the money as defined by the ballot language.

Criteria: An important aspect of internal control is the safeguarding of assets. Internal controls over safeguarding of assets constitute a process, affected by the entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or untimely detection of unauthorized acquisition, use, or disposition of the entity's assets and safeguarding assets from loss, damage, or misappropriation.

Effective internal controls require that management properly implement procedures to ensure that purchases comply with 19 O.S. § 1505 and 62 O.S. § 471.

Finding 2015-021 – Inadequate Internal Controls Over the Financial Operations in the County Treasurer and County Clerk's Offices (Repeat Finding)

Condition: It was noted that the offices of the County Treasurer and County Clerk were making error corrections after the fiscal year end recommended by the County's Certified Public Accountant (CPA). Late in the audit, we noticed that we had received multiple general ledgers with varying balances within funds. We inquired as to why this was needed after the fiscal year end, and the County's CPA stated that up to three to four months after a fiscal year, he reviews the miscellaneous receipts for each account and if something needs to be changed he has the head bookkeeper in the County Treasurer's office change it on the general ledger. The County's CPA would then go to the County Clerk's office and have her complete the transfer on her appropriation ledgers after showing her a reconciliation of the changed Treasurer's accounts.

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Additionally, we noted the following:

- A County Treasurer deputy has the ability to make adjustments to fund balances as error corrections without using journal entries.
- The County Treasurer does not have the ability to review any changes made on the general ledger when error corrections are made without using journal entries.
- A County Treasurer deputy can use the County Treasurer's signature stamp to register warrants. The signature stamp is kept in the safe and three deputies have the combination to the safe.
- The Solid Waste Fund had a negative balance of \$4,108 as of July 1, 2015.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure the accuracy of the County Treasurer's general ledger, to ensure management decisions are only being made by the elected officials and to ensure the safeguarding of elected officials signature stamps.

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

Recommendation: OSAI recommends that the County design and implement procedures to ensure that the County Treasurer's general ledger accurately portrays the fiscal condition of the County, management decisions are only made by the elected officials and the elected officials signature stamps are safeguarded against unauthorized use.

Management Response:

County Treasurer: This audit year was prior to the current County Treasurer's administration. Error corrections are entered in the general ledger on the date made. The County Treasurer currently has the signature stamp under lock, and she controls the key. The County Treasurer is responsible for signing warrants

County Clerk: The Clerk's office does not make corrections to ledgers and accounts without a journal entry correction or a memo submitted by the County Treasurer's office with proper documentation. Year or month end account balances are no longer adjusted after the month end. Any correction to a previous month is entered as a journal entry identified as a correction in the month detected.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. Internal controls should be designed to analyze and check accuracy and completeness of the County's financial records.

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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 2015-002 – Inadequate Segregation of Duties Over the Collection Process - Court Clerk (Repeat Finding)

Condition: Upon inquiry of the Court Clerk employees and observation and test of records, we noted the bookkeeper has the ability to issue receipts, balance one of the cash drawers, prepare deposits, take deposits to the County Treasurer and reconcile account balances to the County Treasurer.

Cause of Condition: Policies and procedures have not been designed and implemented to adequately segregate the duties of the receipting and depositing process within the office of the Court Clerk.

Effect of Condition: A single person having responsibility for more than one area of recording, authorization, custody of assets, and execution of transactions could result in unrecorded transactions, misstated financial reports, clerical errors, or misappropriation of funds not being detected in a timely manner.

Recommendation: OSAI recommends that management be aware of these conditions and realize that a concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. Regarding the receipting process, OSAI recommends that one employee should not be performing all of the duties regarding issuing receipts, balancing the cash drawer, preparing the deposit, and delivering the deposit to the County Treasurer’s office and reconciling account balances to the County Treasurer.

Management Response:

Court Clerk: I took office January 1, 2015 and have taken steps since then to segregate duties.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. Effective internal controls require that key functions within a process be adequately segregated to allow for prevention and detection of errors and possible misappropriation of funds. To help ensure a proper accounting of funds, the duties of issuing receipts, balancing the cash drawer, preparing deposits, delivering the deposit to the County Treasurer, and reconciliation of the accounts should be segregated.

Finding 2015-003 – Inadequate Internal Controls and Noncompliance Over Court Fund and Court Clerk Revolving Fund Expenditures – Court Clerk (Repeat Finding)

Condition: Upon inquiry of Court Clerk employees, observation, and test of records, we noted the following weaknesses with regard to internal controls and noncompliance related to the expenditure processes over Court Fund and Court Clerk Revolving Fund claims:

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Court Fund:

- The test of twenty-five (25) Court Fund claims reflected that eleven (11) claims did not have approval of the majority of the Court Fund Board.

