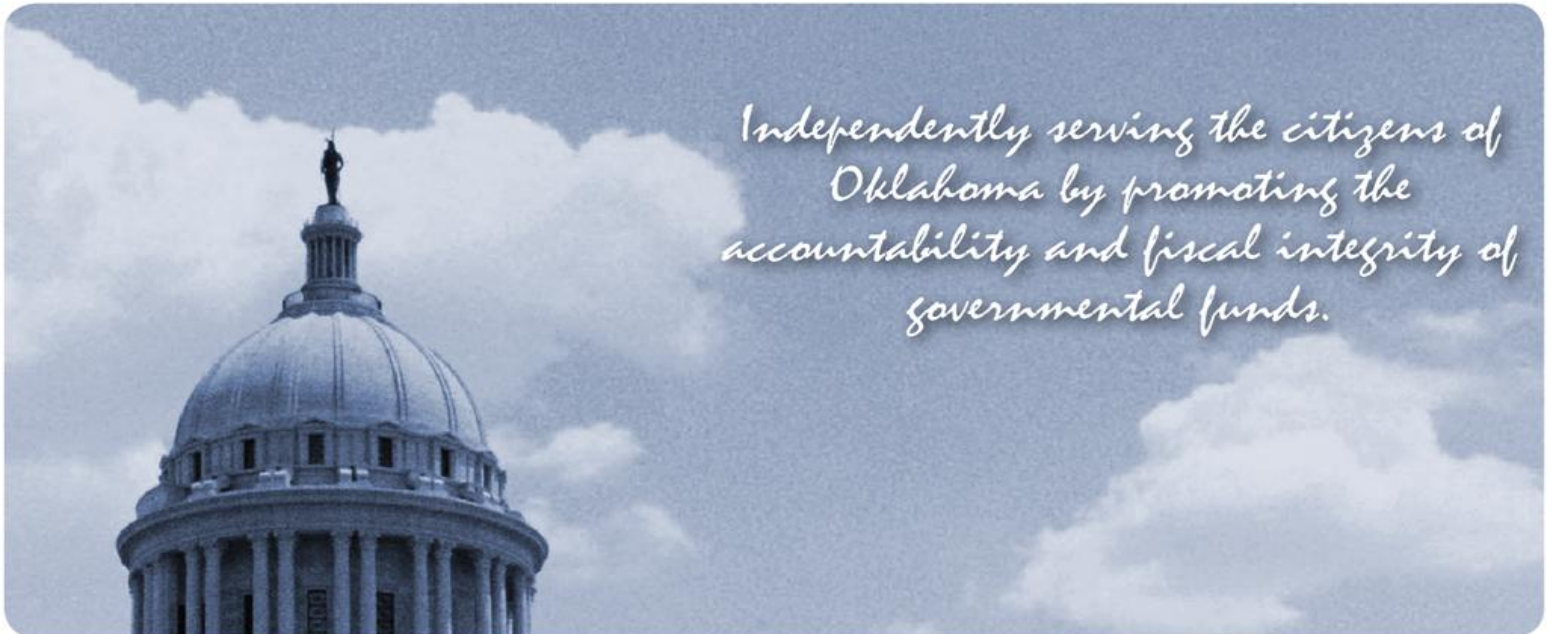


OPERATIONAL AUDIT

BEAVER COUNTY

For the fiscal year ended June 30, 2013



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



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

**BEAVER COUNTY OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

This publication, issued by the Oklahoma State Auditor and Inspector's Office as authorized by 19 O.S. § 171, has not been printed, but is available on the agency's website (www.sai.ok.gov) and in the Oklahoma Department of Libraries Publications Clearinghouse Digital Collection, pursuant to 74 O.S. § 3105.B.



Oklahoma State Auditor & Inspector

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

January 26, 2016

**TO THE CITIZENS OF
BEAVER COUNTY, OKLAHOMA**

Transmitted herewith is the audit report of Beaver County for the fiscal year ended June 30, 2013.

