

COUNTY AUDIT

ATOKA COUNTY

For the fiscal year ended June 30, 2014



*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, 2014**

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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, 2014. 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, appearing to read "Gary A. Jones".

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

**ATOKA COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

TABLE OF CONTENTS

INTRODUCTORY SECTION (Unaudited)

Statistical Information.....	iii
County Officials.....	iv
Ad Valorem Tax Distribution	v
Assessed Value of Property Trend Analysis.....	vi
County Payroll Expenditures Analysis	vii
County General Fund Analysis	viii
County Highway Fund Analysis	ix

FINANCIAL SECTION

Report of State Auditor and Inspector	1
Financial Statement:	
Statement of Receipts, Disbursements, and Changes in Cash Balances—Regulatory Basis (with Combining Information)—Major Funds.....	4
Notes to the Financial Statement.....	5

OTHER SUPPLEMENTARY INFORMATION

Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis—General Fund.....	11
Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis—County Health Department Fund	13
Combining Statement of Receipts, Disbursements, and Changes in Cash Balances—Regulatory Basis—Remaining Aggregate Funds	14
Notes to Other Supplementary Information	15

**ATOKA COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

INTERNAL CONTROL AND COMPLIANCE SECTION

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance With
Government Auditing Standards..... 16

Schedule of Findings and Responses..... 18

ITEMS OF INTEREST

Finding 2014-19 – Excessive Fuel Usage and Purchase of Fuel for Non-Fire Department Vehicles - Daisy Volunteer Fire Department Sales Tax: We noted excessive fuel expenditures of \$7,165.16, \$7,089.36, \$10,561.64, and \$17,088.25 for calendar year 2011, 2012, 2013, and 2014, respectively, totaling \$41,904.41 were not documented, authorized expenditures for the Fire Department and appears to have been for the personal benefit of the individuals making the purchases.

Based on the signatures on the invoices, fuel purchases were made by the Assistant Fire Chief, the daughter of the Assistant Fire Chief, and grandson of the Assistant Fire Chief. Also, it appeared the fuel was purchased for these individuals personal vehicles. **(Pg. 26)**

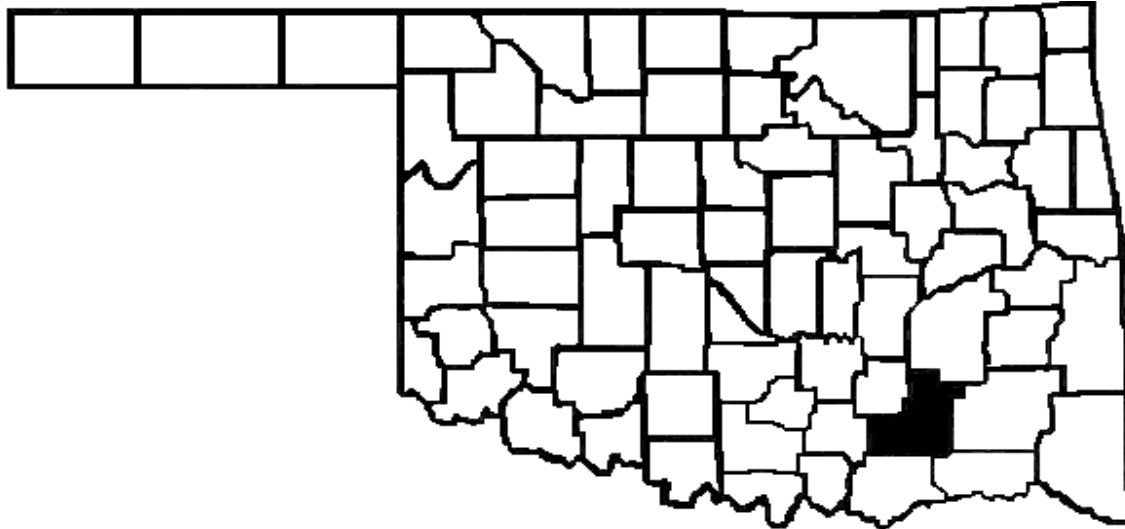
Finding 2014-20 – Purchase of Unauthorized Items and Services Not Used by the Fire Department: Purchase orders were issued totaling \$17,366.59 for items that were not authorized expenditures for the Fire Department and appears to have been for personal benefit of the individuals making the purchases. Additionally, there was no documentation that these expenditures were approved by the Fire Department Board. This amount includes purchases made to an: automotive repair vendor - \$7,676.00; automotive parts store - \$5,884.23; telephone service provider - \$3,310.98; and welding supplies vendor - \$495.08. **(Pg. 29)**

Finding 2014-21 – Missing Items and Unauthorized Purchases - Hardware Store Purchases: We noted purchase orders issued for items from a hardware store/lumber yard that there was no documentation the purchases were approved by the Fire Department Board or the purpose for which they were purchased. Items purchased from a hardware store/lumber yard totaled \$7,747.47. OSAI was unable to locate sixty-five treated deck boards, a cast iron wood stove, and an air conditioner. The Assistant Fire Chief stated the wood stove was at her residence. **(Pg. 32)**

Finding 2014-22 – Unauthorized Purchase of Propane and Tank Rental at Personal Residence: We noted expenditures totaling \$1,258.90 for the propane and tank rental were not authorized expenses of the Fire Department and appears to have been for the personal benefit of the Assistant Fire Chief. **(Pg. 34)**

**INTRODUCTORY SECTION
UNAUDITED INFORMATION ON PAGES iii -ix
PRESENTED FOR INFORMATIONAL PURPOSES ONLY**

**ATOKA COUNTY, OKLAHOMA
STATISTICAL INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**



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, 2014**

Board of County Commissioners

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

County Assessor

Nancy Jones

County Clerk

Christie Henry

County Sheriff

Tony Head

County Treasurer

Richard Lillard

Court Clerk

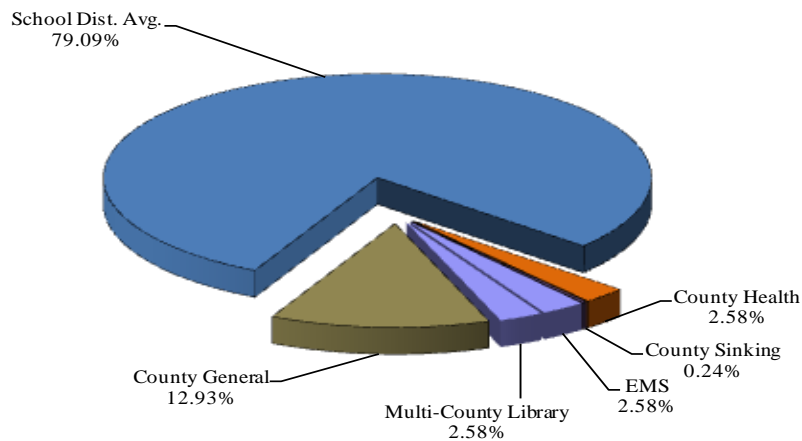
April Maxey

District Attorney

Emily Redman

**ATOKA COUNTY, OKLAHOMA
AD VALOREM TAX DISTRIBUTION
SHARE OF THE AVERAGE MILLAGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

