

COUNTY AUDIT

# ATOKA COUNTY

For the fiscal year ended June 30, 2013



*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

**ATOKA COUNTY, OKLAHOMA  
FINANCIAL STATEMENT  
AND INDEPENDENT AUDITOR'S REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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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](http://www.sai.ok.gov)) and in the Oklahoma Department of Libraries Publications Clearinghouse Digital Collection, pursuant to 74 O.S. § 3105.B.



# Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

June 17, 2015

TO THE CITIZENS OF  
ATOKA COUNTY, OKLAHOMA

Transmitted herewith is the audit of Atoka County, Oklahoma for the fiscal year ended June 30, 2013. The audit was conducted in accordance with 19 O.S. § 171.

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

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

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

Sincerely,

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

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

**ATOKA COUNTY, OKLAHOMA  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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**ATOKA COUNTY, OKLAHOMA  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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INTERNAL CONTROL AND COMPLIANCE SECTION

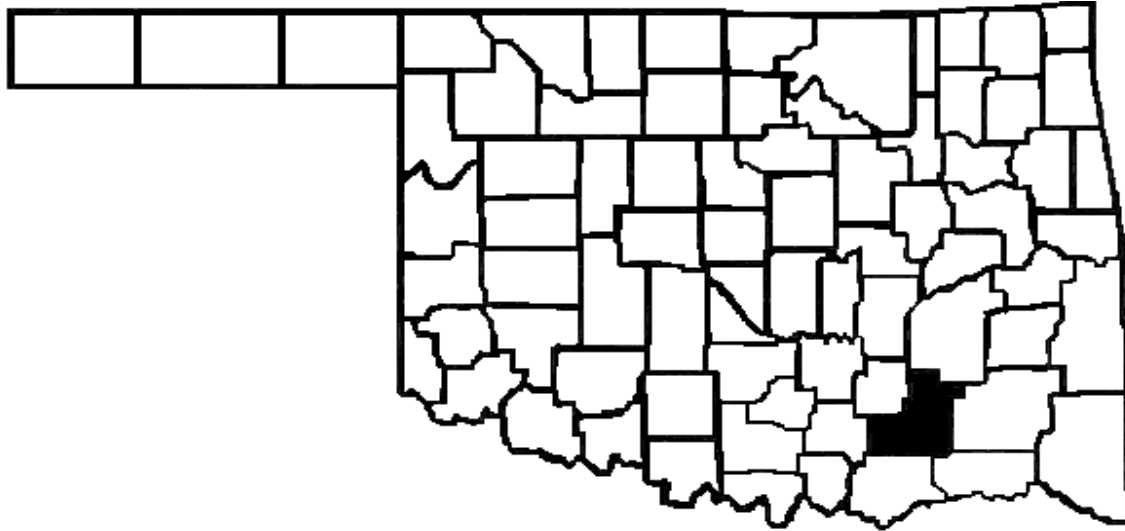
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PRESENTED FOR INFORMATIONAL PURPOSES ONLY**

**ATOKA COUNTY, OKLAHOMA  
STATISTICAL INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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Settled in the mid-1800s, this county was first called Shappaway, with the county seat located at the Choctaw Court grounds on the banks of the Muddy Boggy River. The name was later changed to Atoka in honor of Captain Atoka, a noted Choctaw who led a band of his people to this area during the removal.

Atoka, the county seat, was a stop on the Butterfield Overland Stage Road, the route followed when mail service began between Missouri and San Francisco in 1857. Boggy Depot, located in the western part of the county, served as an important trading post during early years and is now historic Boggy Depot State Park.

Well known for its hunting and fishing, half its area is forested and contains several mountain streams and man-made lakes. It is the site of Oklahoma's largest rock quarry, which is located at Stringtown.

The county claims many firsts including Oklahoma's first Masonic Lodge, first chapter of Eastern Star, and first Catholic Church in Indian Territory. Country entertainer Reba McEntire is from the county. Tales of Atoka County Heritage and Atoka County Museum offer more information. The Chamber of Commerce serves as a tourist center, and the Confederate Memorial Museum and Cemetery is also an information and rest area, located on HWY 69 north of Atoka. For more information, call the Atoka Chamber of Commerce at 580/889-2410.

County Seat – Atoka

Area – 990 Square Miles

County Population – 14,007  
(2012 est.)

Farms – 1,218

Land in Farms – 408,444 Acres

Primary Source: Oklahoma Almanac 2013-2014

**ATOKA COUNTY OFFICIALS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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**Board of County Commissioners**

District 1 – Marvin Dale  
District 2 – Cliff Ridgway  
District 3 – Phillip Culbreath

**County Assessor**

Nancy Jones

**County Clerk**

Christie Henry

**County Sheriff**

Tony Head

**County Treasurer**

Richard Lillard

**Court Clerk**

April Maxey

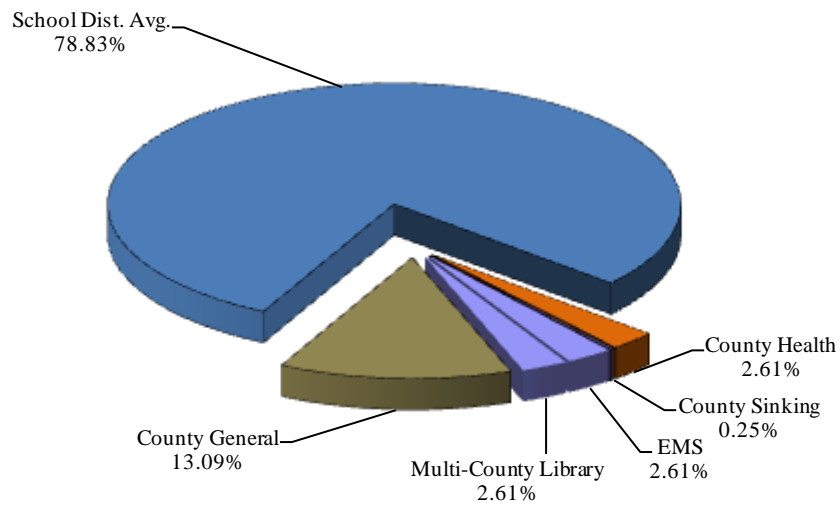
**District Attorney**

Emily Redman



**ATOKA COUNTY, OKLAHOMA  
AD VALOREM TAX DISTRIBUTION  
SHARE OF THE AVERAGE MILLAGE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