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

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

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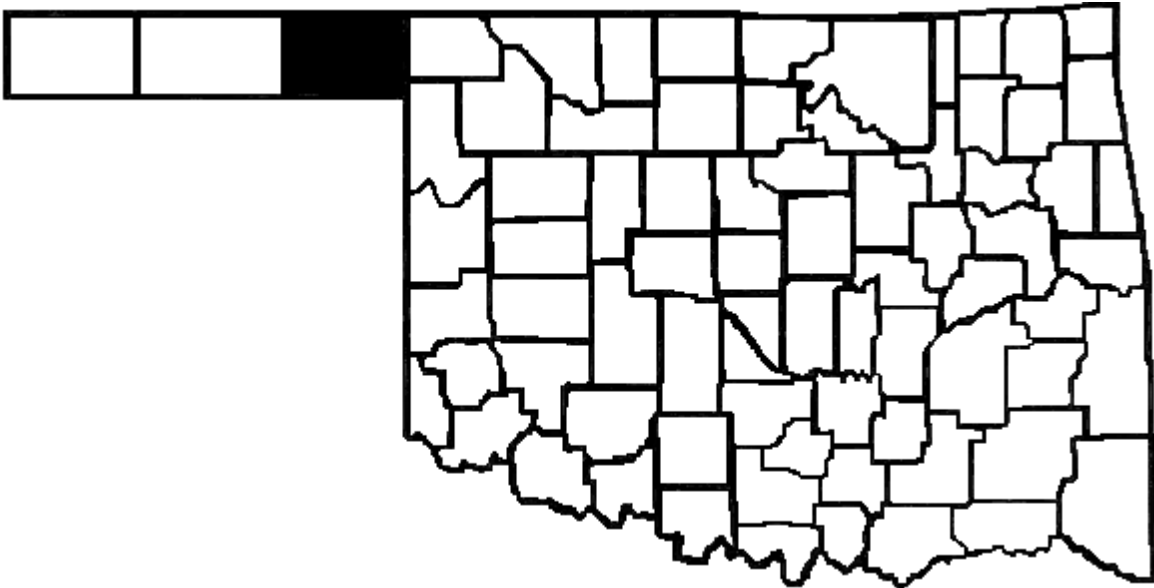
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**BEAVER COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**



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. Its county seat, Beaver, was at one time the capital of Cimarron Territory.

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 580/625-3141.

County Seat – Beaver

Area – 1,817.58 Square Miles

County Population – 5,591
(2012 est.)

Farms – 952

Land in Farms – 1,128,871 Acres

Primary Source: Oklahoma Almanac 2013-2014

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

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

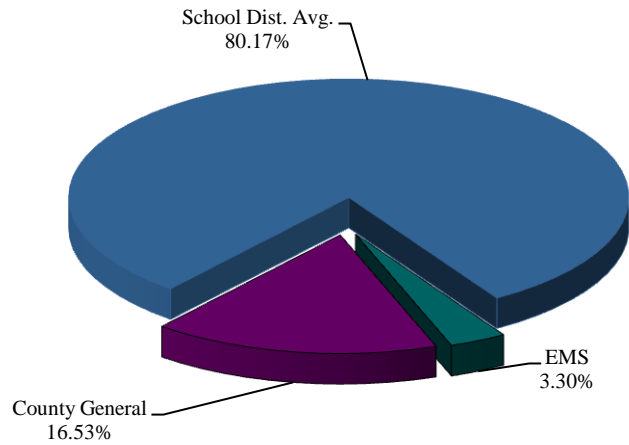
Tammie Patzkowsky

District Attorney

Mike Boring

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

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



County-Wide Millages		School District Millages						
				Gen.	Bldg.	Skg.	Common	Total
County General	10.00							
EMS	2.00	Beaver	I-22	35.00	5.00	4.80	4.00	48.80
		Balko	I-75	35.00	5.00	6.19	4.00	50.19
		Forgan/Knowles	I-123	35.00	5.00	4.16	4.00	48.16
		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	11.94	4.00	55.94

**BEAVER COUNTY, OKLAHOMA
SALES TAX DISTRIBUTION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Sales Tax

Sales Tax of 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 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 General Fund and County Sales Tax.

Sales Tax of 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.