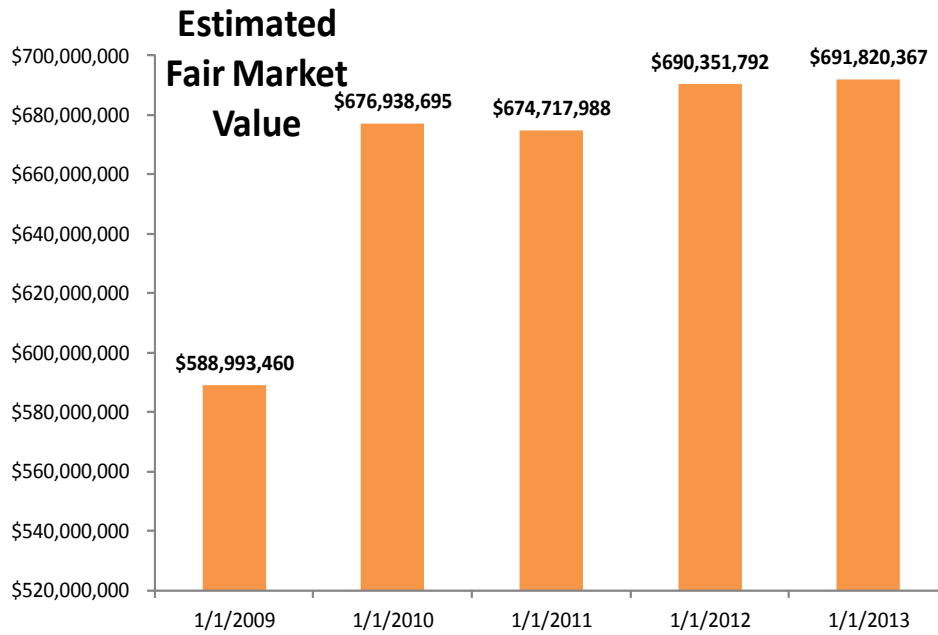
Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of a property is \$1,000.00 and the millage rate is 1.00, then the 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							
				Career					
			Gen.	Bldg.	Skg.	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	25.15	12.37	4.12	82.54
EMS	2.06	Tuska	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
		Caney	D-26	36.33	5.19	14.25	12.37	4.12	72.26
		Coalgate	J-1	36.33	5.19	2.03	12.37	4.12	60.04
		Rock Creek	J-2	35.00	5.00	-	12.37	4.12	56.49
		Caddo	J-5	36.19	5.17	11.65	12.37	4.12	69.50
		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	8.95	12.37	4.12	68.02		
Pittsburg	J-63	35.65	5.09	11.83	12.37	4.12	69.06		

**ATOKA COUNTY, OKLAHOMA
 ASSESSED VALUE OF PROPERTY
 TREND ANALYSIS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

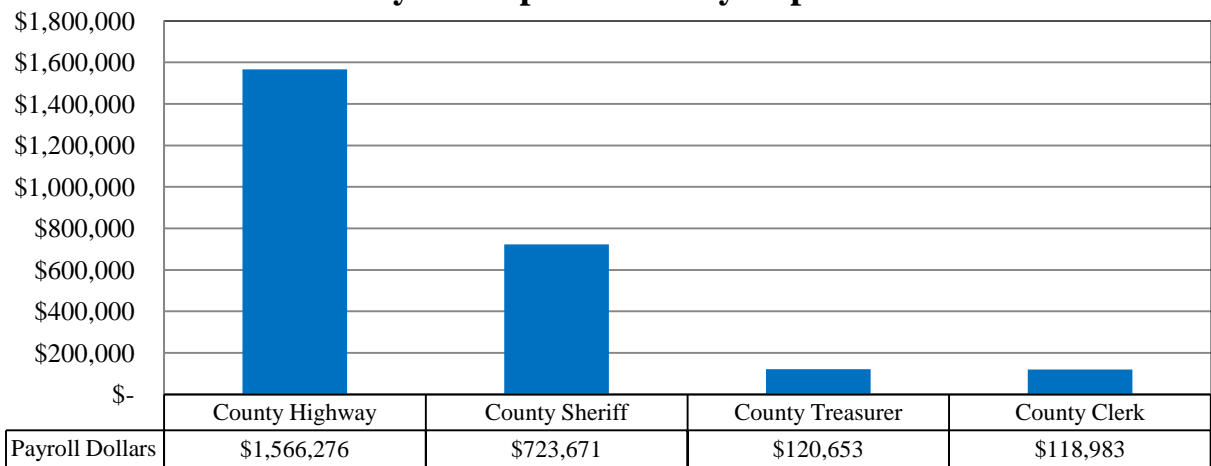
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2013	\$11,912,253	\$17,288,432	\$47,977,622	\$4,190,029	\$72,988,278	\$691,820,367
1/1/2012	\$10,923,413	\$19,350,057	\$46,514,051	\$4,148,677	\$72,638,844	\$690,351,792
1/1/2011	\$10,499,006	\$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



