

PERFORMANCE AUDIT

CANADIAN COUNTY COMMISSIONERS

For the period July 1, 2013 through June 30, 2016



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



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

**Audit Report of the
Canadian County Commissioners**

**For the Period
July 1, 2013 through June 30, 2016**



Oklahoma State Auditor & Inspector

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August 14, 2017

TO THE CANADIAN COUNTY COMMISSIONERS

This is the audit report of the Canadian County Commissioners for the period July 1, 2013 through June 30, 2016. The goal of the State Auditor and Inspector is to promote accountability and fiscal integrity in state and local government. Maintaining our independence as we provide this service to the taxpayers of Oklahoma is of utmost importance.

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

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

Sincerely,

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

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

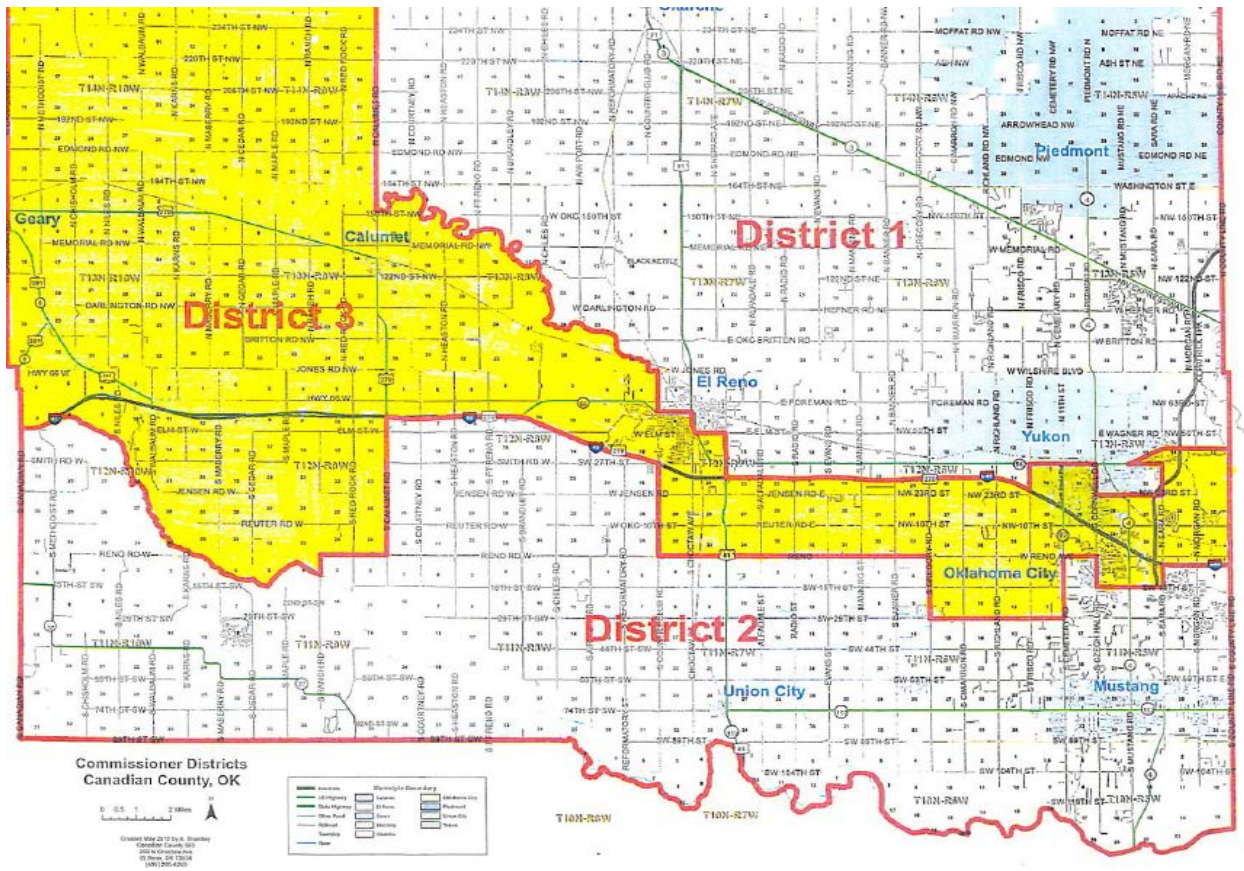
Canadian County Commissioners Performance Audit

Background

Each county in Oklahoma has three County Commissioner districts, which are approximately equal in population and are numbered as districts one, two, and three. One County Commissioner is elected by the electors within each district, and the three together comprise the Board of County Commissioners. Some financial duties are performed within the district offices, while others are performed by the elected county clerk.