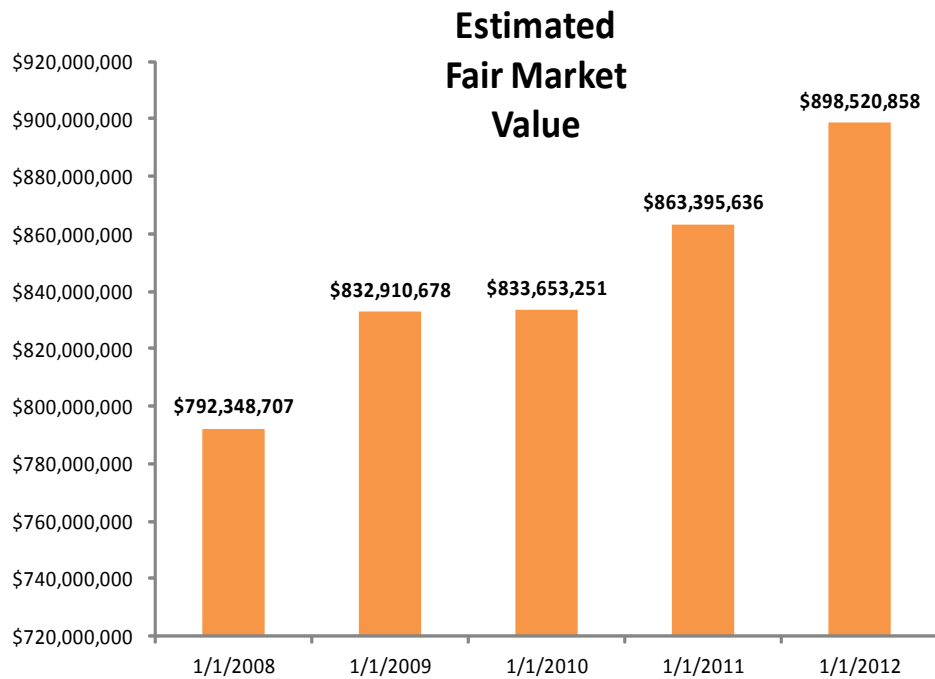
This sales tax is accounted for in the County Hospital Sales Tax fund.

During the fiscal year the County collected \$3,421,908 in total sales tax.



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

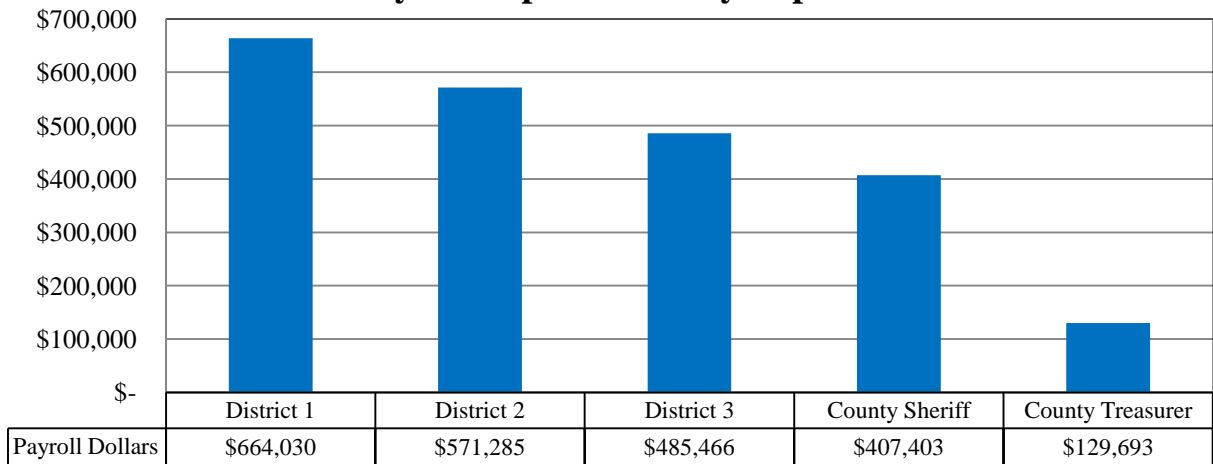
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2012	\$51,092,185	\$36,114,730	\$45,168,853	\$1,429,428	\$130,946,340	\$898,520,858
1/1/2011	\$47,959,762	\$35,542,489	\$44,099,561	\$1,434,427	\$126,167,385	\$863,395,636
1/1/2010	\$45,518,404	\$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