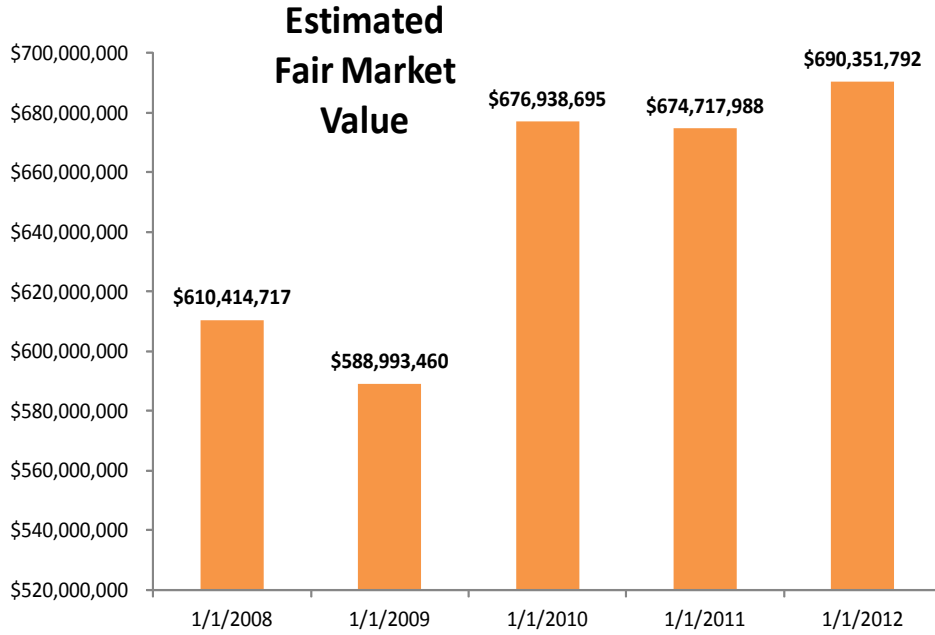
Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of a property is \$1,000.00 and the millage rate is 1.00, then the 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	10.31								
County Health	2.06	Stringtown	I-7	35.93	5.13	-	12.37	4.12	57.55
County Sinking	0.19	Atoka	I-15	35.79	5.11	23.93	12.37	4.12	81.32
EMS	2.06	Tushka	I-19	36.07	5.15	-	12.37	4.12	57.71
Multi-County Library	2.06	Harmony	D-21	36.42	5.20	-	12.37	4.12	58.11
		Lane	D-22	36.94	5.28	-	12.37	4.12	58.71
		Farris	D-23	36.95	5.28	-	12.37	4.12	58.72
		Caney	D-26	36.33	5.19	10.15	12.37	4.12	68.16
		Coalgate	J-1	36.33	5.19	1.77	12.37	4.12	59.78
		Rock Creek	J-3	35.00	5.00	-	12.37	4.12	56.49
		Caddo	J-52	36.19	5.17	5.00	12.37	4.12	62.85
		Clayton	J-10	36.56	5.22	-	12.37	4.12	58.27
		Kiowa	J-14	35.62	5.09	-	12.37	4.12	57.20
		Coleman	J-35	36.15	5.16	-	12.37	4.12	57.80
Wapanucka	J-37	37.26	5.32	9.49	12.37	4.12	68.56		
Pittsburg	J-63	35.65	5.09	13.19	12.37	4.12	70.42		

**ATOKA COUNTY, OKLAHOMA  
 ASSESSED VALUE OF PROPERTY  
 TREND ANALYSIS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

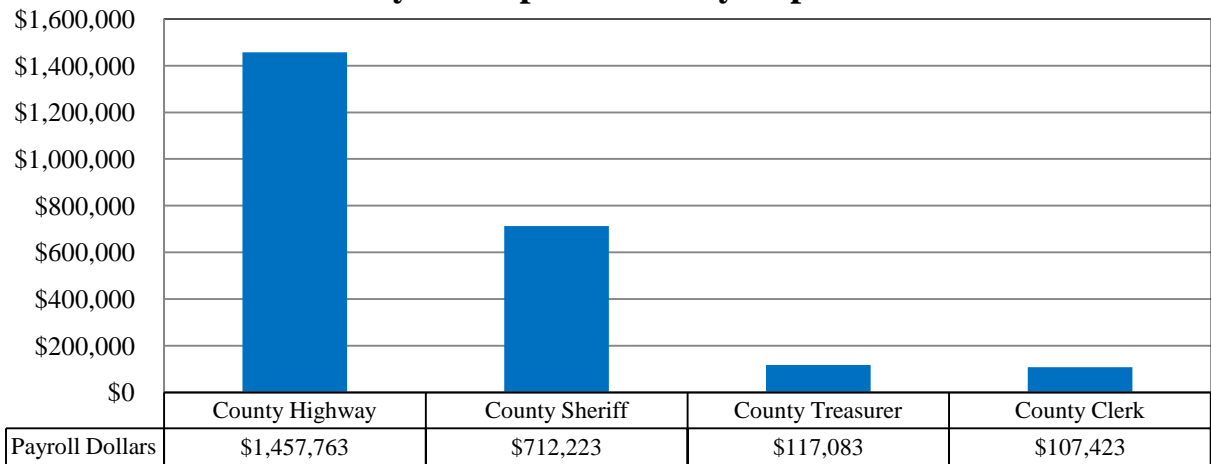
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2012	\$10,923,413	\$19,350,057	\$46,514,051	\$4,148,677	\$72,638,844	\$690,351,792
1/1/2011	\$10,499,006	\$21,407,387	\$42,678,487	\$3,974,946	\$70,609,934	\$674,717,988
1/1/2010	\$10,027,365	\$22,897,842	\$41,722,395	\$3,937,822	\$70,709,780	\$676,938,695
1/1/2009	\$12,040,922	\$14,313,199	\$39,054,270	\$3,846,946	\$61,561,445	\$588,993,460
1/1/2008	\$16,721,213	\$14,469,312	\$35,821,136	\$3,807,368	\$63,204,293	\$610,414,717