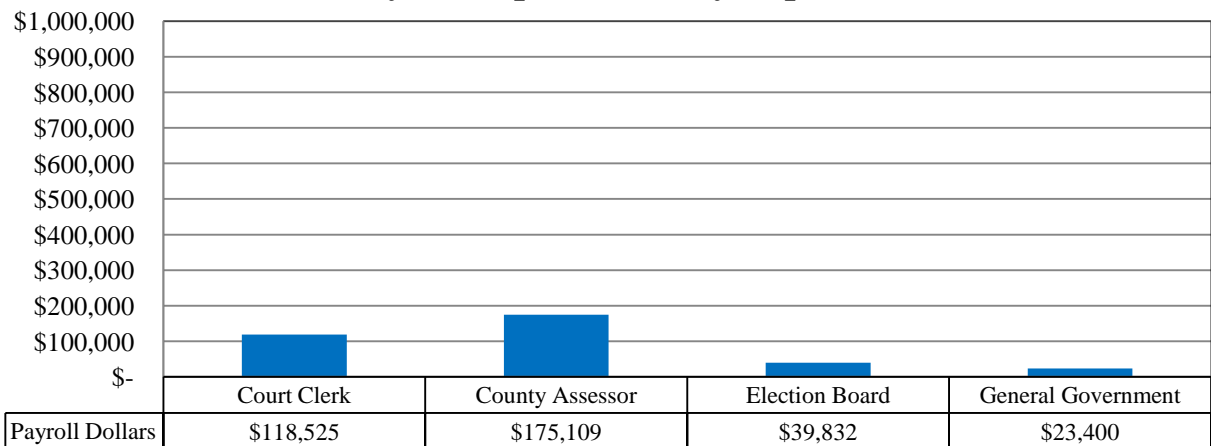
**ATOKA COUNTY, OKLAHOMA
COUNTY PAYROLL EXPENDITURES ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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, 2014.

Payroll Expenditures by Department



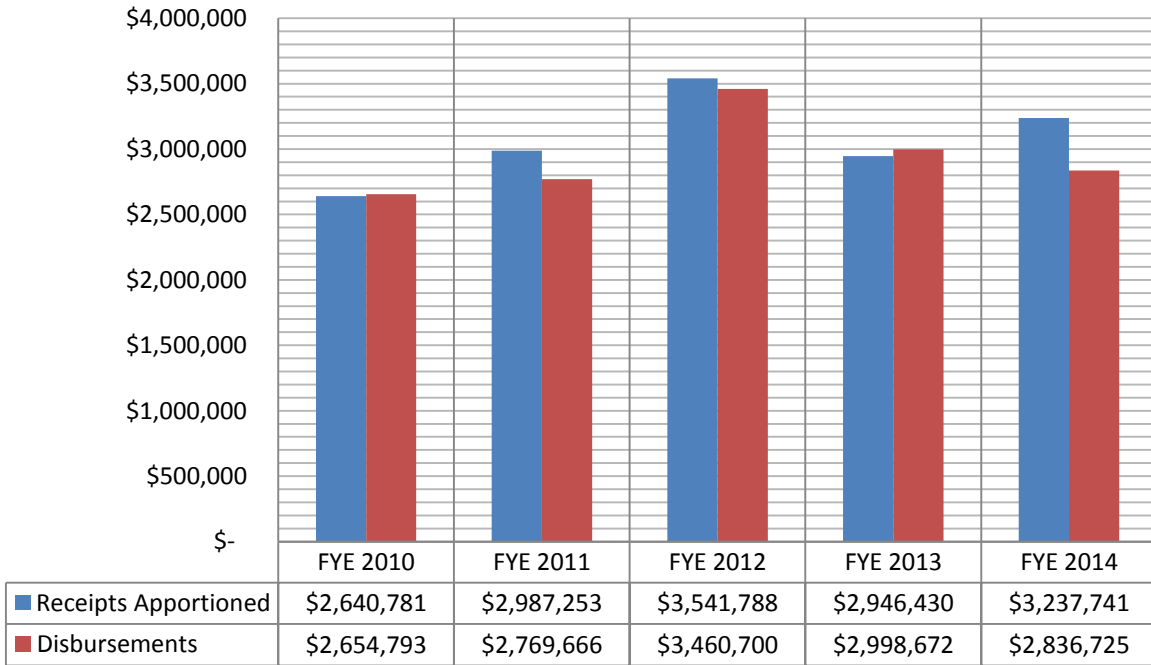
Payroll Expenditures by Department



**ATOKA COUNTY, OKLAHOMA
COUNTY GENERAL FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

County General Fund

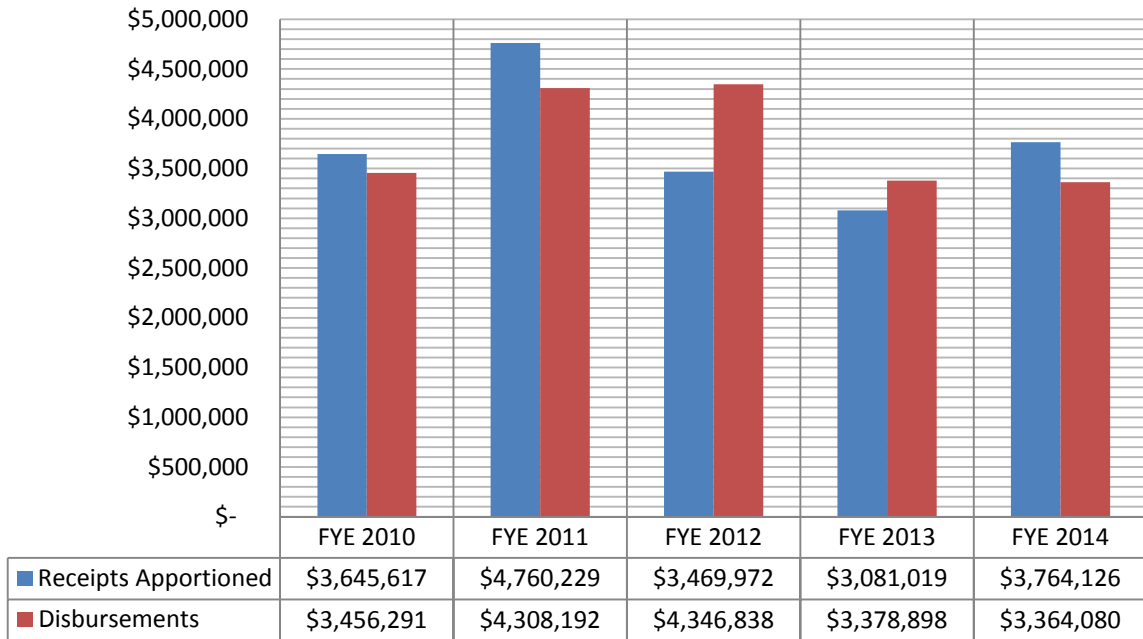
The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the county's primary source of operating revenue. The County General Fund is typically used for county employees' salaries plus many expenses for county maintenance and operation. It also 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, 2014**