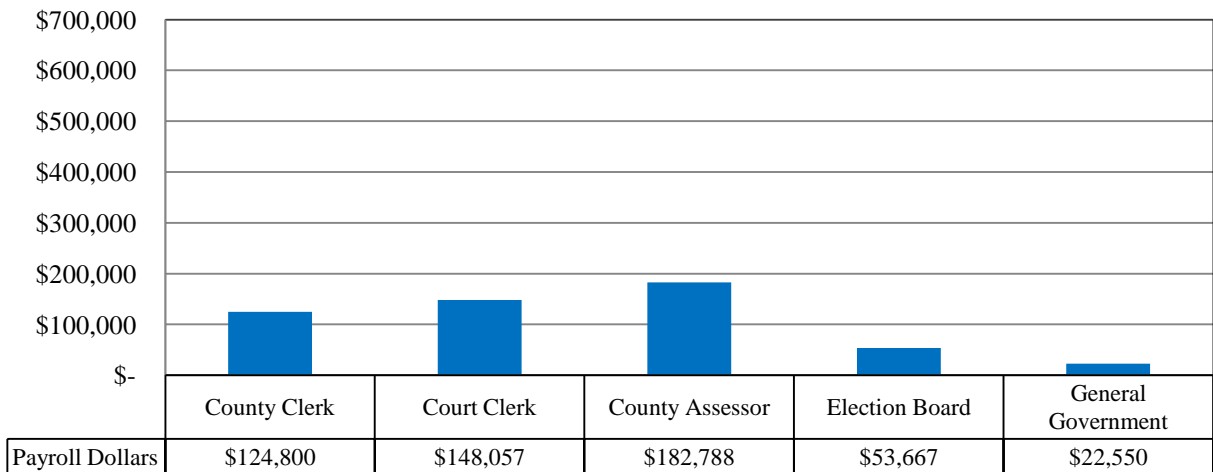
**BEAVER COUNTY, OKLAHOMA
COUNTY PAYROLL EXPENDITURES ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