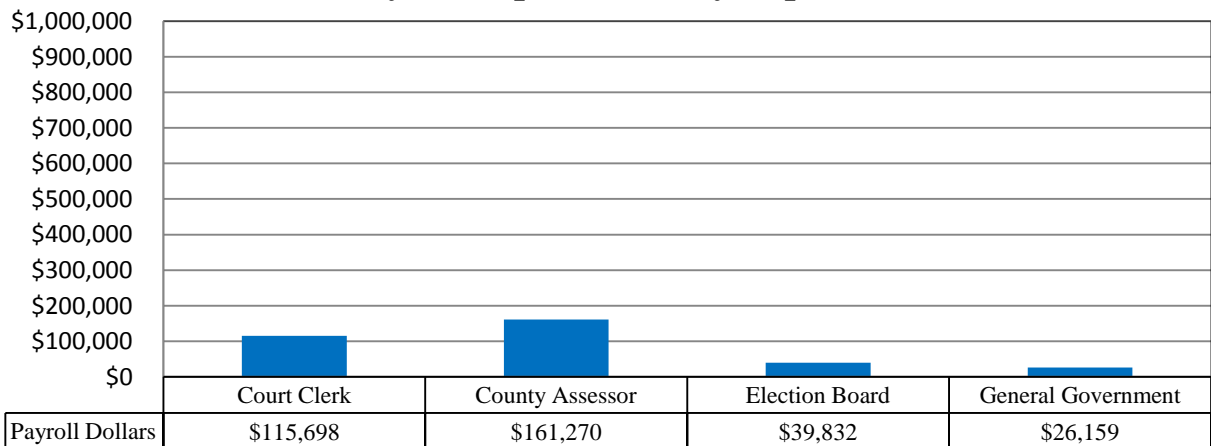
**ATOKA COUNTY, OKLAHOMA  
COUNTY PAYROLL EXPENDITURES ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

County officers' salaries are based upon the assessed valuation and population of the counties. State statutes provide guidelines for establishing elected officers' salaries. The Board of County Commissioners sets the salaries for all elected county officials within the limits set by the statutes. The designated deputy or assistant's salary cannot exceed the principal officer's salary. Salaries for other deputies or assistants cannot exceed the principal officer's salary. The information presented below is for the fiscal year ended June 30, 2013.

