

COUNTY AUDIT

BEAVER COUNTY

For the fiscal year ended June 30, 2011



*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

**BEAVER COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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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

February 20, 2014

TO THE CITIZENS OF
BEAVER COUNTY, OKLAHOMA

Transmitted herewith is the audit of Beaver County, Oklahoma for the fiscal year ended June 30, 2011. The audit was conducted in accordance with 19 O.S. § 171.

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

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

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

Sincerely,

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

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

**BEAVER COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**BEAVER COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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PRESENTED FOR INFORMATIONAL PURPOSES ONLY**

**BEAVER COUNTY, OKLAHOMA
STATISTICAL INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**



Located in the Oklahoma Panhandle, present-day Beaver County was created from the eastern one-third of that area. Named for the Beaver River, this county comprised the entire panhandle prior to statehood.

Bordered on the north by Kansas and the south by Texas, Beaver County was crossed by the Jones and Plummer Trail. Established around 1874, this trail served first as a supply route and then a cattle trail between Texas and Kansas.

While the local economy is based on agriculture and cattle, it is also supplemented by the oil and gas industry. For more information, call the county clerk's office at 580/625-3418.

County Seat – Beaver

Area – 1,817.58 Square Miles

County Population – 5,270
(2009 est.)

Farms – 952

Land in Farms – 1,128,871 Acres

Primary Source: Oklahoma Almanac 2011-2012

**BEAVER COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Board of County Commissioners

District 1 – Brad Raven
District 2 – C.J. Rose
District 3 – Frank King

County Assessor

Dayla Sue Pugh

County Clerk

Tammy Millikan

County Sheriff

Reuben Parker, Jr.

County Treasurer

Mechille Calhoun

Court Clerk

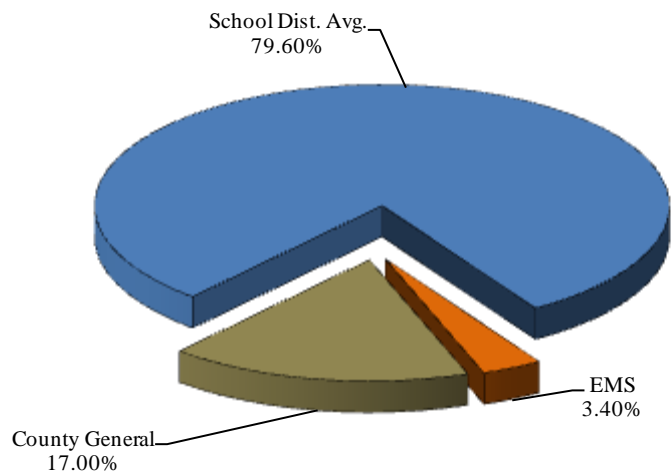
Sharon Raven

District Attorney

James M. Boring

**BEAVER COUNTY, OKLAHOMA
AD VALOREM TAX DISTRIBUTION
SHARE OF THE AVERAGE MILLAGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

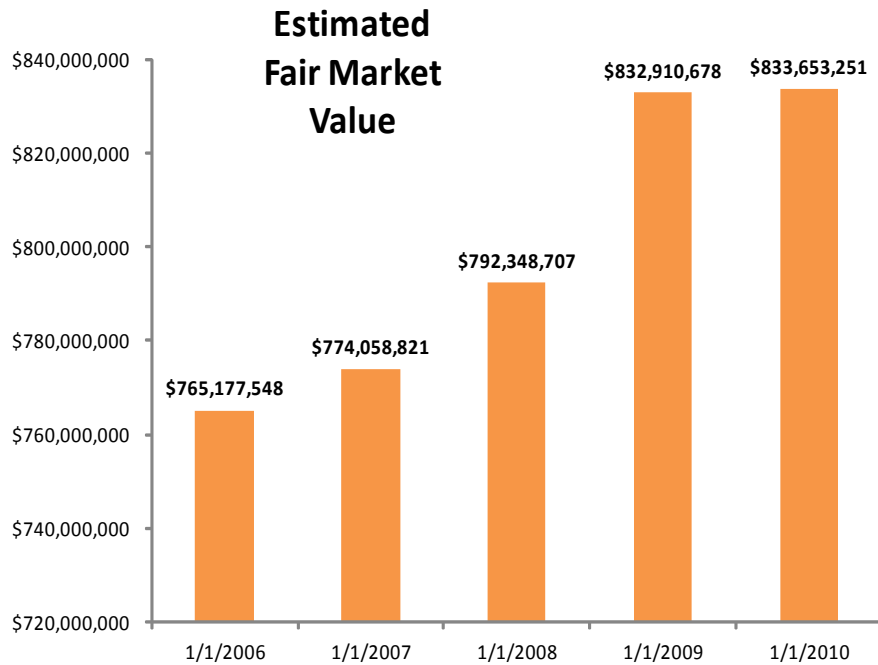
Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of a property is \$1,000.00 and the millage rate is 1.00, then the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



County-Wide Millages		School District Millages						
				Gen.	Bldg.	Skg.	Common	Total
County General	10.00							
EMS	2.00	Beaver	I-22	35.00	5.00	6.33	4.00	50.33
		Balko	I-75	35.00	5.00	7.26	4.00	51.26
		Forgan/Knowles	I-123	35.00	5.00	-	4.00	44.00
		Turpin	I-128	35.00	5.00	-	4.00	44.00
		Laverne	JT-1	35.00	5.00	-	4.00	44.00
		Shattuck	JT-4	35.00	5.00	3.82	4.00	47.82

**BEAVER COUNTY, OKLAHOMA
 ASSESSED VALUE OF PROPERTY
 TREND ANALYSIS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