Payroll Expenditures by Department



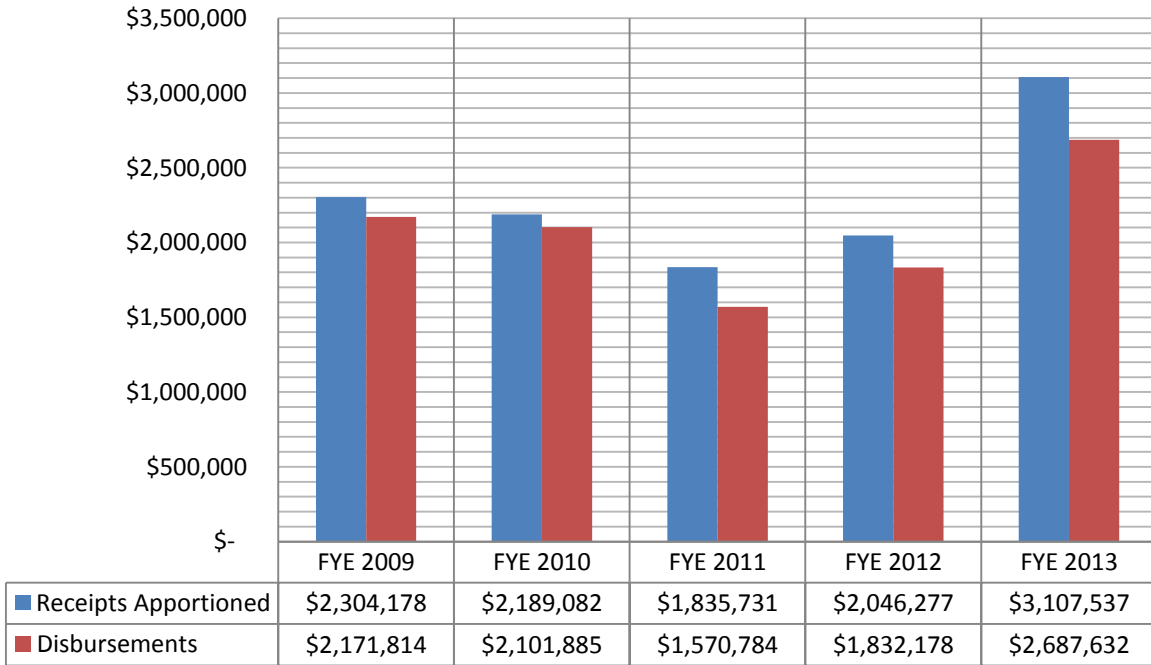
Payroll Expenditures by Department



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

County General Fund

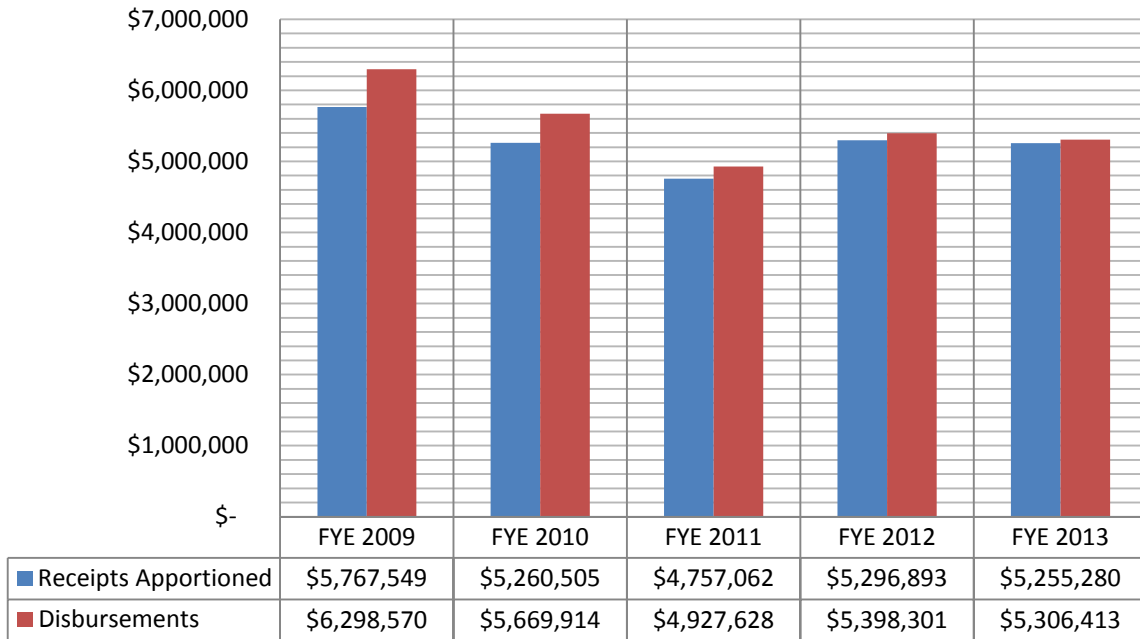
The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the county's primary source of operating revenue. The County General Fund is typically used for county employees' salaries plus many expenses for county maintenance and operation. It also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



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

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.



**BEAVER COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Presentation of Apportionments, Disbursements, and Cash Balances of County Funds for Fiscal Year Ending June 30, 2013