**Payroll Expenditures by Department**



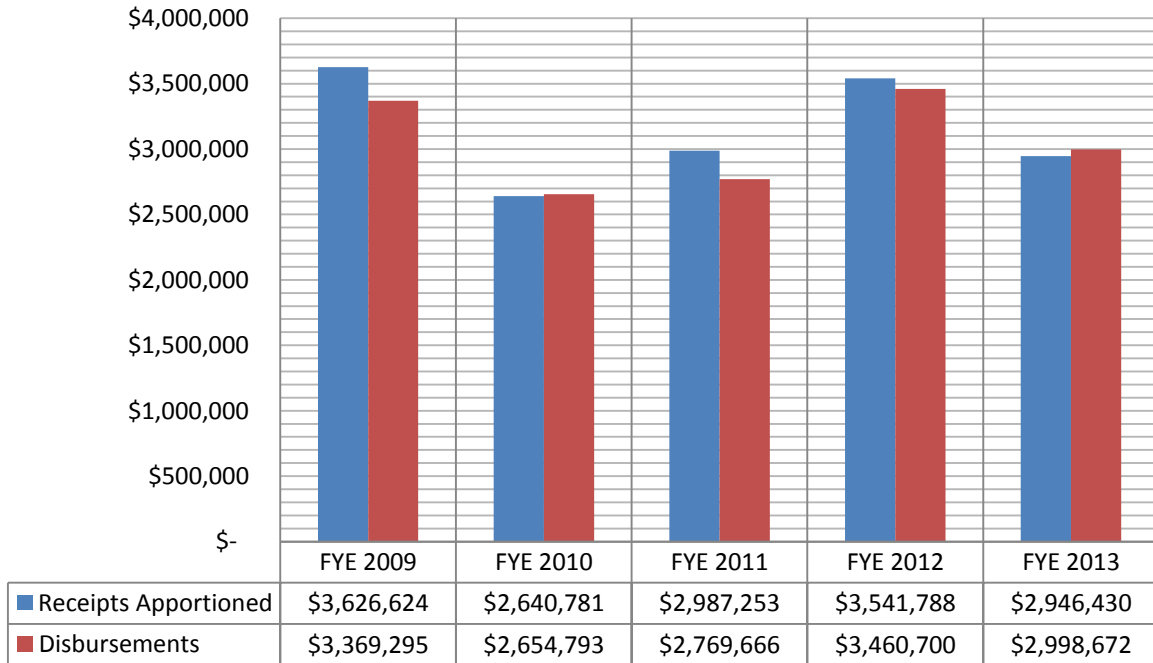
**Payroll Expenditures by Department**



**ATOKA COUNTY, OKLAHOMA  
COUNTY GENERAL FUND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

## 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.

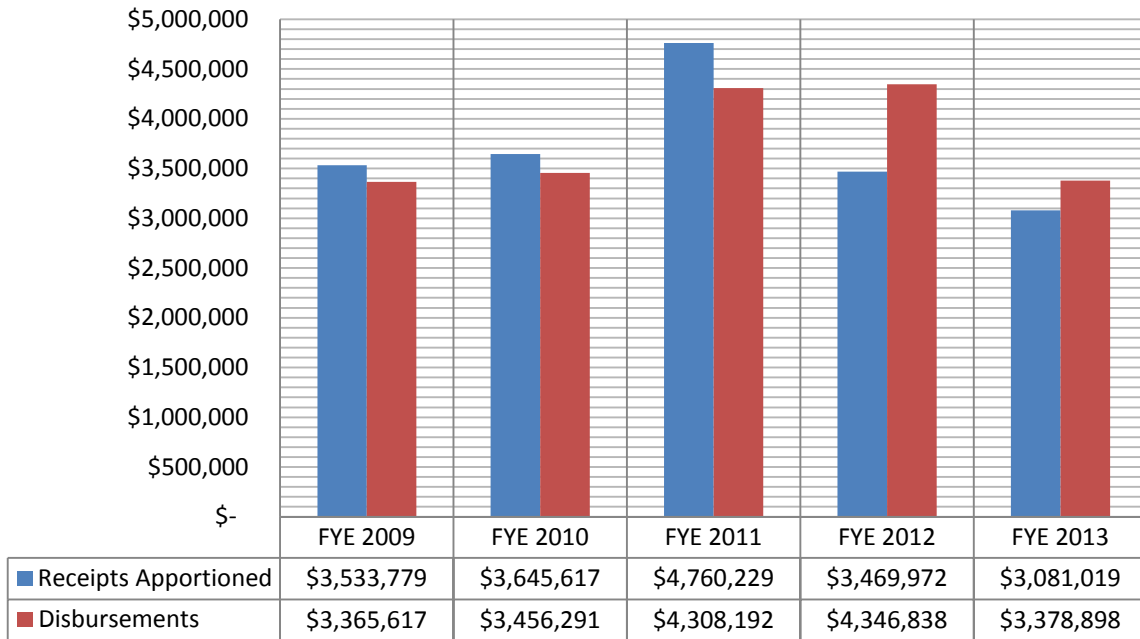


**ATOKA COUNTY, OKLAHOMA  
COUNTY HIGHWAY FUND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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## 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**



# Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

## **Independent Auditor's Report**

TO THE OFFICERS OF  
ATOKA 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 Atoka County, Oklahoma, as of and for the year ended June 30, 2013, listed in the table of contents as the financial statement.

### ***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 Atoka 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 Atoka County as of June 30, 2013, 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 Atoka County, for the year ended June 30, 2013, on 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 June 16, 2015, on our consideration of Atoka 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 Atoka County's internal control over financial reporting and compliance.

A handwritten signature in blue ink, appearing to read "Gary A. Jones". The signature is fluid and cursive, with a long horizontal stroke at the end.

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

June 16, 2015

**REGULATORY BASIS FINANCIAL STATEMENT**

**ATOKA 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, 2013**

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	Beginning Cash Balances July 1, 2012	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2013
Combining Information:						
Major Funds:						
County General	\$ 1,890,006	\$ 2,946,430	\$ -	\$ -	\$ 2,998,672	\$ 1,837,764
County Highway	1,494,843	3,081,019	310,000	-	3,378,898	1,506,964
County Health	335,470	315,087	-	-	294,950	355,607
County Sinking	20,557	14,082	-	-	20,557	14,082
Hospital Sales Tax	264,723	1,043,109	-	-	1,143,544	164,288
Remaining Aggregate Funds	81,807	120,300	-	-	81,812	120,295
<b>Combined Total - All County Funds</b>	<b>\$ 4,087,406</b>	<b>\$ 7,520,027</b>	<b>\$ 310,000</b>	<b>\$ -</b>	<b>\$ 7,918,433</b>	<b>\$ 3,999,000</b>

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

**ATOKA COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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**1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

Atoka 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, libraries, 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 - accounts for the collection of sales tax revenue, ad valorem taxes, officers' fees, interest earnings and miscellaneous collections of the County. Disbursements are for the general operations of the government and disbursement of the funds as restricted by statutes and sales tax resolution.

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

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

County Sinking - accounts for debt service receipts derived generally from a special ad valorem tax levy of cash not immediately required for debt service payments.

**ATOKA COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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Hospital Sales Tax - accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the sales tax resolution.

**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 the first Monday in July of each year, each officer or department head submits an estimate of needs to the governing body. The budget is approved for the respective fund by office, or department and object. The County Board of Commissioners may approve changes of appropriations within the fund by office or department and object. To increase or decrease the budget by fund requires approval by the County Excise Board.

**E. Cash**

For the purposes of financial reporting, “Ending Cash Balances, June 30” includes cash and cash equivalents 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).

**ATOKA COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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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. Unpaid real property taxes become a lien upon said property on October 1 of each year.

**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.

**ATOKA COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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**B. Other Post Employment Benefits (OPEB)**

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

**C. Contingent Liabilities**

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

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

**D. Long Term Obligations**

**1. Judgments**

The County has a judgment which is being retired by a tax levy. The County is obligated to pay the judgment over a three-year period.