Canadian County Board of Commissioners as of June 30, 2016 includes:

- Marc Hader District 1
- Dave Anderson..... District 2
- Jack Stewart..... District 3



Canadian County is located in Central Oklahoma, adjacent to Oklahoma County and within the Oklahoma City Metropolitan Statistical Area. Its major cities include El Reno (the county seat), Mustang, and Yukon. The county consists of approximately 900 square miles, and has a growing population, exceeding 129,000 people as of 2014.¹

¹ Information from Canadian County website, <http://www.canadiancounty.org>, accessed May 2017.

Canadian County Commissioners Performance Audit

Scope and Methodology

Our audit was conducted in response to the Canadian County Commissioners' request in accordance with 74 O.S. § 212.I and 213.2.B.

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

In planning and conducting our audit, we focused on the major financial-related areas of operations based on assessment of materiality and risk for the period July 1, 2013 through June 30, 2016.

Our audit procedures included inquiries of appropriate personnel, inspections of documents and records necessary to confirm our understandings of operations and to conduct testwork as applicable, and observations of the Canadian County Commissioners operations. We utilized sampling of transactions to achieve our objectives. To ensure the samples were representative of the population and provided sufficient, appropriate evidence, the random sample methodology was used. We identified specific attributes for testing each of the samples and when appropriate, we projected our results to the population.

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

OBJECTIVE I

Determine whether internal controls provide reasonable assurance that expenditures (both miscellaneous and payroll) were accurately reported in the accounting records.

Conclusion

The district internal controls do not provide reasonable assurance that payroll or miscellaneous expenditures were accurately reported in the accounting records.

FINDINGS AND RECOMMENDATIONS

**Expenditures
Should Be
Reconciled to
Approved
Documentation**

The United States Government Accountability Office's *Standards for Internal Control in the Federal Government* (2014 Revision)² provides that key duties and responsibilities need to be divided or segregated among different people to reduce the risk of error or fraud. This should include separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets. In general, an effective internal control system provides for independent review of expenditures, as well as for adequate retention of documentation of transactions and key reviews.

Each district's commissioner is responsible for approving miscellaneous and payroll expenditures at the district level, and then the expenditure claims are approved again during the county board of commissioners meetings. The districts rely on the county clerk's office to post all aspects of this process to the county's accounting system (ProPO). While district staff and the commissioners reportedly sometimes compare ProPO to their original documentation, this review is not documented and not performed consistently. Therefore, it appears no independent, formal review of detailed expenditures is performed after the expenditure payments are made. As a result, the county clerk's office may have the ability to initiate and approve inappropriate miscellaneous and payroll expenditure transactions (whether purposefully or by error) without detection.

Additionally, as a result of this weakness, it is possible that the payroll payments approved by the board of commissioners in its meetings could be incomplete or contain errors. This may impact the county's compliance with 19 O.S. § 153, which requires the commissioners' approval before salaries are paid.

Recommendation

An independent party, such as the district commissioner or receiving agent, should perform a line-item detailed review of all miscellaneous and payroll expenditures after they are made, after ensuring the list of expenditures is complete and reliable. This review should be documented by signing, dating, and retaining the ProPO detailed expenditure reports, either electronically or in hard copy.

² Although this publication addresses controls in the federal government, this criterion can be treated as best practices. The theory of controls applies uniformly to federal or state government.

Views of Responsible Officials

District 1 Response: District 1 will follow the recommendation to retain in hard copy or electronically, with documented proof of review, the appropriation ledgers that are currently examined but undocumented so they may be available to an outside party.

District 2 Response: Canadian County is currently developing our written internal control policy for all offices. Included in the policy for D-2 will be the requirement to retain the report of all paid purchase orders for each week. This list is provided by the county purchasing department to the Commissioners each week before the commission meets for its regular business meeting. This report will be signed by the commissioner and maintained in a file by the Receiving Agent at the district shop.

Employees at D-2 clock in each morning and clock out each afternoon. On their time card they state in a brief narrative their activities for the day and where any consumable inventory items were used. These time cards are signed by the receiving agent and reviewed by the commissioner each week and permanently kept in the employee file at the district shop. This information is then used by the receiving agent to produce a payroll claim, which is also signed by the commissioner, to be turned in to the county payroll department for processing. These payroll claims are then approved and signed by the commissioners in a regular weekly commission meeting and permanently kept in a file maintained by the County Clerk. These practices will continue to be a part of our written control policy.

District 3 declined to provide additional details.

Auditor Response

We reiterate our recommendation that all districts perform and retain reviews of detailed expenditure reports, including payroll, *after* the payments have been made.