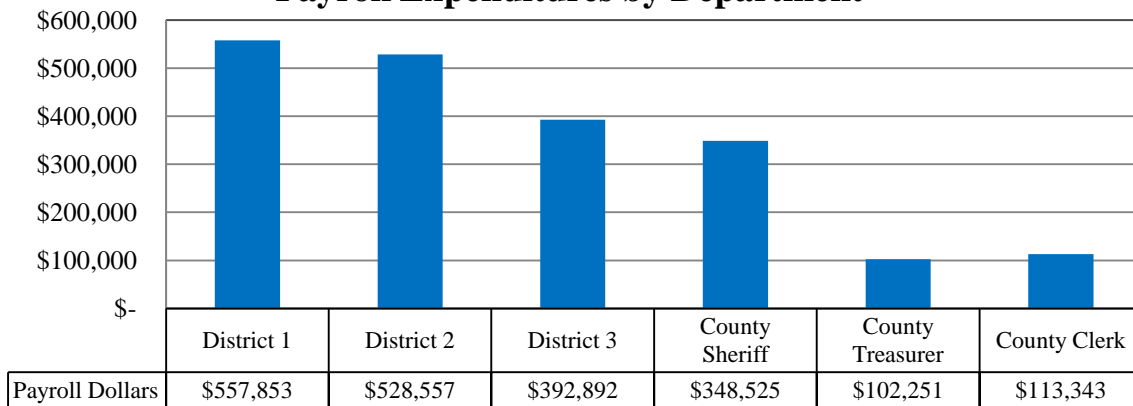
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2010	\$45,518,404	\$34,258,848	\$43,365,708	\$1,389,219	\$121,753,741	\$833,653,251
1/1/2009	\$47,581,235	\$34,162,717	\$42,596,689	\$1,335,655	\$123,004,986	\$832,910,678
1/1/2008	\$44,221,365	\$32,871,690	\$41,468,813	\$1,386,464	\$117,175,404	\$792,348,707
1/1/2007	\$44,584,633	\$29,499,418	\$40,622,002	\$1,362,027	\$113,344,026	\$774,058,821
1/1/2006	\$40,504,017	\$32,317,721	\$40,582,603	\$1,371,590	\$112,032,751	\$765,177,548



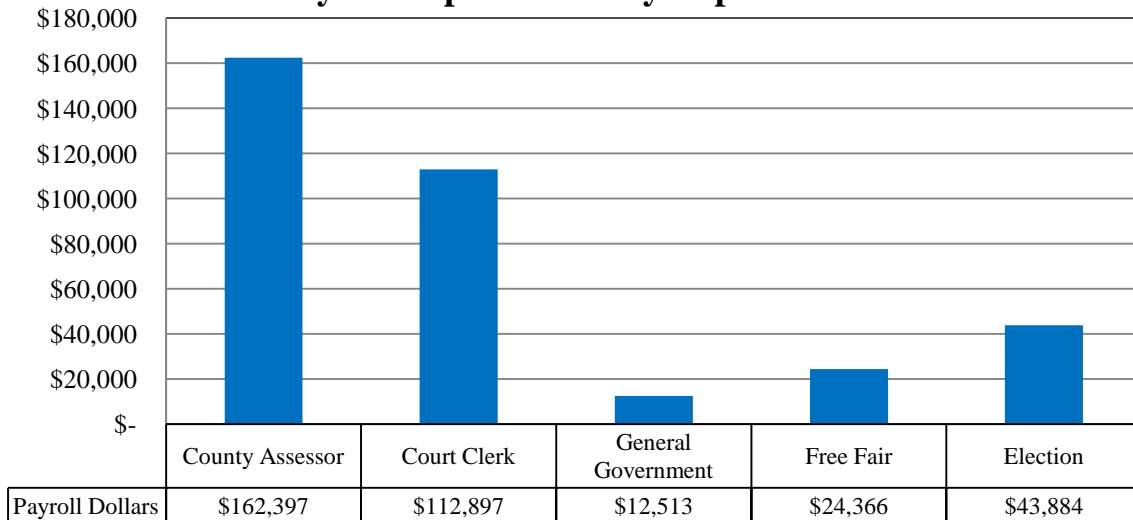
**BEAVER COUNTY, OKLAHOMA
COUNTY PAYROLL EXPENDITURES ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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, 2011.