	Beginning Cash Balances July 1, 2012	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2013
Combining Information:				
County Funds				
County General Fund	\$ 1,835,275	\$ 3,107,537	\$ 2,687,632	\$ 2,255,180
County Sales Tax	1,348,454	352,238	131,657	1,569,035
County Highway Cash	2,381,467	5,255,280	5,306,413	2,330,334
County Hospital Sales Tax	113,203	1,711,613	1,697,630	127,186
General Use Sales Tax	141,939	640,635	367,606	414,968
County Bridge and Road Improvement Fund	840,545	388,787	107,000	1,122,332
County Health Sales Tax	51,496	2,449		53,945
Resale Property	27,512	14,207	22,469	19,250
Treasurer Mortgage Tax Certification Fee	5,202	1,025	2,408	3,819
County Clerk Lien Fee	52,659	29,845	24,869	57,635
County Clerk Records Preservation Fee	57,137	23,277	19,495	60,919
Assessor Revolving Fee	8,465	3,877	5,156	7,186
Sheriff Service Fee	85,537	85,831	105,334	66,034
Emergency Management	17,559	4,700	2,403	19,856
Beaver County Library	380	1	367	14
Local Emergency Planning Committee Grant	9,954	1,200	4,526	6,628
Library State Aid Grant	5,355	15,109	17,423	3,041
Littering Reward Cash Fund	200	-	-	200
Sheriff Vest Grant	5,251	-	-	5,251
Turpin Fire Department REAP Grant	-	49,000	49,000	-
Sheriff Commissary	8,980	16,279	8,359	16,900
Enhanced 911	69,971	82,677		152,648
Emergency Management FEMA	62	-	62	-
Combined Total - All County Funds	\$ 7,066,603	\$ 11,785,567	\$ 10,559,809	\$ 8,292,361

Source: County Treasurer's Monthly Reports (presented for informational purposes)

**BEAVER COUNTY
DESCRIPTION OF COUNTY FUNDS
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Description of County Funds

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 within the Presentation of Apportionments, Disbursements, and Cash Balances of County Funds:

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 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.

General Use Sales Tax – accounts for taxes collected and to 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.

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.

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

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

County Clerk Records Preservation Fee – accounts for fees collected for instruments filed with the County Clerk's office as restricted by state statute.

**BEAVER COUNTY
DESCRIPTION OF COUNTY FUNDS
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

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

Emergency Management – accounts for the collection of grant funds 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.

Local Emergency Planning Committee Grant – accounts for the collection of grant funds 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 funds received to be used for the purchase of protective vests for the Sheriff's office.

Turpin Fire Department REAP Grant – accounts for grant funds received to purchase equipment and to train volunteer firefighters in the new equipment.

Sheriff Commissary – accounts for the collection of the sale of items to inmates and disbursements to purchase commissary goods from the vendor. Excess funds are used for maintenance and operations of the Sheriff's department.

Enhanced 911 – accounts for the collection of state grant funds used to establish a 911 system.

Emergency Management FEMA – accounts for funds collected for the use of Emergency Management.

BEAVER COUNTY, OKLAHOMA
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
COUNTY GENERAL FUND (INCLUDING COUNTY SALES TAX)
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 3,183,729	\$ 3,183,729	\$ -
Less: Prior Year Outstanding Warrants	(136,696)	(136,696)	-
Less: Prior Year Encumbrances	(116,216)	(69,337)	46,879
Beginning Cash Balances, Budgetary Basis	<u>2,930,817</u>	<u>2,977,696</u>	<u>46,879</u>
Receipts:			
Ad Valorem Taxes	1,190,421	1,306,566	116,145
Charges for Services	117,677	157,055	39,378
Intergovernmental Revenues	1,328,702	1,849,518	520,816
Miscellaneous Revenues	57,269	146,636	89,367
Total Receipts, Budgetary Basis	<u>2,694,069</u>	<u>3,459,775</u>	<u>765,706</u>
Expenditures:			
District Attorney	3,480	3,299	181
County Sheriff	514,903	512,896	2,007
County Treasurer	128,003	127,518	485
County Commissioners	15,001	1,685	13,316
County Commissioners OSU Extension	396,332	82,290	314,042
County Clerk	165,698	139,037	26,661
Court Clerk	153,157	153,152	5
County Assessor	128,202	127,655	547
Revaluation	103,787	95,480	8,307
General Government	982,967	649,199	333,768
Excise Equalization	3,900	3,276	624
County Election Expense	61,821	55,954	5,867
Charity	5,000	558	4,442
Library, General Government	1	-	1
Senior Citizens Center	189,049	45,265	143,784
Fire Departments	332,048	72,615	259,433
Rural Economic Development	15,716	10,397	5,319
Beaver City Bus Transit	32,193	11,848	20,345
Museum	13,190	8,126	5,064
Emergency Management	47,401	43,824	3,577
General Government Sales Tax	1,422,134	235,772	1,186,362
County Audit Budget Account	25,711	25,711	-
Free Fair Budget Account	315,247	231,148	84,099
Library Budget Account	183,248	112,829	70,419
Public Health Budget Account	353,960	100,774	253,186
County Hospital Budget Account	32,737	32,737	-
Total Expenditures, Budgetary Basis	<u>5,624,886</u>	<u>2,883,045</u>	<u>2,741,841</u>