Court Clerk Revolving Fund:

- Five (5) of the ten (10) claims tested had not been signed by the requisitioning officer/Court Clerk.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure that claims receive proper approval before ordering goods/services or before issuing a voucher.

Effect of Condition: These conditions resulted in noncompliance with state statutes and could result in unrecorded transactions, misstated financial reports, undetected errors, and misappropriation of funds.

Recommendation: OSAI recommends proper authorization of claims be obtained prior to ordering, upon receiving goods/services and/or before issuing vouchers for payment in order to ensure compliance with 20 O.S. § 1304 and 19 O.S. § 220.

Management Response:

Court Clerk: This has been brought to my attention and corrected. I now know to sign in the multiple places.

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 Court Fund and Court Clerk Revolving Fund expenditures.

Finding 2015-004 – Inadequate Internal Controls and Noncompliance Over the Inmate Trust Fund Checking Account and Sheriff Commissary Fund (Repeat Finding)

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

- Collections were not deposited daily.
- The Sheriff's office does not file an annual report for the Commissary Fund with the Board of County Commissioners by January 15, of each year.
- While reviewing 100% of the Inmate Trust Fund Checking Account bank statements, it was noted that the Payne County Sheriff's office did not follow state statute for the issuing of checks from the Inmate Trust Fund Checking Account. Thirteen (13) checks were issued for purposes other than for remitting the remaining balance to an inmate upon release, or to the Payne County Treasurer's Office to be deposited into the Sheriff Commissary Fund.

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

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

Recommendation: OSAI recommends that the Sheriff maintain Inmate Trust monies in a manner that reflects each inmate's trust deposits, disbursements, and account balances.

Additionally, OSAI recommends the following:

- Collections be deposited daily into the Inmate Trust Fund Checking Account.
- The County Sheriff file a report of the Commissary Fund with the Board of County Commissioners by January 15th, of each year in accordance with Title 19 O.S. § 180.43.
- Expenditures be made from the Inmate Trust Fund Checking Account in accordance with 19 O.S. § 531 A.

Management Response:

County Sheriff:

- The Sheriff's office now makes daily deposits.
- The Sheriff's office now prepares an annual Commissary Fund report for the Board of Commissioners.
- Checks were written to pay fines or costs at the inmate's request. The Court Clerk's office will not accept third-party checks. The Sheriff's Department is looking into a debit card type arrangement for refunding funds.

Auditor Response: Inmate Trust disbursements can only be made by the inmate during his or her incarceration and to the inmate for unencumbered balances due the inmate upon his or her discharge.

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

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

Title 19 O.S. § 180.43(D) states in part, "...Any funds received pursuant to said operations shall be the funds of the county where the persons are incarcerated and shall be deposited in the Sheriff's Commissary Account. The sheriff shall be permitted to expend the funds to improve or provide jail services. The sheriff shall be permitted to expend any surplus in the Sheriff's Commissary Account for administering expenses for training equipment, travel or for capital expenditures. The claims for expenses shall be filed with and allowed by the board of county commissioners in the same

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manner as other claims. The Sheriff shall receive no compensation for the operation of said commissary. The sheriff shall file an annual report on any said commissary under his or her operation no later than January 15 of each year....”

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

Finding 2015-013 – Inadequate Internal Controls and Noncompliance Over Consumable Inventories

Condition: Upon inquiry of County personnel, observation, and review of documents regarding consumable inventories, the following was noted:

District 1:

- A physical review of consumable inventory is not performed.
- A reconciliation of Unleaded fuel is not performed.
- The district has five remote diesel tanks, 300 gallons each, that are not measured, and fuel logs are not maintained.
- An auditor preformed reconciliation of Diesel fuel to records maintained by the District indicated fuel was 719 gallons less than what was recorded.

District 3:

- A reconciliation of consumable inventories or fuel is not performed.

Cause of Condition: Policies and procedures have not been designed and implemented for the accurate reporting of consumable inventories.

Effect of Condition: These conditions could result in inaccurate records, unauthorized use, or loss of consumable inventories.

Recommendation: OSAI recommends management implement internal controls to ensure compliance with 19 O.S. § 1504(A). These procedures would include keeping accurate documentation of consumable inventory, including fuel.