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, 2014, 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, 2014, 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, 2014, 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, 2014

	Beginning Cash Balances July 1, 2013	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2014
Combining Information:						
Major Funds:						
County General	\$ 1,837,764	\$ 3,237,741	\$ -	\$ -	\$ 2,836,725	\$ 2,238,780
County Highway	1,506,964	3,764,126	-	710,000	3,364,080	1,197,010
County Health	355,607	214,130	-	-	275,063	294,674
County Sinking	14,082	13,380	-	-	27,169	293
Hospital Sales Tax	164,288	1,120,450	-	-	1,062,792	221,946
Remaining Aggregate Funds	120,295	89,311	-	-	102,893	106,713
Combined Total - All County Funds	\$ 3,999,000	\$ 8,439,138	\$ -	\$ 710,000	\$ 7,668,722	\$ 4,059,416

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, 2014**

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, 2014**

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 on a regulatory basis. 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).

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.

**ATOKA COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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.

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

**ATOKA COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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 had a judgment which was retired by a tax levy. The County was obligated to pay the judgment over a three-year period.

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

A payment in the amount of \$5,407 was made during the fiscal year ended June 30, 2014. Of this payment amount \$4,515 was for the principal and \$892 was for interest.

The County had a judgment which was retired by a tax levy. The County was obligated to pay the judgment over a three-year period.

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

A payment in the amount of \$21,762 was made during the fiscal year ended June 30, 2014. Of this payment amount \$20,283 was for the principal and \$1,479 was for interest.

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>
CV-13-48	\$19,706

**ATOKA COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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>
2015	\$ 6,569	\$1,035	\$ 7,604
2016	6,569	726	7,295
2017	<u>6,568</u>	<u>382</u>	<u>6,950</u>
	<u>\$19,706</u>	<u>\$2,143</u>	<u>\$21,849</u>

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>
CV-13-49	\$18,850

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>
2015	\$ 6,284	\$ 990	\$ 7,274
2016	6,283	694	6,977
2017	<u>6,283</u>	<u>365</u>	<u>6,648</u>
	<u>\$18,850</u>	<u>\$2,049</u>	<u>\$20,899</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 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:

**ATOKA COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

- 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 Transfer

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

- \$710,000 from the County Highway fund to the County Highway - ETR fund (a trust and agency fund) for the repayment of loans.

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, 2014

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 1,837,764	\$ 1,837,764	\$ -
Less: Prior Year Outstanding Warrants	(129,978)	(129,552)	426
Less: Prior Year Encumbrances	(35,250)	(28,026)	7,224
Beginning Cash Balances, Budgetary Basis	<u>1,672,536</u>	<u>1,680,186</u>	<u>7,650</u>
Receipts:			
Ad Valorem Taxes	684,232	741,279	57,047
Charges for Services	49,563	393,574	344,011
Intergovernmental Revenues	2,331,727	1,928,833	(402,894)
Miscellaneous Revenues	24,737	174,055	149,318
Total Receipts, Budgetary Basis	<u>3,090,259</u>	<u>3,237,741</u>	<u>147,482</u>
Expenditures:			
District Attorney - State	59,216	8,184	51,032
County Sheriff	530,791	493,553	37,238
County Treasurer	72,730	62,300	10,430
County Commissioner	23,656	23,656	-
County Commissioner O.S.U Extension	20,232	19,571	661
County Clerk	214,730	179,171	35,559
Court Clerk	74,209	73,593	616
County Assessor	74,379	65,975	8,404
Revaluation of Real Property	168,497	161,549	6,948
General Government	306,849	300,759	6,090
Excise-Equalization Board	11,600	10,139	1,461
County Election Board	43,633	43,550	83
Insurance Benefits	905,653	503,552	402,101
Atoka County Flood Plan	809	-	809
Emergency Management	35,250	25,690	9,560
911	187,859	74,756	113,103
Sales Tax 1 Rural Fire Department	66,682	13,438	53,244
Sales Tax 1 Rural Fire Department	24,373	6,983	17,390
Courthouse Security	21,496	16,304	5,192
Sheriff Account	613,954	532,559	81,395
County Audit Budget Account	15,951	336	15,615
Sales Tax - Fire Department	716,839	265,478	451,361
Sales Tax - Fire Department	573,407	147,316	426,091
Total Expenditures, Budgetary Basis	<u>4,762,795</u>	<u>3,028,412</u>	<u>1,734,383</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, 2014**

	General Fund		
	Budget	Actual	Variance
Continued from previous page			
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	1,889,515	\$ 1,889,515
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Cancelled Warrants		5,346	
Add: Current Year Outstanding Warrants		318,181	
Add: Current Year Encumbrances		25,738	
Ending Cash Balance		\$ 2,238,780	

**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, 2014**

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 355,607	\$ 355,607	\$ -
Less: Prior Year Outstanding Warrants	(1,700)	(1,700)	-
Less: Prior Year Encumbrances	(24,049)	(23,613)	436
Beginning Cash Balances, Budgetary Basis	329,858	330,294	436
Receipts:			
Ad Valorem Taxes	136,846	145,227	8,381
Charges for Services	-	65,240	65,240
Miscellaneous Revenues	-	3,663	3,663
Total Receipts, Budgetary Basis	136,846	214,130	77,284
Expenditures:			
Health and Welfare	466,704	266,547	200,157
Total Expenditures, Budgetary Basis	466,704	266,547	200,157
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	277,877	\$ 277,877
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Cancelled Warrants		-	
Add: Current Year Encumbrances		1,406	
Add: Current Year Outstanding Warrants		15,391	
Ending Cash Balance		\$ 294,674	

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, 2014

	Beginning Cash Balances July 1, 2013	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2014
Remaining Aggregate Funds:				
Resale Property	\$ 119,520	\$ 89,311	\$ 102,893	\$ 105,938
Sheriff Drug Account	775	-	-	775
Combined Total - Remaining Aggregate Funds	<u>\$ 120,295</u>	<u>\$ 89,311</u>	<u>\$ 102,893</u>	<u>\$ 106,713</u>

**ATOKA COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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, 2014, 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, 2014, 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: 2014-1, 2014-4, 2014-5, 2014-6, 2014-8, and 2014-11.