<u>Case Number</u>	<u>Original Judgment</u>
CJ-2008-320	\$17,870

The County did not make a payment during the fiscal years ended June 30, 2012 and ending June 30, 2013. The principal amount owed for the judgment is \$4,515 and the accrued interest is past due.

The County has a judgment which is being retired by a tax levy. The County is obligated to pay the judgment over a three-year period.

<u>Case Number</u>	<u>Original Judgment</u>
CJ-2010-92	\$37,094

**ATOKA COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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A payment in the amount of \$20,557 was made during the fiscal year ending June 30, 2013. Of this payment amount \$16,812 was for the principal and \$3,745 was for interest. Future principal and interest payments that will become due on the existing judgment are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$12,365	\$1,501	\$13,866
2015	<u>7,917</u>	<u>500</u>	<u>8,417</u>
	<u>\$20,282</u>	<u>\$2,001</u>	<u>\$22,283</u>

**E. Sales Tax**

The voters of Atoka County passed a permanent one cent sales tax on March 26, 1985. All proceeds of the sales tax are designated for the purpose of the operation, maintenance, and improvement of the Atoka County Memorial Hospital and public acute healthcare purposes. These funds are accounted for in the Hospital Sales Tax fund.

The voters of Atoka County approved a one-half cent sales tax effective December 31, 2007 and continuing through December 31, 2012. These funds are accounted for in the County General fund. This sales tax was designated as follows:

- Ninety-five percent for debt and operation of the Atoka County Sheriff's Office and the Atoka County Jail;
- Five-percent for the rural fire departments of Atoka County.

The voters of Atoka County approved a one-half cent sales tax effective January 1, 2012 through December 31, 2016. All proceeds of the sales tax are designated for the purpose of purchasing equipment, services, and supplies for all existing fire departments of Atoka County. These funds are accounted for in the County General fund.

The voters of Atoka County approved a permanent one-half cent sales tax effective January 1, 2013. These funds are accounted for in the County General fund. This sales tax was designated as follows:

- Ninety percent for funding the maintenance and operation of the Atoka County Sheriff's Office and the Atoka County Jail;
- Ten percent for all fire departments in Atoka County.

**F. Interfund Transfers**

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



**ATOKA COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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- \$310,000 from the County Highway - ETR Loan fund (a trust and agency fund) to the County Highway fund to reimburse for expenditures on bridge and road projects in the County.

**OTHER SUPPLEMENTARY INFORMATION**

**ATOKA 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, 2013**

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 1,890,006	\$ 1,890,006	\$ -
Less: Prior Year Outstanding Warrants	(140,009)	(140,009)	-
Less: Prior Year Encumbrances	(22,075)	(21,645)	430
Beginning Cash Balances, Budgetary Basis	<u>1,727,922</u>	<u>1,728,352</u>	<u>430</u>
Receipts:			
Ad Valorem Taxes	680,956	760,309	79,353
Charges for Services	39,784	443,066	403,282
Intergovernmental Revenues	2,226,527	1,670,460	(556,067)
Miscellaneous Revenues	20,496	72,595	52,099
Total Receipts, Budgetary Basis	<u>2,967,763</u>	<u>2,946,430</u>	<u>(21,333)</u>
Expenditures:			
District Attorney - State	42,791	-	42,791
District Attorney - County	4,500	205	4,295
County Sheriff	628,712	568,566	60,146
County Treasurer	89,499	81,790	7,709
County Commissioner	56,775	56,775	-
County Commissioner O.S.U Extension	18,348	17,239	1,109
County Clerk	237,175	205,393	31,782
Court Clerk	90,324	81,333	8,991
County Assessor	98,634	89,545	9,089
Revaluation of Real Property	147,674	135,118	12,556
Drug Court	7,500	7,491	9
General Government	319,684	305,284	14,400
Excise-Equalization Board	17,600	10,101	7,499
County Election Board	54,833	46,112	8,721
Insurance Benefits	1,021,508	461,486	560,022
Atoka County Flood Plan	659	-	659
Emergency Management	1,000	-	1,000
911	109,921	62,290	47,631
Sales Tax 1 Rural Fire Department	67,547	18,051	49,496
Sales Tax 1 Rural Fire Department	15,125	3,761	11,364
Courthouse Security	26,150	20,762	5,388
Sheriff Account	545,895	463,249	82,646
County Audit Budget Account	23,241	14,588	8,653
Free Fair Account	2,500	2,500	-
Sales Tax - Fire Department	638,592	248,656	389,936
Sales Tax - Fire Department	429,498	101,951	327,547
Total Expenditures, Budgetary Basis	<u>4,695,685</u>	<u>3,002,246</u>	<u>1,693,439</u>

Continued on next page

**ATOKA 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, 2013**

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	General Fund		
	Budget	Actual	Variance
Continued from previous page			
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	1,672,536	\$ 1,672,536
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Outstanding Warrants		129,978	
Add: Current Year Encumbrances		35,250	
Ending Cash Balance		\$ 1,837,764	

**ATOKA 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, 2013**

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	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 335,470	\$ 335,470	\$ -
Less: Prior Year Outstanding Warrants	(12,150)	(12,150)	-
Less: Prior Year Encumbrances	(20,376)	(18,202)	2,174
Beginning Cash Balances, Budgetary Basis	302,944	305,118	2,174
Receipts:			
Ad Valorem Taxes	136,192	151,922	15,730
Charges for Services	162,757	162,757	-
Miscellaneous Revenues	-	408	408
Total Receipts, Budgetary Basis	298,949	315,087	16,138
Expenditures:			
Health and Welfare	601,893	290,347	311,546
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	329,858	\$ 329,858
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		24,049	
Add: Current Year Outstanding Warrants		1,700	
Ending Cash Balance		\$ 355,607	