Continued on next page

Source: County Estimate of Needs (presented for informational purposes)

BEAVER COUNTY, OKLAHOMA
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
COUNTY GENERAL FUND (INCLUDING COUNTY SALES TAX) - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	General Fund		
	Budget	Actual	Variance
Continued from previous page			
Excess of Receipts and Beginning Cash			
Balances Over Expenditures, Budgetary Basis	\$ -	3,554,426	\$ 3,554,426
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Cancelled Vouchers		18	
Add: Current Year Outstanding Warrants		152,124	
Add: Current Year Encumbrances		117,647	
Ending Cash Balance		\$ 3,824,215	

Source: County Estimate of Needs (presented for informational purposes)

**BEAVER COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

PURPOSE, SCOPE, AND SAMPLE METHODOLOGY

This audit was conducted in response to 19 O.S. § 171, which requires the State Auditor and Inspector's Office to audit the books and accounts of county officers.

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

In planning and conducting our audit, we focused on the major financial related areas of operations based on assessment of materiality and risk for the fiscal year ended June 30, 2013. Our audit procedures included:

- Inquiries of appropriate personnel,
- Inspections of documents and records,
- Observations of the County's operations,
- Reconciling total apportionments, disbursements, and balances presented on the County's Presentation of Apportionments, Disbursements, and Cash Balances of County Funds for the fiscal year to the County Treasurer's and County Clerk's financial ledgers,
- Confirming third party confirmations to the financial ledgers, and
- Selecting representative samples to determine disbursements were made in accordance with state statutes, approved ballots, and county purchasing procedures.
- Gaining an understanding of the County's internal controls as it relates to each audit objective.

To ensure the samples were representative of the population and provided sufficient, appropriate evidence, both random sample and judgmental sample methodologies were used. We identified specific attributes for testing each of the samples and when appropriate, we projected our results to the population.

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

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

Objective 1: To determine the receipts apportioned, disbursements, and cash balances are accurately presented on the County Treasurer's monthly reports for FY 2013.

Conclusion: With respect to the items reconciled and reviewed; the receipts apportioned, disbursements, and cash balances are accurately presented on the County Treasurer's monthly reports; however, internal controls over receipts apportioned, disbursements and cash balances should be strengthened.

FINDINGS AND RECOMMENDATIONS

Finding 2013-1 – Inadequate Internal Controls Over County Treasurer (Repeat Finding)

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

- The County Treasurer has three deputies that collect revenue, issue receipts, prepare deposits, post to accounting records, and perform monthly reconciliations.
- Change fund drawers were not counted or reconciled prior to storing them in the vault at night.
- Collections were not reconciled to receipts issued by each cashier.
- Receipts could be voided by any cashier and there was no policy for the review and approval of voided receipts within the County Treasurer's office.

Cause of Condition: Policies and procedures have not been designed and implemented with regard to controls over all aspects of the receipting and cash balancing processes due to lack of management oversight.

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

Recommendation: The Oklahoma State Auditor & Inspector's Office (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, and
- Maintaining accounting ledgers and reconciling bank statements.

In addition, OSAI recommends establishing a system of internal controls to adequately protect the collections of the Treasurer's office, which include but are not limited to the following:

- All voided receipts should be reviewed and approved by another employee.

**BEAVER COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

- Collections for each cashier should remain separated until those collections are reconciled at the end of the day to receipts issued by that cashier.
- All money should be counted prior to being placed in the vault for the night.