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: 2014-2, 2014-7, 2014-13, 2014-14, 2014-19, 2014-20, 2014-21, and 2014-22.

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 2014-11.

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, 2014**

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 2014-1 – 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, 2014**

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 2014-2 – 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 it 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, 2014**

- 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 2014-4 – 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, 2014**

- 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 2014-5 – 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, 2014**

Finding 2014-6 – 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 2014-7 – 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, 2014**

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 2014-8 – 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 and 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, 2014**

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 2014-11 – Inadequate Internal Controls and Noncompliance Over Purchasing (Repeat Finding)

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

- One was not supported by adequate documentation, therefore unable to determine if encumbrance was made prior to receiving goods.
- Thirteen were not timely encumbered.
- One was not charged to the proper fund and account.

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 the County strictly to adhere to state purchasing laws. 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.

Finding 2014-13 – Inadequate Internal Controls and Noncompliance Over Apportionment of Ad Valorem Taxes

Condition: Ad valorem tax receipts were not apportioned to the proper fund. The County Treasurer's office apportioned \$14,447 to the County General fund that belonged to various other county and trust and agency funds.

**ATOKA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Cause of Condition: Procedures have not been designed to review ad valorem receipts and ensure that ad valorem calculations are accurately appropriated to designated funds.

Effect of Condition: This condition resulted in noncompliance with state statute and could result in misappropriation of funds

Recommendation: OSAI recommends ad valorem tax revenue be apportioned to the funds according to the millage levy.

Management Response:

County Treasurer: I agree with the finding of \$ 14,447 not being apportioned to the proper funds. Procedures are in place to review ad valorem and accurately apportion to designated funds. The problem was not noticing the error. Thanks to the Auditor's finding the funds will be apportioned to the proper fund.

Criteria: Title 68 O.S. § 2923 requires the County Treasurer apportion all collections monthly to the different funds to which they belong.

Finding 2014-14 – Inadequate Internal Controls and Noncompliance Over Apportionment of Sales Tax

Condition: Upon inquiry and observation of the recordkeeping process of apportioning sales tax collections and disbursing of sales tax funds, the following was noted:

- The calculation of sales tax collections performed and apportioned by the County Treasurer and that are appropriated by the County Clerk are not reviewed or approved by someone other than the preparer.

Additionally, noncompliance was noted in our test of sales tax apportionments:

- Based on the sales tax ballot ninety percent (90%) of the one-half (1/2) cent is to be apportioned to the Sheriff's office and jail and the remaining ten percent (10%) to the fire departments in Atoka County. The County Treasurer's office apportioned ninety-five percent (95%) to the Sheriff's office and jail and five percent (5%) to the fire departments from August 1, 2013 through June 30, 2014, resulting in the Sheriff's account being over apportioned by \$25,666.

Cause of Condition: Procedures have not been designed to review the sales tax apportionment and ensure sales tax collections are accurately appropriated to designated funds.

Effect of Condition: These conditions resulted in noncompliance with state statute and sales tax revenues being misapportioned.

Recommendation: OSAI recommends that procedures be designed to review the calculation of the sales tax apportionment and appropriation to ensure collections are distributed in accordance with the sales tax

**ATOKA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

ballot. OSAI also recommends that procedures be implemented to ensure sales tax revenue is used only for the purpose for which it was designated.

Management Response:

County Treasurer: I agree with the finding that the ½ cent sales tax was apportioned wrong as stated. Steps will be taken to correct the error. I am not sure at this time how this will be handled but I am sure all funds will be correctly apportioned.

Criteria: Internal controls should be designed to analyze and check accuracy and completeness. To help ensure proper accounting of funds, the duties of allocating and apportioning sales tax should be reviewed and documented by an independent party and would include expenditure procedures that ensure compliance with 68 O.S. § 1370E.

Finding 2014-19 – Excessive Fuel Usage and Purchase of Fuel for Personal Use - Daisy Volunteer Fire Department Sales Tax

Condition: During the course of our audit, it was brought to our attention that the Daisy Volunteer Fire Department fuel expenditures from the County Sales tax funds had excessively increased. We reviewed purchase orders and charges for the fiscal years 2012, 2013, 2014, and part of 2015 and determined that fuel usage had increased substantially. The Fire Department provided documentation of fuel expenditures paid from Fire Department Sales Tax and Operations bank accounts that are under the control of the Fire Department. We obtained the State Fire Marshal reports for the calendar years 2011, 2012, 2013, and 2014 to determine the number of runs made by the Fire Department for the time period.