Payroll Expenditures by Department



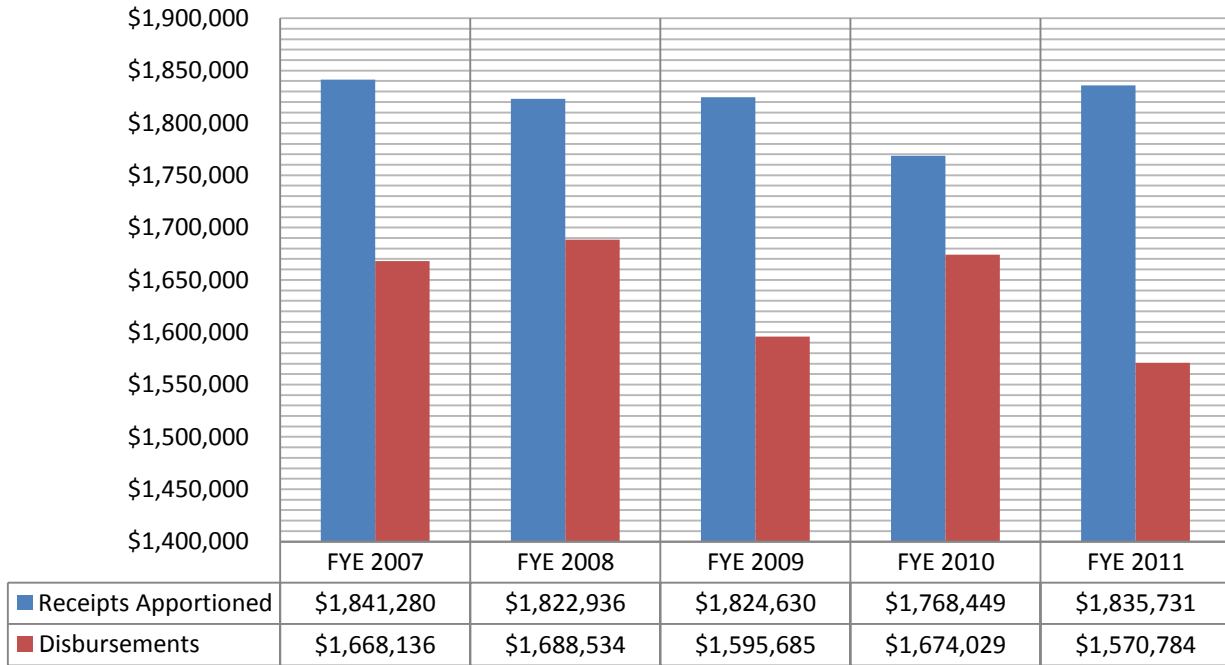
Payroll Expenditures by Department



**BEAVER COUNTY, OKLAHOMA
COUNTY GENERAL FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

County General Fund

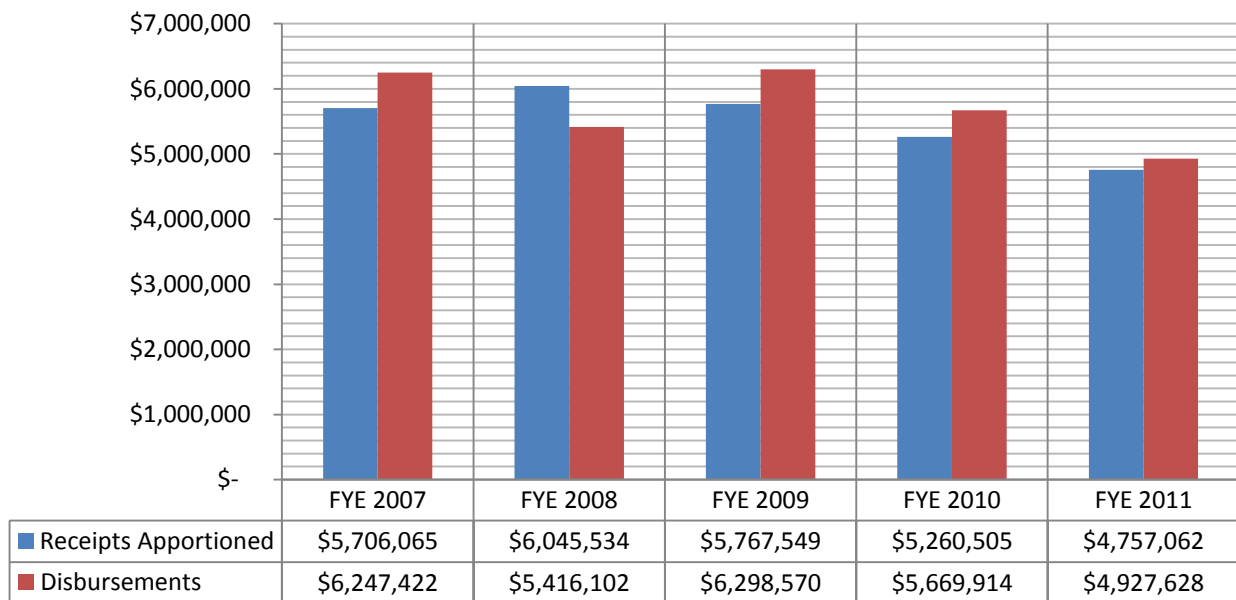
The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the county's primary source of operating revenue. The County General Fund is typically used for county employees' salaries plus many expenses for county maintenance and operation. It also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



**BEAVER COUNTY, OKLAHOMA
COUNTY HIGHWAY FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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 BEAVER COUNTY, OKLAHOMA

We have audited the combined total—all county funds on the accompanying regulatory basis Statement of Receipts, Disbursements, and Changes in Cash Balances of Beaver County, Oklahoma, as of and for the year ended June 30, 2011, listed in the table of contents as the financial statement. This financial statement is the responsibility of Beaver County's management. Our responsibility is to express an opinion on the combined total—all county funds on this 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, this financial statement was prepared using accounting practices prescribed or permitted by Oklahoma state law, which practices differ from accounting principles generally accepted in the United States of America. The differences between this regulatory basis of accounting and accounting principles generally accepted in the United States of America are also described in Note 1.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Beaver County as of June 30, 2011, or changes in its financial position for the year then ended.

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 Beaver County, for the year ended June 30, 2011, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2014, on our consideration of Beaver 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 should be considered in assessing the results of our audit.

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. Such supplementary information has been subjected to the auditing procedures applied in the audit of the combined total—all county funds on the regulatory basis Statement of Receipts, Disbursements and Changes in Cash Balances and, in our opinion, 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 audited by us, and accordingly, we express no opinion on it.