**ATOKA COUNTY, OKLAHOMA**  
**COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND**  
**CHANGES IN CASH BALANCES—REGULATORY BASIS—**  
**REMAINING AGGREGATE FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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	Beginning Cash Balances July 1, 2012	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2013
Remaining Aggregate Funds:				
Resale Property	\$ 81,032	\$ 120,300	\$ 81,812	\$ 119,520
Sheriff Drug Account	775	-	-	775
<b>Combined Total - Remaining Aggregate Funds</b>	<b>\$ 81,807</b>	<b>\$ 120,300</b>	<b>\$ 81,812</b>	<b>\$ 120,295</b>

**ATOKA COUNTY, OKLAHOMA  
NOTES TO OTHER SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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**1. Budgetary Schedules**

The Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis for the General Fund has not been presented. Therefore, the legally adopted budget cannot be compared with actual data for the General Fund. 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:

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

Sheriff Drug Account - accounts for monies set aside for law enforcement to use for the intervention and prevention of narcotics.

**INTERNAL CONTROL AND COMPLIANCE SECTION**





# Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

## **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  
ATOKA 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 Atoka County, Oklahoma, as of and for the year ended June 30, 2013, which comprises Atoka County's financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated June 16, 2015.

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, 2013, 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 Atoka 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 Atoka County's internal control. Accordingly, we do not express an opinion on the effectiveness of Atoka 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: 2013-1, 2013-4, 2013-5, 2013-6, 2013-8, and 2013-11.

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: 2013-2 and 2013-7.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Atoka 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2013-11.

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

### **Atoka County's Responses to Findings**

Atoka County's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. Atoka 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.



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

June 16, 2015

**ATOKA COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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**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 2013-1 – Inadequate County-Wide Controls (Repeat Finding)**

**Condition:** County-wide controls regarding risk assessment and monitoring have not been designed.

**Cause of Condition:** Procedures have not been designed to address risk assessment and monitoring of the County. The County was not fully aware of the benefits gained by the implementation of procedures regarding risk assessment and monitoring as it relates to the strengthening of its internal control structure.

**Effect of Condition:** This condition 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 procedures to identify and address risks. These procedures should be written policies and procedures and could be included in the County's Policies and Procedures Handbook.

**Management Response:**

**Chairman of the Board of County Commissioners:** The County will review auditor recommendations and will take every possible step to ensure the county is adequately addressing risk and monitoring.

**County Clerk:** We will have quarterly meeting to address risk assessment and monitoring.

**County Treasurer:** The County will review auditor recommendations and will take every possible step to ensure the County is adequately addressing risk and monitoring.

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

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

**ATOKA COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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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.

**Finding 2013-2 – Lack of Written Disaster Recovery Plan (Repeat Finding)**

**Condition:** Upon inquiry, the following offices did not have a Disaster Recovery Plan:

- County Clerk
- County Treasurer

**Cause of Condition:** Policies and procedures have not been designed and implemented to prepare a formal Disaster Recovery plan.

**Effect of Condition:** The failure to have a formal Disaster Recovery Plan could result in the County being unable to function in the event of the disaster. The lack of a formal plan could cause significant problems in ensuring County business could continue uninterrupted.

**Recommendation:** OSAI recommends the County officials develop a Disaster Recovery Plan that addresses how critical information and systems within their offices would be restored in the event of a disaster.

**Management Response:**

**County Clerk:** I have completed and submitted a Disaster Recovery Plan to the Emergency Manager and Board of County Commissioners on February 9, 2015.

**County Treasurer:** The County Assessor backs up the tax roll and is stored with OSU. The software vendor backs up our bookkeeping information and it is stored in Duncan. We will develop a Disaster Recovery Plan.

**Criteria:** An important aspect of internal controls is the safeguarding of assets which includes adequate Disaster Recovery Plans. Internal controls over safeguarding of assets constitute a process, affected by an entity's governing body, managements, and other personnel, designed to provide reasonable assurance regarding prevention in a County being unable to function in the event of a disaster.

According to the standards of the Information Systems Audit and Controls Association (CobitT Delivery and Support 4), information services function management should ensure that a written disaster recovery plan is documented and contains the following:

- Guidelines on how to use the recovery plan;

**ATOKA COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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- Emergency procedures to ensure the safety of all affected staff members;
- Roles and responsibilities of information services function, vendors providing recovery services, users of service and support administrative personnel;
- Listing of systems requiring alternatives (hardware, peripherals, software);
- Listing of highest to lowest priority applications, required recovery times and expected performance norms;
- Various recovery scenarios from minor to loss of total capability and response to each in sufficient detail to step by step execution;
- Training and/or awareness of individual and group roles in continuing plan;
- Listing of contracted service providers;
- Logistical information on location of key resources, including back-up site for recovery operating system, applications, data files, operating manuals, and program/system/user documentation;
- Current names, addresses, telephone numbers of key personnel;
- Business resumption alternatives for all users for establishing alternative work locations once IT services are available.

**Finding 2013-4 – Inadequate Segregation Over Receipting and Balancing Processes - County Treasurer (Repeat Finding)**

**Condition:** The County Treasurer’s office has one deputy that performs the duties of balancing the cash drawer, preparing the deposit, posting daily receipts to the daily reports and general ledger, preparing the monthly reports, and reconciling the bank accounts. This deputy also routinely issues miscellaneous receipts and issues other receipts when needed.

**Cause of Condition:** Procedures have not been designed to adequately segregate the duties within the County Treasurer’s office.