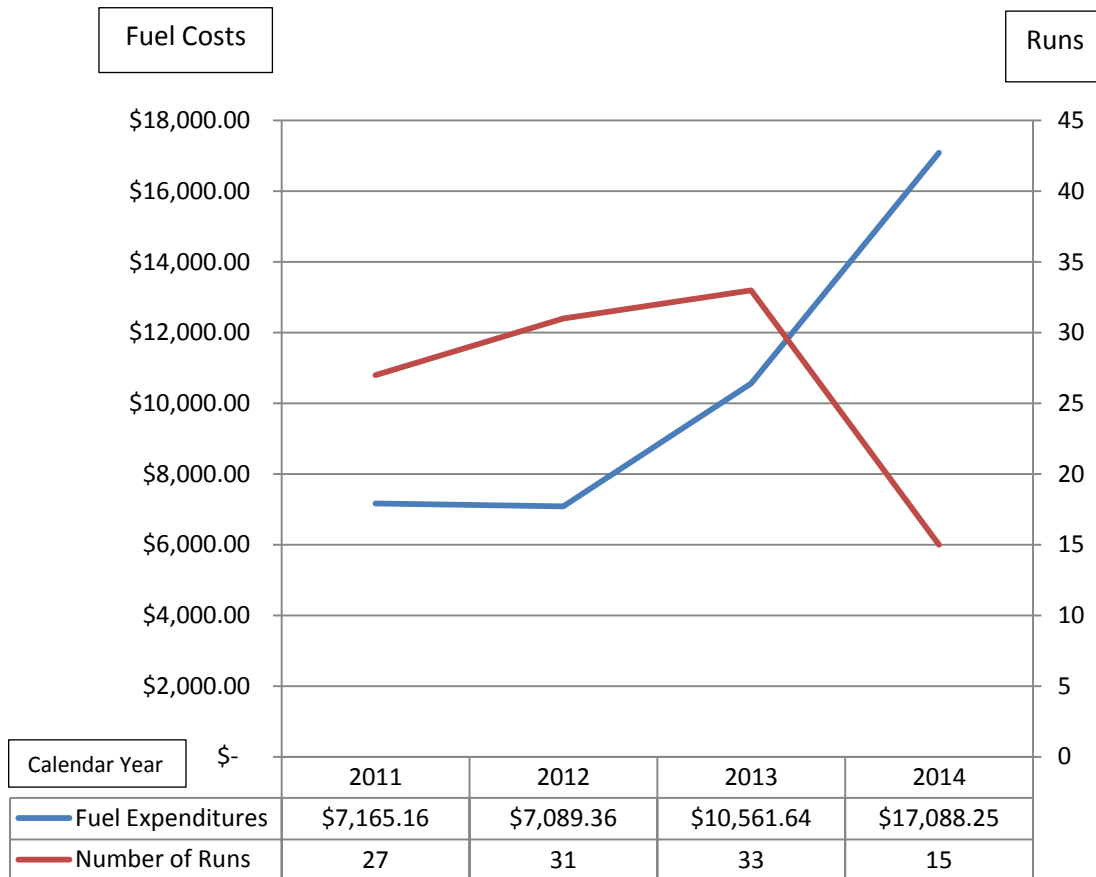
The fuel purchases from the Fire Department's sales tax account, which is maintained by the County, were made with a local vendor in Atoka, Oklahoma. OSAI reviewed the invoices attached to the purchase orders to determine the individual making the purchase and the Fire Department's vehicle the fuel was purchased for. Based on the signatures on the invoices, fuel purchases were made by the Assistant Fire Chief, the daughter of the Assistant Fire Chief, and grandson of the Assistant Fire Chief. Also, it appeared the fuel was purchased for these individuals personal vehicles.

Subsequent interviews with the Assistant Fire Chief indicated her acknowledgement that fuel purchases were excessive. A signed statement dated November 7, 2014 from the Assistant Fire Chief states that the highlighted fuel charges on the October 2014 statement in the amount of \$878.00 will be reimbursed by the daughter of the Assistant Fire Chief.

Excessive fuel expenditures of \$7,165.16, \$7,089.36, \$10,561.64, and \$17,088.25 for calendar year 2011, 2012, 2013, and 2014, respectively, totaling \$41,904.41 were not documented, authorized expenditures for the Fire Department and appears to have been for the personal benefit of the individuals making the purchases.

**ATOKA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

The following chart denotes the increase in fuel cost compared to the number of runs made.



In addition, the receiving officer stated that her name was forged on multiple receiving reports. Regarding the fuel purchases above, during calendar year 2013 two receiving reports totaled \$1,344.76; and during calendar year 2014 eight receiving reports totaled \$13,737.99; these reports did not have the authentic signature of the receiving officer.

Cause of Condition: The Fire Department did not follow policies and procedures designed by state statutes regarding the use of sales tax funds. There was no evidence of oversight by the Fire Department Board for these expenditures.

Effect of Condition: These conditions resulted in noncompliance with state statutes, laws, regulations, or legislative intent, misappropriation of assets, and misappropriation of funds.

**ATOKA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Recommendation: OSAI recommends the Fire Department develop and implement policies and procedures to ensure that funds are expended in accordance with state statutes, the sales tax ballot, and for the legitimate use of the Fire Department. OSAI recommends that these items be reviewed by the District Attorney to determine what action may be necessary.

Management Response:

Chairman of the Board of County Commissioners: Atoka County will work with the local fire departments to implement checks and balances to ensure no one person has control of all parts of a financial transaction and to ensure taxpayers dollars are properly expended. We will meet with the District Attorney to discuss possible further action.

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. § 1505 prescribes the procedures for requisition, purchase, and receipt of supplies, material, and equipment.

Title 21 O.S. § 1451 A. defines embezzlement as “the fraudulent appropriation of property of any person or legal entity, legally obtained, to any use or purpose not intended or authorized by its owner...”

Title 21 O.S. § 1451 C. states, “Any county or state officer, deputy or employee of such officer, who shall divert any money appropriated by law from the purpose and object of the appropriation, shall, upon conviction, be guilty of a felony punishable by imprisonment in the custody of the Department of Corrections for a term not less than one (1) year nor more than ten (10) years, and a fine equal to triple the amount of money so embezzled.....”

Title 21 O.S. § 1593 states, “Every person who, by any false representation, artifice or deceit, procures from another his signature to any instrument, the false making of which would be forgery, and which the party signing would not have executed had he known the facts and effect of the instrument, is guilty of forgery in the second degree.”

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 designated.”

Finding 2014-20 – Purchase of Unauthorized Items and Services Not Used by the Fire Department

Condition: While reviewing disbursements and charges from the Daisy Volunteer Fire Department's sales tax fund, we noted purchase orders issued totaling \$17,366.59 for items that were not authorized

**ATOKA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

expenditures for the Fire Department and appears to have been for personal benefit of the individuals making the purchases. Additionally, there was no documentation that these expenditures were approved by the Fire Department Board. This amount includes purchases made for:

- Automotive Repair Vendor \$7,676.00
- Automotive Parts Store \$5,884.23
- Telephone Service Provider \$3,310.98
- Welding Supplies Vendor \$495.08

Automotive Repair Vendor - \$7,676.00:

While reviewing disbursements from the Fire Department sales tax fund, we noted purchase orders issued to an auto repair shop for automotive repairs, services, parts, and tires for the vehicle Ford 1/F-250 Ford, which does not belong to the Fire Department. During an interview with the receiving officer they confirmed that the signature on the receiving reports for these expenditures was not their signature.

During an interview with the Assistant Fire Chief, she stated that this was work done on a donated vehicle and it kept blowing the injectors, so she returned the vehicle to the individual that donated it. Also, she stated that the money for the repairs would be returned to the Fire Department. There was no documentation available to verify the Fire Department Board was aware there was a donated vehicle.