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

February 18, 2014

REGULATORY BASIS FINANCIAL STATEMENT

BEAVER 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, 2011

	Beginning Cash Balances July 1, 2010	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2011
Combining Information:						
Major Funds:						
County General Fund	\$ 1,356,229	\$ 1,835,731	\$ -	\$ -	\$ 1,570,784	\$ 1,621,176
County Sales Tax	815,412	687,595	-	-	457,159	1,045,848
County Highway Cash	2,602,632	4,757,062	44,809	-	4,927,628	2,476,875
County Hospital Sales Tax	40,235	957,382	-	-	894,142	103,475
County Health Sales Tax	40,087	5,313	-	-	-	45,400
General Use Sales Tax	939,492	257,648	-	-	1,097,629	99,511
County Bridge and Road Improvement Fund	-	1,684,037	-	(44,809)	21,348	1,617,880
Remaining Aggregate Funds	261,428	208,012	-	-	188,203	281,237
Combined Total - All County Funds	\$ 6,055,515	\$ 10,392,780	\$ 44,809	\$ (44,809)	\$ 9,156,893	\$ 7,291,402

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

**BEAVER COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

1. Summary of Significant Accounting Policies

A. Reporting Entity

Beaver 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 major county funds included as combining information within the financial statement:

County General Fund – accounts for the general operations of the government.

County Sales Tax – accounts for sales tax monies collected on behalf of the county and disbursements are for designated purposes. These collections are budgeted in the County's General Fund.

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

County Hospital Sales Tax – accounts for the collection of sales tax and disbursement of funds used for general operations of the county hospital.

County Health Sales Tax – accounts for sales tax monies collected on behalf of the county health facility to be used to fund the operations of the county health facility.

**BEAVER COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

General Use Sales Tax – accounts for taxes collected and will be disbursed for future capital improvements.

County Bridge and Road Improvement Fund – accounts for state receipts and disbursements for the purpose of maintaining bridges and roads.

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 and Investments

For the purposes of financial reporting, “Ending Cash Balances, June 30” includes cash and cash equivalents and investments as allowed by statutes. The County pools the cash of its various funds in maintaining its bank accounts. However, cash applicable to a particular fund is readily identifiable on the County’s books. The balance in the pooled cash accounts is available to meet current operating requirements.

State statutes require financial institutions with which the County maintains funds to deposit collateral securities to secure the County’s deposits. The amount of collateral securities to be pledged is established by the County Treasurer; this amount must be at least the amount of the deposit to be secured, less the amount insured (by, for example, the FDIC).

**BEAVER COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

The County Treasurer has been authorized by the County's governing board to make investments. Allowable investments are outlined in statutes 62 O.S. § 348.1 and § 348.3.

All investments must be backed by the full faith and credit of the United States Government, the Oklahoma State Government, fully collateralized, or fully insured. All investments as classified by state statute are nonnegotiable certificates of deposit. Nonnegotiable certificates of deposit are not subject to interest rate risk or credit risk.

2. Ad Valorem Tax

The County's property tax is levied each October 1 on the assessed value listed as of January 1 of the same year for all real and personal property located in the County, except certain exempt property. Assessed values are established by the County Assessor within the prescribed guidelines established by the Oklahoma Tax Commission and the State Equalization Board. Title 68 O.S. § 2820.A. states, ". . . Each assessor shall thereafter maintain an active and systematic program of visual inspection on a continuous basis and shall establish an inspection schedule which will result in the individual visual inspection of all taxable property within the county at least once each four (4) years."

Taxes are due on November 1 following the levy date, although they may be paid in two equal installments. If the first half is paid prior to January 1, the second half is not delinquent until April 1. Unpaid real property taxes become a lien upon said property on October 1 of each year.

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

3. Other Information

A. Pension Plan

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

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

**BEAVER COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

B. Other Post Employment Benefits (OPEB)

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

C. Contingent Liabilities

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

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

D. Long Term Obligations

Capital Leases

The County acquires road machinery and equipment through lease-purchase agreements financed by the Oklahoma Department of Transportation and/or the equipment vendors or their assignees pursuant to the provision of 69 O.S. Section 636.1 through Section 636.7. Lease agreements entered into with the Oklahoma Department of Transportation (ODOT) are interest free. However, starting January 1997, ODOT began charging a one-time fee of 3% on all pieces of machinery subsequently acquired.

E. Sales Tax

On November 18, 2003, the voters of Beaver County approved a continuation of a 1% sales tax for the general support of Beaver County Memorial Hospital Authority. This sales tax will expire February 1, 2011. On December 14, 2010, the voters of Beaver County approved a continuation of a 1% sales tax for the general support of Beaver County Memorial Hospital Authority to begin February 1, 2011. This sales tax will expire after 74 months. This sales tax is accounted for in the County Sales Tax fund.

On November 4, 2008 the voters of Beaver County approved a one-cent sales tax to begin April 1, 2009. This sales tax will expire April 1, 2015. The sales tax is distributed among the following entities: OSU Extension Office (11%), Free Fair (15%), Health Department (15%), County Library (10%), City Transit Bus (1.3%), Rural Fire (10.4%), General Use (19.3%), Rural

**BEAVER COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Economic Development (1%), Jones and Plummer Trail Museum (1%), Courthouse Maintenance and Operation (10%), and Senior Citizens (6%). This sales tax is accounted for in the following funds: County Sales Tax and County Health Sales Tax.

F. Interfund Transfers

The County Treasurer established the County Bridge and Road Improvement Fund to receive monies from the Oklahoma Department of Transportation. A total of \$44,809 was transferred from County Bridge and Road Improvement Fund to the County Highway Cash fund during the year.