OBJECTIVE II Analyze maintenance district expenditures and determine the reasonableness of district expenditures and related trends, given the statutory responsibility and authority of the county commissioners.

Conclusion District expenditures and related trends appear reasonable given the statutory responsibility and authority of the county commissioners, and the districts' varied sizes, demographics, and geography.

To accomplish our objective, we performed the following:

- Analyzed district expenditures occurring in each of the three maintenance districts to identify the major areas of spending and any other items significant for further review;
- Reviewed the top spending categories over the past three fiscal years, top vendors and changes in these vendors over the past three fiscal years, and investigated any expenditures that appeared to be out of the ordinary;
- Researched laws, regulations, and related guidance prescribing the Commissioners' responsibilities and authority related to expenditures; and
- Determined whether the identified trends and expenditures appeared reasonable given the applicable guidance.

No exceptions or findings were noted as a result of these procedures.

OBJECTIVE III Evaluate the county commissioners' current staffing structures and compare to best practices.

Conclusion District staffing structures and related practices appear reasonable given the statutory responsibility and authority of the County Commissioners, and the districts' varied characteristics and needs.

To accomplish our objective, we performed the following:

- Obtained an understanding of the current staffing structure and approach of each commissioner by reviewing staff listings, maps, and related documentation, as well as through discussions with the Commissioners and their staffs;
- Researched applicable laws, regulations, related guidance, and best practices; and
- Compared district staffing practices to the applicable guidance to determine whether they appeared to be operating reasonably.

No exceptions or findings were noted as a result of these procedures.

OBJECTIVE IV Evaluate the county commissioners' current practices for purchasing and leasing capital equipment and compare to best practices.

Conclusion District equipment purchases, leases, and related practices appear reasonable given the statutory responsibility and authority of the county commissioners and the districts' varied characteristics and needs. However, improvements could be made in equipment tracking and sharing.

FINDINGS AND RECOMMENDATIONS

Potential Improvements to Equipment Tracking and Sharing

Directly applicable best practices for efficient and effective maintenance of capital equipment inventory are outlined in the Ohio Performance Team's 2012 Lake County Capital Equipment Utilization Study. To maximize the return on capital equipment investment, it is important that government entities such as counties and their sub-districts pursue strategies to increase overall capital equipment utilization. These strategies could include developing a County-wide equipment sharing program, disposing of underutilized assets, sharing purchasing of new or replacement capital equipment, or renting capital equipment as needed.³

In order to accurately assess capital equipment utilization and pursue effective management strategies, government entities should prioritize basic data collection for capital equipment. Accurate, relevant data is integral to the success of any capital equipment sharing program and should be considered a necessary precursor for efficient and effective operations.

The districts individually purchase, lease, and rent equipment, encumbering capital funds for a period of time and potentially duplicating items that could be shared. The three districts of Canadian County informally share equipment when the opportunity arises, but this is not coordinated centrally, nor is it recorded. According to personnel, the county attempts to maintain the bare minimum of assets. However, without the collection and study of adequate data, there is no evidence that this is the case.

The districts do not have a set guideline that they all follow to ensure the utilization of equipment is tracked uniformly and accurately. The lack of a uniform method of collecting equipment data not only impacts the ability to measure whether equipment is being utilized fully, but increases the difficulty of determining whether an item is worth

³ Ohio, Auditor of the State of Ohio, [Lake County Capital Equipment Study](https://ohioauditor.gov/publications/LakeCountyCapitalEquipmentUtilizationStudy040912.pdf), April 10, 2012; <https://ohioauditor.gov/publications/LakeCountyCapitalEquipmentUtilizationStudy040912.pdf>, Accessed May 2017.

repairing, when equipment reaches peak useful life and should be sold, or when the item becomes obsolete.

By taking advantage of the above best practices Canadian County could improve equipment sharing practices and make more informed lease/purchase decisions.

Recommendation

We recommend the districts of Canadian County formalize tracking of equipment usage, inter-district sharing, and damages, to provide future decision makers a clearly defined equipment choice based on precise, quantifiable data. Once adequate data has been collected, the county may benefit from an equipment usage study to help ensure the most efficient utilization.

Views of Responsible Officials

District 1 Response: District 1 will follow the recommendation to formalize tracking equipment usage, inter-district sharing, and damages. District 1 will begin to implement this by researching how other entities may keep, store, and share this data. District 1 will determine the best practice and then apply it in our duties.

District 2 Response: District 2 will begin the practice of systematically evaluating our larger equipment and documenting this in a report. The report will show condition, age, and expected useful remaining service. This report will be kept in the inventory item file at the district 2 shop.

District 3 declined to provide additional details.

Auditor Response

We suggest district 3 also follow the recommendation above.



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