The following schedule documents the type of vehicle the work was performed on and the items purchased:

Items listed on Vendor Invoice	Vehicle listed on Invoice	Amount	Status of Repayment
Tires 295-70-17 MT-MTZ all terrain (4), waste, balance and mount.	Ford 1	\$1,656.00	None
Alternator rebuild with labor, front rotors, brake pads, injectors, and gasket kit with labor.	Ford 1	1,120.00	None
Set of injectors 8x brand new including o-ring kit, oil tubes and kit, labor for tear down and reassembly, and injection kit for an 07 Power Stroke	Ford 1/F-250	<u>4,900.00</u>	None
Total		<u>\$7,676.00</u>	

Automotive Parts Store - \$5,884.23:

While reviewing the purchase orders issued to an automotive parts store, we noted the purchase of parts that would not fit any of the vehicles owned by the Fire Department, items that were not at the Fire Department, or items that were not used by the Fire Department.

During an interview with the Assistant Fire Chief, we obtained a signed statement from her stating that all parts for a 1979 Chevrolet, Ford diesel parts, and Dodge vehicle will be reimbursed by her.

**ATOKA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

The following schedule shows the type of vehicle which the parts purchased would fit and the items not for Fire Department use.

Non Fire Department Vehicle or Use	Amount	Status of Repayment
2004 Chevrolet Avalanche 1500 V8 325 5.3L	\$204.96	None
1999 Chevrolet Silverado 1500 PU V8-325 5.3L	253.50	None
1979 Chevrolet C30/GMC C3500 Pickup RWD V8 7.4L 454ci gas	1,374.43	None
2007 Ford F-250 Super Duty	1,100.84	None
Dodge/Ram Vehicle	428.39	None
Items and parts for a tractor	723.92	None
Items used for auto body repair and painting	1,038.92	None
Items used for welding - welding helmet and electrodes	150.96	None
Parts or items not for Fire Department use	<u>608.31</u>	\$399.98 for diesel transfer pump paid to vendor by the Assistant Fire Chief
Total	<u>\$5,884.23</u>	

Telephone Service Provider - \$3,310.98:

Telephone charges totaling \$3,310.98 were not authorized expenditures of the Fire Department and appears to have been for the personal benefit of the individuals using these telephone services.

While reviewing disbursements from the Fire Department's sales tax funds, we noted purchase orders issued to two vendors for cellular and land line telephone service. During an interview with the Assistant Fire Chief she stated that the cellular telephone bill was for three cell phones that were used by herself, her husband the Fire Chief, and the third cell phone was no longer working. Also, she stated that the land line was in-service at her residence. She stated that she would have the cellular telephone account charged to her.

Item Description	Amount	Status of Repayment
Cellular telephone service	\$ 572.39	None
Land line service and connection charges	<u>2,738.59</u>	None
Total	<u>\$3,310.98</u>	

Welding Supplies Vendor - \$495.08:

Welding supplies totaling \$495.08 were not for authorized expenditures for the Fire Department and appears to have been for the personal benefit of the individuals making the purchases.

**ATOKA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

While reviewing disbursements from the Fire Department’s sales tax funds, we noted purchase orders issued to a welding supply vendor. The Daisy Fire Department does not have a welder to utilize the welding supplies, rental fees, and equipment purchased. These items totaling \$495.08 were not for authorized expenditures for the Fire Department and appears to have been for the personal benefit of the individuals making the purchases.

Interviews with the Assistant Fire Chief indicated that she would change the account for the Fire Department, at the welding supply vendor, to be charged to a personal account in her name.

Items Description	Amount	Status of Repayment
Oxygen and Acetylene Cylinders, Washington alloy-welding rods 20lbs, spark lighter, and welding cap	\$153.63	None
Victor regulator-oxygen, Weld Mark acetylene regulator tank wrench (2)	190.14	None
Oxygen and Acetylene Cylinders Rental fees	130.11	None
Nemesis Blue lens safety glasses, med. cowhide gloves	<u>21.20</u>	None
Total	<u>\$495.08</u>	

In addition, the receiving officer stated that her name was forged on multiple receiving reports. Regarding the purchases from County sales tax funds above, thirty-seven (37) receiving reports totaling \$14,758.29 in expenditures did not have the authentic signature of the receiving officer.

Cause of Condition: The Fire Department did not follow policies and procedures designed by state statutes regarding the use of sales tax funds. There was no evidence of oversight by the Fire Department Board for these expenditures.

Effect of Condition: These conditions resulted in noncompliance with state statutes, laws, regulations, or legislative intent, misappropriation of assets, and misappropriation of funds.

Recommendation: OSAI recommends the Fire Department develop and implement policies and procedures to ensure that funds are expended in accordance with state statutes, the sales tax ballot, and for the legitimate use of the Fire Department. OSAI recommends that these items be reviewed by the District Attorney to determine what action may be necessary.

Management Response:

Chairman of the Board of County Commissioners: Atoka County will work with the local fire departments to implement checks and balances to ensure no one person has control of all parts of a financial transaction and to ensure taxpayers dollars are properly expended. We will meet with the District Attorney to discuss possible further action.

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

**ATOKA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

prevention or timely detection of unauthorized transactions and safeguarding assets from misappropriation.

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

Title 21 O.S. § 1451 A. defines embezzlement as “the fraudulent appropriation of property of any person or legal entity, legally obtained, to any use or purpose not intended or authorized by its owner...”

Title 21 O.S. § 1451 C. states, “Any county or state officer, deputy or employee of such officer, who shall divert any money appropriated by law from the purpose and object of the appropriation, shall, upon conviction, be guilty of a felony punishable by imprisonment in the custody of the Department of Corrections for a term not less than one (1) year nor more than ten (10) years, and a fine equal to triple the amount of money so embezzled.....”

Title 21 O.S. § 1593 states, “Every person who, by any false representation, artifice or deceit, procures from another his signature to any instrument, the false making of which would be forgery, and which the party signing would not have executed had he known the facts and effect of the instrument, is guilty of forgery in the second degree.”

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 designated.”

Finding 2014-21 – Missing Items and Unauthorized Purchases - Hardware Store Purchases

Condition: While reviewing disbursements from the Fire Department’s sales tax funds, we noted purchase orders issued for items from a hardware store/lumber yard that there was no documentation the purchases were approved by the Fire Department Board or the purpose for which they were purchased. Items purchased from a hardware store/lumber yard totaled \$7,747.47. Of the items purchased OSAI was unable to locate the following:

Item	Amount	Status of Repayment
Treated deck boards - 65	\$392.85	None
Cast iron wood stove	\$100.00	\$100.00 was repaid by Assistant Fire Chief
Air conditioner - 12,000 btu	\$339.99	None

During interviews, the Assistant Fire Chief stated that the stove was located at her home.