OTHER SUPPLEMENTARY INFORMATION

BEAVER COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
GENERAL FUND (INCLUDING COUNTY SALES TAX)
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 2,155,768	\$ 2,171,641	\$ 15,873
Less: Prior Year Outstanding Warrants	(141,971)	(141,971)	-
Less: Prior Year Encumbrances	(27,042)	(7,763)	19,279
Beginning Cash Balances, Budgetary Basis	<u>1,986,755</u>	<u>2,021,907</u>	<u>35,152</u>
Receipts:			
Ad Valorem Taxes	1,106,852	1,203,661	96,809
Charges for Services	103,432	127,536	24,104
Intergovernmental Revenues	597,205	1,087,325	490,120
Miscellaneous Revenues	135,737	104,804	(30,933)
Total Receipts, Budgetary Basis	<u>1,943,226</u>	<u>2,523,326</u>	<u>580,100</u>
Expenditures:			
District Attorney State	500	500	-
District Attorney County	500	500	-
County Sheriff	346,550	337,860	8,690
County Treasurer	97,540	96,061	1,479
County Commissioners	77	77	-
OSU Extension	287,536	47,409	240,127
County Clerk	97,527	97,026	501
Court Clerk	118,197	117,697	500
County Assessor	98,919	98,317	602
Revaluation of Real Property	98,232	88,608	9,624
General Government	538,610	422,337	116,273
Excise-Equalization Board	3,900	2,810	1,090
County Election Board	48,486	43,971	4,515
Charity	4,000	2,000	2,000
Library	642	642	-
Senior Citizens Center	125,540	32,625	92,915
Fire Departments	224,875	83,317	141,558
Rural Economic Development	9,241	6,937	2,304
Beaver City Bus Transit	20,378	7,423	12,955
Museum	4,901	4,891	10
Emergency Management Services	31,576	31,576	-
General Government Sales Tax	1,317,822	266,908	1,050,914
County Audit Budget	35,513	35,513	-
Free Fair Budget	169,432	97,453	71,979
Library Budget Account	87,450	58,865	28,585
Public Health Budget Account	133,301	38,925	94,376
County Hospital Budget Account	28,736	28,736	-
Total Expenditures, Budgetary Basis	<u>3,929,981</u>	<u>2,048,984</u>	<u>1,880,997</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	2,496,249	<u>\$ 2,496,249</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Cancelled Warrants		124	
Add: Current Year Outstanding Warrants		120,582	
Add: Current Year Encumbrances		50,069	
Ending Cash Balance		<u>\$ 2,667,024</u>	

BEAVER COUNTY, OKLAHOMA
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS—
REMAINING AGGREGATE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Beginning Cash Balances July 1, 2010	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2011
Remaining Aggregate Funds:				
Resale Property	\$ 39,730	\$ 13,865	\$ 23,911	\$ 29,684
Treasurer Mortgage Tax Certification Fee	4,916	970	312	5,574
County Clerk Lien Fee	51,763	29,427	44,102	37,088
County Clerk Records Preservation Fee	31,147	22,062	13,886	39,323
Assessor Revolving Fee	5,889	2,561	1,078	7,372
Sheriff Service Fee	87,442	102,589	69,039	120,992
Emergency Management	19,886	4,917	5,364	19,439
Beaver County Library	9,637	38	6,300	3,375
Local Emergency Planning Committee Grant	9,265	2,673	2,854	9,084
Library State Aid Grant	1,653	16,711	14,509	3,855
Littering Reward Cash Fund	100	100	-	200
Sheriff Vest Grant	-	10,503	5,252	5,251
Library Siga Adelante Expansion Grant	-	1,596	1,596	-
Combined Total - Remaining Aggregate Funds	\$ 261,428	\$ 208,012	\$ 188,203	\$ 281,237

**BEAVER COUNTY, OKLAHOMA
NOTES TO THE SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

1. Budgetary Schedules

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

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

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

County Clerk Records Preservation Fee – accounts for fees collected for instruments filed with the Registrar of Deeds as restricted by statute.

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

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

Emergency Management – accounts for the collection of grant money to be disbursed for the purpose of Homeland Security by Beaver County.

Beaver County Library – accounts for donations to be used for special projects for the county library.

**BEAVER COUNTY, OKLAHOMA
NOTES TO THE SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Local Emergency Planning Committee Grant – accounts for the collection of grant money to be disbursed for the use of Emergency Management.

Library State Aid Grant – accounts for grant monies to be used to improve library service.

Littering Reward Cash Fund – accounts for a percentage of fines imposed for littering in accordance with Title 21 O.S. § 1753.3 and § 1761.1 of the Oklahoma Statutes. The money is used to pay rewards for the arrest and conviction or for evidence leading to the arrest and conviction of any person who violates the provisions of the afore mentioned sections and to offset the cost of any special enforcement programs originated by any law enforcement agency responsible for the arrest or prosecution of any person who violates the provisions of Title 21 O.S. § 1753.3 and § 1761.1 of the Oklahoma Statutes.

Sheriff Vest Grant – accounts for grant monies received to be used for the purchase of protective vests for the Sheriff's office.

Library Siga Adelante Expansion Grant – accounts for grant monies received to be used to purchase bilingual material for the library.

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

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
BEAVER COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Beaver County, Oklahoma, as of and for the year ended June 30, 2011, which comprises Beaver County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated February 18, 2014. Our report on the basic financial statement was adverse because the statement is not a presentation in conformity with 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, 2011, on the basis of accounting prescribed by Oklahoma state law, described in Note 1. 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.

In planning and performing our audit, we considered Beaver County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Beaver County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be 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 in internal control described in the accompanying schedule of findings and responses to be material weaknesses in internal control over financial reporting. 2011-1, 2011-4, 2011-8, 2011-9, and 2011-11.

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 in internal control described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting. 2011-10.

As part of obtaining reasonable assurance about whether Beaver County's financial statement is free of 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 2011-10.

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

This report is intended solely for the information and use of management, those charged with governance and others within the entity and is not intended to be and should not be used by anyone other than the specified parties. 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.

A handwritten signature in blue ink, appearing to read "Gary A. Jones".

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

February 18, 2014

**BEAVER COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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 2011-1—Inadequate County-Wide Controls

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

Cause of Condition: Procedures have not been designed to address risks of the County.