Management Response:

District 1 Commissioner: District 1 has begun to perform internal reviews and audits. Consumable reviews are signed and dated quarterly. Weekly fuel reconciliation from the yard has been implemented, but it is not felt that measuring remote tanks will provide any useful information. District 1 has an idea of how much fuel each tank should use on average. When fuel is ordered for remote tanks, we are informed in the invoice as to the quantity of fuel each tank held.

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District 3 Commissioner: District 3 has removed all remote tanks and installed meters on all fuel being dispensed but is still on the honor system of recording amounts. A fuel recording system has been purchased but has not been installed as of May 2017. Fuel is being reconciled bimonthly, and evidence is pointing to a possible error in the metering on the big tanks; Further investigation continues.

Auditor Response: Measuring tanks weekly and reconciling to properly maintained fuel records is recommended.

Criteria: Effective internal controls include designing and implementing procedures to ensure that all supplies, materials, and equipment received, disbursed, stored and consumed by their department comply with 19 O.S. § 1504(A).

Finding 2015-014 – Inadequate Internal Controls and Noncompliance Over Fixed Assets

Condition: Upon inquiry and observation of inventory items, the following conditions were noted:

County Clerk:

- An annual review of inventory is not performed.
- Three (3) of the ten (10) items tested could not be located.

Court Clerk:

- An annual review of inventory is not performed.
- Of the ten (10) items tested:
 - Three (3) items could not be located.
 - Two (2) items did not have a county identification number.
- Three (3) additional high value items were not on the inventory list.

County Sheriff:

- An annual review of inventory is not performed.

District 1:

- An annual review of inventory is not performed.
- Of the twenty (20) items tested:
 - Ten (10) did not have a county identification number.
 - One (1) did not match the description and identification number on the inventory records.
 - One (1) vehicle was not properly marked “Property of Payne County”.

District 2:

Solid Waste

- An annual review of inventory is not performed.
- Of the twenty (20) items tested:
 - Four (4) could not be located.
 - Eight (8) did not have a county identification number.

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- Four (4) vehicles were not properly marked “Property of Payne County”.
- Two (2) were not listed on inventory.

District 3:

- An annual review of inventory is not performed.
- Of the twenty (20) items tested:
 - Seventeen (17) did not have a county identification number.
 - Six (6) vehicles were not properly marked “Property of Payne County”.

Cause of Condition: Policies and procedures have not been designed and implemented by the officials to ensure fixed assets are properly marked and inventory records are properly maintained.

Effect of Condition: These conditions resulted in noncompliance with state statutes. Additionally, when fixed assets are not monitored and equipment is not properly marked with identification numbers, opportunities for misuse or loss of assets.

Recommendation: OSAI recommends management implement internal controls to ensure compliance with state statutes by performing annual inventory counts, maintaining inventory records, marking assets with a county identification number and road equipment properly marked “Property of Payne County.” OSAI further recommends that annual physical fixed asset counts be performed by someone other than the Inventory Clerk, and documentation of those counts be signed, dated, and retained to show the operating effectiveness of internal controls implemented by officials.

Management Response:

Board of County Commissioners Chairman: New and updated internal controls and procedures have been adopted to better address this concern. The road districts will also ensure the updated procedures are installed.

District 1 Commissioner: Signed and dated inventory reviews will be conducted at least annually. Numbers will be engraved on items where stickers will not remain attached, as well as mark vehicles as county property. Identification numbers will be verified as accurate, and the inventory list will be maintained.

District 3 Commissioner: Signed and dated inventory reviews will be conducted at least annually. Numbers will be engraved on items where stickers will not remain attached, as well as mark vehicles as county property. Identification numbers will be verified as accurate, and the inventory list will be maintained.

County Clerk: Annual reviews are being done each year. Regarding the inventory items noted: One piece of equipment was in the Commissioner’s office and was no longer in there. The typewriter was given to another office. The backup was a trade.

Court Clerk: These items were purchased and put on the inventory by the former Court Clerk, and the office is working to clean up the inventory list.

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County Sherriff: Starting Fiscal Year 2016/2017 our office began updating the inventory list more diligently.

Criteria: Internal controls over safeguarding of assets constitute a process, affected by an entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from misappropriation.

Title 19 O.S. § 178.1, 19 O.S. § 1502(A)(1), and 69 O.S. § 645 provide guidance to the County for maintaining inventory records, marking assets with a county identification number, and "Property of (name of county) County".

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



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