Various other items purchased from the vendor were unable to be determined as legitimate expenditures for the Fire Department. Also, the receiving officer stated that her name was forged on multiple receiving

**ATOKA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

reports. Regarding the purchases from the County sales tax funds above, nine receiving reports totaling \$3,494.45 did not have the authentic signature of the receiving officer.

Cause of Condition: The Fire Department did not follow policies and procedures designed by state statutes regarding the use of sales tax funds. There was no evidence of oversight by the Fire Department Board for these expenditures.

Effect of Condition: These conditions resulted in noncompliance with state statutes, laws, regulations, or legislative intent, misappropriation of assets, and misappropriation of funds.

Recommendation: OSAI recommends the Fire Department develop and implement policies and procedures to ensure that funds are expended in accordance with state statutes, the sales tax ballot, and for the legitimate use of the Fire Department. OSAI recommends that these items be reviewed by the District Attorney to determine what action may be necessary.

Management Response:

Chairman of the Board of County Commissioners: Atoka County will work with the local fire departments to implement checks and balances to ensure no one person has control of all parts of a financial transaction and to ensure taxpayers dollars are properly expended. We will meet with the District Attorney to discuss possible further action.

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. § 1505 prescribes the procedures for requisition, purchase, and receipt of supplies, material, and equipment.

Title 21 O.S. § 1451 A. defines embezzlement as “the fraudulent appropriation of property of any person or legal entity, legally obtained, to any use or purpose not intended or authorized by its owner...”

Title 21 O.S. § 1451 C. states, “Any county or state officer, deputy or employee of such officer, who shall divert any money appropriated by law from the purpose and object of the appropriation, shall, upon conviction, be guilty of a felony punishable by imprisonment in the custody of the Department of Corrections for a term not less than one (1) year nor more than ten (10) years, and a fine equal to triple the amount of money so embezzled.....”

Title 21 O.S. § 1593 states, “Every person who, by any false representation, artifice or deceit, procures from another his signature to any instrument, the false making of which would be forgery, and which the party signing would not have executed had he known the facts and effect of the instrument, is guilty of forgery in the second degree.”

**ATOKA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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 designated."

Finding 2014-22 – Unauthorized Purchase of Propane and Tank Rental at Personal Residence

Condition: During our examination of the Daisy Volunteer Fire Department disbursements, including expenditures from the County sales tax funds maintained by the County and expenditures from the Daisy Fire Department Operation and Sales Tax bank accounts, we noted purchase for propane and rental fees totaling \$1,258.90. The Fire Department’s Assistant Chief and Board Members provided OSAI with the bank statements for these accounts.

During an interview it was verified through the propane vendor these tickets for propane charges and rental were directed by the Assistant Fire Chief to be charged to the Fire Department. Also, documentation was provided reflecting the propane was delivered to the Assistant Fire Chief’s residence.

Additionally, the receiving officer stated that her name was forged on the receiving report attached to the purchase order issued from County sales tax funds for the purchase of the propane listed below.

Based on the documentation, the expenditures totaling \$1,258.90 for the propane and tank rental were not authorized expenses of the Fire Department and appears to have been for the personal benefit of the Assistant Fire Chief.

The following schedule reflects the item purchased, amount, and the funds used for payment:

Item	Amount	Paid from	Status of Repayment
Propane – 140 gallons	\$343.74	County Sales Tax	None
Propane – 100 gallons	210.00	Fire Department County Sales Tax	None
Propane – 65 gallons	120.25	Fire Department Operations	None
Tank rental fee	5,366	Fire Department Operations	None
Propane – 115 gallons	36,225	Fire Department Operations	None
Propane – 100 gallons	<u>169.00</u>	Fire Department Operations	None
Total	<u>\$1,258.16</u>		

Cause of Condition: The Fire Department did not follow policies and procedures designed by state statutes regarding the use of sales tax funds. There was no evidence of oversight by the Fire Department Board for these expenditures.

Effect of Condition: These conditions resulted in noncompliance with state statutes, laws, regulations, or legislative intent, misappropriation of assets, and misappropriation of funds.

**ATOKA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Recommendation: OSAI recommends the Fire Department develop and implement policies and procedures to ensure that funds are expended in accordance with state statutes, the sales tax ballot, and for the legitimate use of the Fire Department. OSAI recommends that these items be reviewed by the District Attorney to determine what action may be necessary.

Management Response:

Chairman of the Board of County Commissioners: Atoka County will work with the local fire departments to implement checks and balances to ensure no one person has control of all parts of a financial transaction and to ensure taxpayers dollars are properly expended. We will meet with the District Attorney to discuss possible further action.

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. § 1505 prescribes the procedures for requisition, purchase, and receipt of supplies, material, and equipment.

Title 21 O.S. § 1451 A. defines embezzlement as “the fraudulent appropriation of property of any person or legal entity, legally obtained, to any use or purpose not intended or authorized by its owner...”

Title 21 O.S. § 1451 C. states, “Any county or state officer, deputy or employee of such officer, who shall divert any money appropriated by law from the purpose and object of the appropriation, shall, upon conviction, be guilty of a felony punishable by imprisonment in the custody of the Department of Corrections for a term not less than one (1) year nor more than ten (10) years, and a fine equal to triple the amount of money so embezzled.....”

Title 21 O.S. § 1593 states, “Every person who, by any false representation, artifice or deceit, procures from another his signature to any instrument, the false making of which would be forgery, and which the party signing would not have executed had he known the facts and effect of the instrument, is guilty of forgery in the second degree.”

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 designated.”

**ATOKA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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 2014-15 – Inadequate Segregation of Duties - Court Clerk (Repeat Finding)

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

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.

**ATOKA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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 2014-16 – 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:

- 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 Inmate Trust bank account was overdrawn.
- 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.
- June 2014 bank statement could not be located.

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.
- Banking fees were paid.

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.

**ATOKA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

- 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.
- Banking fees to be paid in accordance with 19 O.S. § 531 C.

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 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.*" In addition, 19 O.S. § 531 C. states, "Banking fees on the account may be paid out of the Sheriff Commissary Account or the county sheriff's Service Cash Fund."

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.

**ATOKA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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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