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. OSAI also recommends that the County design monitoring procedures to assess the quality of performance over time. These procedures should be written policies and procedures and could be included in the County's policies and procedures handbook.

Management Response:

Board of County Commissioners: Management has already implemented procedures to meet once a month to identify and address risks to the County.

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 made. Internal control comprises the plans, methods, and procedures used to meet missions, goals, and objectives. Internal control also serves as the first line of defense in safeguarding assets and preventing and detecting errors and fraud. County management is responsible for designing a county-wide internal control system comprised of Risk Assessment and Monitoring for the achievement of these goals.

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

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.

**BEAVER COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Finding 2011-4—Inadequate Internal Controls Over Operations of the County Treasurer’s Office

Condition: Upon inquiry of the County Treasurer and her staff, and observation of documents, we determined that there are inadequate internal controls within the office of the County Treasurer as follows:

- The County Treasurer has three full-time deputies that collect revenue, issue receipts, prepare deposits, post to accounting records, and perform monthly reconciliations.
- The deputies have not received adequate training to perform the duties of apportioning funds, reviewing investments and bank balances and monitoring pledged collateral, preparing monthly reports, and reconciling accounts with the County Clerk in the absence of the County Treasurer.
- The reconciliation of appropriations to the account summary appears to be performed on a monthly basis, but documentation of the review by the County Treasurer and the County Clerk was not present in most cases to provide evidence that the reconciliation was approved.

Cause of Condition: Policies and procedures have not been designed and implemented to formally segregate the duties within the County Treasurer’s office and provide adequate training to employees to perform all duties of the office in the frequent absence of the County Treasurer.

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

Recommendation: OSAI recommends management be aware of these conditions and realize that concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. The most effective controls lie in management’s overseeing of office operations and a periodic review of operations. OSAI also recommends management provide guidance with regard to segregating the duties so that no one employee is able to perform all accounting functions. OSAI further recommends the County Treasurer provide adequate training to all employees to ensure office operations continue during the absence of the County Treasurer.

Management Response:

County Treasurer: I will continue to train and work with my employees, giving them the best training in all aspects of the office. By teaching them all aspects of the office, it will run effectively when I am gone.

Criteria: Accountability and stewardship are overall goals of management in accounting of funds. To help ensure a proper accounting of funds, the duties of receiving, receipting, recording, depositing cash and checks, reconciliations, and transaction authorization should be segregated.

**BEAVER COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Finding 2011-8—Inadequate Internal Controls Over the Purchasing Process

Condition: Upon inquiry of County Clerk personnel and observation of the County's purchasing process, the following weaknesses were noted:

- Employees ordered goods and services as well as received the goods and services.
- Employees that received the goods or services were not the employees that completed the receiving report.

Cause of Condition: Procedures with regard to segregating the duties over the purchasing process have not been designed and implemented, and compliance with purchasing laws has not been adhered to with regard to requisitioning and encumbering purchase orders and receiving goods and services.

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

Recommendation: OSAI recommends the following key accounting functions of the purchasing process be adequately segregated:

- The County should adhere to the designated requisitioning officers initiating the purchase.
- The County should comply with purchasing laws and ensure that the designated employee is making purchases for County offices/departments.

Management Response:

County Assessor: We have two purchasing agents and two receiving agents in this office. Nothing is purchased without a purchasing agent's approval. Nothing is brought into the office without a receiving agent's signature.

County Clerk and Board of County Commissioners: We concur with the auditor's comments and will ensure that receiving reports are completed and make every attempt to encumber the funds prior to the purchase.

County Sheriff: We will make sure that we have purchase orders before anything is ordered.

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 account of funds, the duties of processing, authorizing, and distribution should be segregated.

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

**BEAVER COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Finding 2011-9—Inadequate Internal Controls Over the Payroll Process

Condition: Upon inquiry of County Clerk personnel and observation of the payroll process, we determined that the payroll process is not adequately segregated. The following weaknesses were noted:

- The County Clerk utilizes two deputies as payroll clerks that rotate the duties of payroll preparation on a monthly basis.
- These two deputies enroll new hires, make payroll changes, run verification reports, maintain personnel files, perform the duty of initializing the payment of payroll, prepare OPERS reports, and state and federal tax reports.
- The payroll clerk that is not performing the duties of payroll preparation reviews the payroll reports for the month; however, evidence of this review has not been documented.

Cause of Condition: Procedures with regard to segregating the duties over the payroll process within the office of the County Clerk have not been designed and implemented.

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.

Further, the duties of entering new hire information into the payroll system, posting withholdings, maintaining personnel files, posting to accounting records, preparing the monthly verification report, the direct deposit report, and initiating the direct deposit process with the financial institution should be adequately segregated.

Management Response:

County Clerk: We concur with the auditor's comments. One deputy will enroll new employees during the month with another deputy completing the payroll for the same month. The next month, they will reverse roles, which should comply with the requirement, as well as keep both deputies trained in the payroll process in the event one deputy is out of the office. The County Clerk will also review and initial all new employee files, payroll verification, and the payroll report.

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.

**BEAVER COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Finding 2011-10—Inadequate Internal Controls and Noncompliance Over Pledged Collateral

Condition: Upon inquiry of the County Treasurer and her staff, and observation of documents, we determined that there is no evidence of the County Treasurer monitoring pledged collateral amounts to daily bank balances to ensure that county funds are adequately secured.

Additionally, county funds were not adequately pledged at one local financial institution for two of the twelve months tested, as follows:

- On July 28, 2010, the amount on deposit was \$3,674,734.68, and the amount secured with pledged collateral was \$3,008,762.50, leaving a variance of \$ 655,972.18.
- On December 31, 2010, the amount on deposit was \$8,028,535.11, and the amount secured with pledged collateral was \$5,898,471.38, leaving a variance of \$ 2,130,063.73.