**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 the following key accounting functions of the County Treasurer’s office be adequately segregated:

- Issuing receipts.
- Preparing/reviewing deposits and taking them to the bank.
- Maintaining accounting ledgers and reconciling bank statements.

In addition, OSAI recommends establishing a system of controls to adequately protect the collections of the County Treasurer’s office; which includes but are not limited to the following:

**ATOKA COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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- Establish separate cash drawers for all employees receiving cash.
- A daily log of mailed in receipts should be compiled.

**Management Response:**

**County Treasurer:** All deputies and the Treasurer are able to perform all duties due to limited staff.

**Auditor Response:** The duties regarding the collection process are not adequately segregated.

**Criteria:** 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.

**Finding 2013-5 – Inadequate Segregation of Duties Over Purchasing (Repeat Finding)**

**Condition:** Upon inquiry and observation of the County’s purchasing process, it was noted that the Purchasing Deputy prepares purchase orders, encumbers purchase orders, approves/authorizes the encumbrance, reviews the purchase order for accuracy, prepares the warrants, maintains ledgers, and distributes checks.

**Cause of Condition:** Policies and procedures have not been designed with regard to segregation of duties and/or compensating controls of the purchasing process.

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

**Recommendation:** OSAI recommends management be aware of this condition and determine if duties can be properly segregated. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risk 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 approve accounting functions.

Further, the duties of encumbering funds and posting to the ledgers should be separated from the printing and distribution of payments.

**Management Response:**

**County Clerk:** Due to limited personnel, these issues are hard to address, but I have initiated new policies and duties separating the process.

**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 disbursements and/or transactions. To help ensure a proper accounting of funds, the duties of processing, authorizing, and distribution should be segregated.

**ATOKA COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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**Finding 2013-6 – Inadequate Segregation of Duties for Payroll (Repeat Finding)**

**Condition:** The Payroll Clerk enrolls new employees, inputs payroll information into the system, maintains personnel files, and prepares the OPERS reports and state and federal tax reports. In addition, the Payroll Clerk processes payroll claims, prints and reviews payroll verification reports for errors, prints payroll warrants, distributes payroll warrants, and initiates direct deposits.

**Cause of Condition:** Policies and Procedures have not been designed with regards to segregation of duties and/or compensating controls of the payroll process.

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

**Recommendation:** OSAI recommends management be aware of these conditions and determine if duties can be properly segregated. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risks involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office, and having management review and approval of accounting functions.

**Management Response:**

County Clerk: Due to limited personnel, these issues are hard to address, but I have initiated new policies and duties separating the process.

**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 2013-7 – Inadequate Internal Controls Over Signature Stamps – County Commissioners (Repeat Finding)**

**Condition:** Upon inquiry, observation, and review of documents we noted the following control weaknesses with regard to purchasing procedures:

- The Board of County Commissioners' secretary has physical control of District 1, District 2, and District 3 County Commissioners' signature stamp. Stamps are retained in a locked drawer however the keys are kept in an unlocked desk.

**Cause of Condition:** The County Commissioners do not have physical control of their signature stamps.

**Effect of Condition:** This condition increases the concentration of duties regarding the purchasing process due to the County Clerk's office having the ability to perform the requisition duties for the

**ATOKA COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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Commissioners. Consequently, this could result in unauthorized transactions, misappropriation of funds, or clerical errors that are not detected in a timely manner.

**Recommendation:** OSAI recommends that signature stamps be used only by the official. Officials who utilize signature stamps should ensure that signature stamps are adequately safeguarded from unauthorized use.

**Management Response:**

**County Commissioner District 1:** The County will purchase individual lock boxes for each County Commissioner to ensure the security of each Commissioner's personal signature stamp.

**County Commissioner District 2:** The County will purchase individual lock boxes for each County Commissioner to ensure the security of each Commissioner's personal signature stamp.

**County Commissioner District 3:** The County will purchase individual lock boxes for each County Commissioner to ensure the security of each Commissioner's personal signature stamp.

**Criteria:** An 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.

**Finding 2013-8 – Inadequate Internal Controls Over the Reconciliation of the Appropriation Ledger to the General Ledger (Repeat Finding)**

**Condition:** Based on our documentation of controls, reconciliations were not documented between the County Clerk's appropriation ledger and the County Treasurer's general ledger.

**Cause of Condition:** Procedures are not designed to ensure the reconciliation of the County Clerk's appropriation ledger the County Treasurer's general ledger.

**Effect of Condition:** This condition could result in unrecorded transactions and undetected errors.

**Recommendation:** OSAI recommends management take steps to ensure reconciliations are performed between the funds presented on the County Clerk's appropriation ledger and the County Treasurer's general ledger monthly. Documentation of this reconciliation should be reviewed and approved by someone other than the preparer.

**Management Response:**

**County Clerk:** I am aware of the reconciliation differences and have visited with the Treasurer about this issue; I am awaiting a response for the Treasurer and am very hopeful on getting this resolved.



**ATOKA COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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**Criteria:** Safeguarding controls are an aspect on internal controls. Safeguarding controls relate to the prevention or timely detection of unauthorized transactions and unauthorized access to assets. Failure to perform tasks that are part of internal controls, such as reconciliations not prepared or timely prepared, are deficiencies in internal control. Further, reconciliations should be performed and maintained on a monthly basis.

**Finding 2013-11 – Inadequate Internal Controls and Noncompliance Over Purchasing (Repeat Finding)**

**Condition:** Our test of sixty-six purchase orders, documented the following:

- Three of the sixty-six disbursements were not supported by adequate documentation.
- Thirteen of the sixty-six disbursements were not timely encumbered.