Cause of Condition: Procedures of monitoring of pledged collateral have not been designed and implemented due to the County Treasurer being unaware of a need for such procedures.

Effect of Condition: These conditions resulted in noncompliance with state statute. Failure to monitor pledged collateral amounts to daily bank balances resulted in unsecured county funds and could result in possible loss of county funds.

Recommendation: OSAI recommends that the County Treasurer comply with 62 O.S. § 517.4, which requires county deposits with financial institutions be secured with collateral securities or instruments. Further, OSAI recommends that the County Treasurer monitor and maintain evidence documenting the security of county deposits on a daily basis.

Management Response:

County Treasurer: As per your suggestion, we have signed up for online banking with both of our banks. We now have daily access to bank balances. I will check balances and then compare them to the market value of the pledged collateral to make sure that the County is adequately covered in each bank. We have a program on our computers to document this process.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. An important aspect of internal controls is the safeguarding of assets. 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.

Finding 2011-11—Inadequate Internal Controls Over Financial Statement Presentation

Condition: The County receives a sales tax for various purposes as outlined on the sales tax ballot(s). The County Treasurer apportions the sales tax to the General Fund and the Sales Tax Revolving Fund.

**BEAVER COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

The County Clerk is appropriating these funds to the General Fund. Since each office is recording the sales tax in a different manner, the accounting records for the County Treasurer's general ledger, the Clerk's appropriation ledger, and the Estimate of Needs do not uniformly reflect the sales tax collections, disbursements, and balances.

It was noted that a portion of sales tax revenue collected monthly, was apportioned to the General Fund rather than the County Sales Tax Fund. Disbursements of this sales tax were also made from the General Fund rather than the County Sales Tax Fund. The County Treasurer's monthly reports reflected \$487,992 apportioned to the General Fund that should have been apportioned to the County Sales Tax Fund, and \$337,735 disbursed from the General Fund that should have been made from the County Sales Tax Fund.

Cause of Condition: The County established this method of budgeting sales tax in the General Fund in 1992, when the County voters passed the sales tax initiative.

Effect of Condition: These conditions could result in unrecorded transactions, misstated financial reports, undetected errors, or misappropriation of funds. As a result of the above conditions, the General Fund balance initially reflected sales tax collections and disbursements for fiscal year 2011 that should have been apportioned to the County Sales Tax Fund. However, the County accepted proposed adjustments to the financial statement and the information has been accurately reported.

Recommendation: OSAI recommends that management ensure compliance with 68 O.S. § 1370E. Policies and procedures should be implemented to ensure the records of the County Clerk and the County Treasurer reconcile regarding sales tax collections, disbursements, and balances being reported in the same manner for each office

Management Response:

County Treasurer: We will be changing the fund that the county sales tax goes into each month. We will be opening an account to be named Sales Tax Revolving Fund. I will be maintaining this fund on the general ledger and separating the sales tax funds from the General Fund on the appropriation ledger.

County Clerk: We concur with the Auditor's comments and will apportion 100% of sales tax funds through April, 2013 on July 1, 2013. Beginning with May, 2013, collections in all sales tax funds will be apportioned on a monthly basis.

Criteria: In accordance with 68 O.S. § 2923, "At the end of each calendar month the county treasurer shall apportion all collections for said month, and distribute the same among the different funds to which they belong."

**BEAVER COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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 2011-14—Inadequate Internal Controls and Noncompliance Over the Inmate Trust Account and Commissary Fund

Condition: Upon inquiry of the County Sheriff’s staff and observation of records, we determined the following weaknesses and noncompliance within the Inmate Trust Account and Commissary Fund:

- The Inmate Trust checking account had not been reconciled to the bank statement during the year audited.
- The test of sixteen days of receipts issued from the Inmate Trust account revealed receipts were not deposited daily in two instances.
- Inmate Trust account receipts dating from July 1, 2010 to November 10, 2010, could not be located.
- Thirty-nine checks issued from the Inmate Trust account were made payable to an individual or entity not allowable by statute. The checks were issued to the Court Clerk for fines and fees, the local hospital, the local pharmacy, a dentist, and a small department store.
- Procedures have not been implemented to file the annual report of the Commissary Fund with the Board of County Commissioners (BOCC) by January 15th, of the subsequent year.

Cause of Condition: Procedures have not been designed and implemented to reconcile the monthly bank statement to records, deposit receipts on a daily basis, retain copies of receipts, issue checks in accordance with the statute, and prepare and file an annual report of the Commissary Fund.

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

Recommendation: OSAI recommends the following internal control procedures be designed and implemented:

- The County Sheriff or his staff reconcile bank statements to the inmate trust accounting system and someone other than the preparer review and approve the reconciliation.
- The County Sheriff design procedures to ensure that funds receipted for the Inmate Trust Account are deposited daily and that receipts are retained.

**BEAVER COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

- The County Sheriff implement procedures to comply with the state statute and ensure that expenditures from the Inmate Trust account are payable to the inmate upon release or to transfer to the Commissary Fund for profits from the sale of commissary items.
- The County Sheriff prepares an annual report of the Commissary Fund and files it with the Board of County Commissioners by January 15th, of each year.

Management Response:

County Sheriff: When the account does not balance, the Sheriff will help the deputy review the documentation for reconciliation items. We have corrected this condition of daily depositing by having another deputy take the deposit to the bank. The only checks written from this point forward will be to the inmate, the court, per written order, and to the Commissary Account. The annual commissary report will be completed using the commissary vendor's system and filed with the Commissioners by the 15th of January of each year.

Criteria: Accounting 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. The retention of records is part of the aspect of safeguarding assets.

Additionally, 19 O.S. § 531 provides guidelines with regard to the Sheriff depositing all monies collected from inmates on a daily basis.