**Cause of Condition:** The County did not follow the policies and procedures designed by state statute regarding the purchasing process.

**Effect of Condition:** This condition resulted in noncompliance with state statute and could result in unrecorded transactions, undetected errors, or misappropriation of funds.

**Recommendation:** OSAI recommends that the County adhere to state purchasing guidelines. Purchase orders should be encumbered before goods or services are ordered. Adequate supporting documentation should be attached to the purchase order. This includes invoices, haul tickets, and receiving reports.

**Management Response:**

**County Clerk:** I am aware of purchase orders not timely encumbered. We stamp those purchase orders as proper procedures not followed. I will get with the elected officials and stress the importance of this process. I also will make sure receiving reports are included with all purchase orders. I understand the recommendation and will implement the changes.

**Criteria:** Title 19 O.S. § 1505 prescribes the procedures for requisition, purchase, and receipt of supplies, material, and equipment.

**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 2013-15 – Inadequate Segregation of Duties - Court Clerk (Repeat Finding)**

**Condition:** Upon inquiry and observation of the expenditure process the following was noted:

**ATOKA COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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Court Clerk Court Fund

The Court Clerk performs all of the duties pertaining to Court Fund expenditures:

- Requisitions;
- Prepares claims;
- Verifies goods/services were received;
- Approves claim for payment;
- Prepares voucher for payment;
- Registers vouchers with Treasurer; and
- Disburses voucher to vendor.

Court Clerk Revolving Fund

The Court Clerk performs all of the duties pertaining to the Court Clerk Revolving Fund expenditures:

- Requisitions;
- Prepares claims;
- Verifies goods/services were received;
- Approves claim for payment; and
- Disburses voucher to vendor.

**Cause of Condition:** Since the Court Clerk is ultimately responsible for the Court Clerk Revolving Fund and the Court Fund, she feels it is her responsibility to perform the related duties.

**Effect of Condition:** This condition could result in unrecorded transactions, undetected errors, misstated financial statements, or misappropriation of funds.

**Recommendation:** OSAI recommends that procedures be developed to separate key functions of the Court Clerk Revolving Fund and Court Fund expenditure process. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risk 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 approve accounting functions.

**Management Response:**

**Court Clerk:** I will review the auditor recommendation regarding segregation of duties for the expenditure process for future implementation.

**Criteria:** Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, the duties of preparing the claim, approving the claim, preparing the vouchers, signing the vouchers, and reconciliation of the accounts should be segregated.

**Finding 2013-16 – Inadequate Internal Controls and Noncompliance Over Inmate Trust Fund Checking Account and Sheriff Commissary Fund (Repeat Finding)**

**Condition:** Regarding the Inmate Trust Fund Checking Account, the following weaknesses were noted:

**ATOKA COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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- One employee receipts monies, prepares deposits, posts deposits, receives deposit slips, controls bank statements, prepares disbursements, prints checks, authorizes checks, disburses checks, has administrative rights to software program, and performs reconciliation for the Inmate Trust Fund Checking Account.
- The Inmate Trust Fund Checking Account balance is not reconciled to the total of the inmates' balances and profit held in account.
- Deposits are not made daily.
- The Sheriff's office does not file an annual report for the Commissary Fund with the Board of County Commissioners by January 15th, of each year.
- Disbursements were issued with only one authorized signature.

After reviewing the Inmate Trust Fund Checking Account expenditures, the following noncompliance was noted:

- Checks were issued to a family/friend for property release.
- Checks were issued to the commissary vendor for items purchased.
- Checks were issued to jail employees for trustee cash.

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

**Effect of Condition:** These conditions resulted in noncompliance with state statutes, laws, regulations or legislative intent. In addition, without proper accounting and safeguarding of the Inmate Trust Fund Checking Account, there is an increased risk of misappropriation of funds.

**Recommendation:** OSAI recommends the following:

- Key duties and responsibilities should be segregated among different individuals to reduce the risk of error or fraud. No one individual should have the ability to authorize transactions, have physical custody of assets, and record transactions.
- Inmate Trust Fund Checking Account monies should be maintained in a manner that reflects each inmate's trust deposits, disbursements, and account balances. The inmate's trust fund balances should be reconciled to the bank statements each month.
- Bank reconciliations should be performed on a monthly basis.
- All collections should be deposited daily.
- The Sheriff should file a report of the commissary with the County Commissioners by January 15th, of each year.
- All checks from the Inmate Trust Fund Checking Account should have two authorized signatures.
- Expenditures should be made from the Sheriff Commissary Fund in accordance with 19 O.S. § 180.43.

**Management Response:**

**County Sheriff:** After reviewing the audit finding provided to me by OSAI, in reference to the Inmate Trust and Sheriff Commissary Funds, I find that several areas listed have already been corrected and I am

**ATOKA COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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in the process of developing policy and procedures for the Inmate Trust Fund. I agree with the recommendations of the State Auditor and will see to it that all policies are followed.

**Criteria:** Effective accounting procedures and internal controls are necessary to ensure stewardship and accountability of public funds. Safeguarding controls are an aspect of internal controls. Safeguarding controls relate to the prevention or timely detection of unauthorized transaction and unauthorized access to assets. Failure to perform tasks that are part of internal controls, such as reconciliations not performed or not timely prepared, are deficiencies in internal control. Further, reconciliations should be 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. § 531 A. states in part, “The county sheriff may establish a checking account, to be designated the “Inmate Trust Fund Checking Account.” The county sheriff shall deposit all monies collected from inmates incarcerated in the county jail into this checking account and *may write checks to the Sheriff’s Commissary Account for purchases made by the inmate during his or her incarceration and to the inmate from unencumbered balances due the inmate upon his or her discharge.*”

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



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