Further, Title 19 O.S. § 531 states "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."

Finally, Title 19 O.S. § 180.43.D. states in part "...The sheriff shall file an annual report on any said commissary under his or her operation no later than January 15 of each year."

Finding 2011-17—Inadequate Internal Controls and Noncompliance Over Fixed Assets Inventory

Condition: Upon inquiry of County personnel and officers, and observation of fixed assets inventory listings, we determined the following weaknesses exist:

- The three County Commissioners, County Treasurer, County Clerk, County Sheriff, and County Assessor were able to provide a fixed assets inventory list; however, there is insufficient audit evidence to indicate that an inventory count was performed.
- The Court Clerk provided documentation of an inventory count performed on December 31, 2012, after the end of the fiscal year.

**BEAVER COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Upon observation of fixed assets inventory items, the following weaknesses were noted:

- **District 2:** The test of forty-six items revealed that five inventory items were not labeled with an inventory number.
- **District 3:** The test of ninety-two items revealed that five inventory items were not labeled with an inventory number. Additionally, one piece of equipment with an inventory number was not on the inventory list.
- **County Sheriff:** The test of fifteen items revealed that three inventory items were not labeled with an inventory number.

Cause of Condition: Procedures have not been designed and implemented by county officers to comply with state statutes.

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

Recommendation: OSAI recommends that management implement internal controls to ensure compliance with 19 O.S. § 178.1 by properly marking assets with county identification numbers, and performing and documenting a periodic inventory of fixed assets.

Management Response:

County Assessor: From this point forward all inventories will be signed and dated when fixed assets inventory verifications are conducted.

County Commissioners and County Clerk: We will continue to perform verifications of fixed assets inventory. We will provide the date and signature of the employee verifying the fixed assets inventory.

County Sheriff: The items without an identification number have been numbered, and an inventory will be performed on, or about every six months by the Sheriff's office, and kept on file by the secretary.

Court Clerk: I took office as Beaver County court clerk on January 2, 2013, and therefore, was not responsible for the inventory during the time period of the audit referenced above. We will now conduct an annual inventory of fixed assets. Each inventory count will be dated and verified with my initials or signature.

County Treasurer: Items without an identification number will be numbered in a timely manner and inventory will be performed on or about every six months in the Treasurer's office and initialed by the person performing the verification.

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

**BEAVER COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

Finding 2011-18—Inadequate Internal Controls and Noncompliance Over Court Fund Expenditures

Condition: Upon inquiry of the Court Clerk and staff, and observation of the Court Fund expenditures process, it was determined that inadequate segregation of duties exists in the process as follows:

- The Court Clerk prepares the Court Fund claims, initiates the payment, prints and signs vouchers, and mails or delivers payments to the vendors, and reconciles financial activity with the County Treasurer at the end of each month.

Additionally, the test of thirty Court Fund claims revealed the following internal control weaknesses and noncompliance:

- Two claims had inadequate documentation to support the expenditure including the lack of an invoice for interpreter fees and the State Judicial Fund payment.
- Three claims did not have the signature of the District Judge approving the claim as a valid expense of the court.

Cause of Condition: Procedures to segregate the duties over Court Fund expenditures have not been designed and implemented and procedures are not in place to ensure that claims are adequately documented.

Effect of Condition: These conditions resulted in noncompliance with state statute. 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. Additionally, the lack of supporting documentation and proper signatures results in noncompliance with the state statute.

Recommendation: OSAI recommends the Court Clerk design and implement procedures to ensure a proper segregation of duties over the Court Fund expenditure processes. The following accounting functions of the expenditures process should be adequately segregated:

- Preparation of Court Fund claims,
- Initiation of payment,
- Printing and signing of vouchers, and
- Monthly reconciliation with the County Treasurer.

Further, OSAI recommends that adequate supporting documentation be attached to all Court Fund claims and proper authorization of claims by the District Judge be obtained prior to issuing the voucher for payment.

**BEAVER COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Management Response:

Court Clerk: I will implement the procedure of having one of my deputies, who is a designated receiving officer, sign and verify each Court Fund and Revolving Fund claim prior to payment being made to the claimant. I will also ensure that all supporting documentation is attached and all required signatures are affixed to each claim prior to payment being made to the claimant.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, 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.

Title 20 O.S. § 1304 states in part, “claims against the court fund should include only expenses incurred for the operation of the court, approved by the district judge, and either the local court clerks or the local associate district judge.”

Finding 2011-19 - Inadequate Internal Controls Over Consumable Inventories

Condition: Upon inquiry of District personnel and officers, and observation of consumable inventory listings, we determined the following weakness exists:

- The same employee is responsible for recording, maintaining, and verifying consumable inventory items in each of the three Districts.

Cause of Condition: Procedures have not been designed and implemented by the three Districts to properly segregate the duties of recording, maintaining, and verifying consumable inventories.

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 management implement internal controls to ensure compliance with 19 O.S. § 1504A. These procedures would include maintaining and inventory of all materials received, disbursed, stored, and consumed, filing monthly consumable reports with the County Clerk, and performing a periodic physical count of inventory. Additionally, the key functions of receiving duties and inventory control duties should be performed by separate employees in order to effectively segregate those duties.

Management Response:

County Commissioners: All three Districts presently have the system in place as recommended by OSAI, including maintaining and inventory of all materials received, disbursed, stored, and consumed, filing monthly consumable reports with the County Clerk, and performing a periodic physical count of inventory. Additionally, the key functions of receiving duties and inventory control duties are performed

**BEAVER COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

by separate employees in order to effectively segregate those duties currently, the secretary at each barn keeps the inventory records and the foreman, mechanic and commissioner, inspect and verify consumable items.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, 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.



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