Management Response:

County Treasurer: Since becoming the County Treasurer in July 2015, I have implemented a procedure where the County Treasurer and deputies balance cash drawers every day. With our computer system, each employee that receipted money is able to generate a balance report. After drawers have been balanced, checks are provided to the First Deputy to combine the cash and checks and make the daily deposit. The deposit is compared to a combined report detailing all transactions from the three deputies. A procedure for voiding of receipts has been implemented to require a second verification prior to voiding receipt.

Criteria: Effective internal controls require that key functions within a process be adequately segregated to allow for prevention and detection of errors and possible misappropriation of funds.

Finding 2013-2 – Inadequate Internal Controls Over Reconciliation of Appropriation Ledger to General Ledger

Condition: A monthly reconciliation is not performed between the County Clerk’s appropriation ledger and the County Treasurer’s general ledger for all County funds.

Cause of Condition: Policies and procedures have not been designed and implemented regarding a monthly reconciliation of the County Clerk’s appropriation ledger to the County Treasurer’s general ledger.

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

Recommendation: OSAI recommends that the County Clerk’s appropriation ledger be reconciled monthly to the County Treasurer’s general ledger. The reconciliation should be reviewed and approved by someone other than the preparer and documentation of the reconciliation should be maintained.

Management Response:

County Treasurer: The County Clerk and I will reconcile the appropriation ledger to the general ledger to ensure proper accounting of funds on a monthly basis.

County Clerk: The County Treasurer and I are currently working on resolving this issue.

Criteria: To help ensure a proper accounting of funds, all reconciliations should be documented and approved by someone other than the preparer and maintained as documentation of the reconciliation.

Finding 2013-3 – Inadequate Internal Controls Over Bank Reconciliations

Condition: Upon review of the County Treasurer’s bank reconciliations, the following items were noted:

- Of the eleven (11) bank accounts confirmed by the banks, there were nine (9) bank accounts that did not have documentation of being reconciled to the general ledger.
- There was no documentation of the two bank reconciliations being reviewed and approved by someone other than the preparer.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure all accounts are reconciled, approved, and the amounts recorded on the bank accounts are complete and accurate.

Effect of Condition: This condition resulted in unrecorded transactions, undetected errors, and could result in misappropriation of funds.

Recommendation: OSAI recommends that all accounts be reconciled on a monthly basis. Furthermore, the review and approval of the reconciliation should be documented and retained.

Management Response:

County Treasurer: Since becoming the County Treasurer in July 2015, all bank accounts will be reconciled on a monthly basis to ensure correct balances at financial institution to the general ledger. Upon reconciliation of bank statements, they will be verified, signed, and dated by the preparer and another individual.

Criteria: To help ensure a proper accounting of funds, all bank accounts should have a bank reconciliation performed on a monthly basis and approved by someone other than the preparer and include an indication of review.

Finding 2013-4 – Inadequate Internal Controls Over Pledged Collateral

Condition: Our test of pledged collateral reflected that funds were adequately pledged at June 30, 2013; however, there was no evidence that the County Treasurer monitored pledged collateral amounts to daily bank balances to ensure that county funds were adequately secured.

Cause of Condition: Policies and procedures have not been designed and implemented with regard to the daily monitoring of pledged collateral.

Effect of Condition: Failure to monitor pledged collateral amounts to daily bank balances could result in unsecured county funds and possible loss of county funds.

Recommendation: OSAI recommends that the County Treasurer implement a system of procedures to provide reasonable assurance that county funds are adequately secured.

**BEAVER COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Further, OSAI recommends the County Treasurer monitor pledged collateral amounts to bank balances on a daily basis to ensure that county funds are adequately secured.

Management Response:

County Treasurer: Since becoming County Treasurer in July 2015 a daily ledger is kept to ensure proper collateral is maintained to adequately secure county funds.

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

Objective 2: To determine the County's financial operations complied with 68 O.S. § 1370E, which requires the sales tax collections to be deposited in the general revenue or Sales Tax Revolving Fund of the County and be used only for the purpose for which such sales tax was designated.

Conclusion: With respect to the items tested, the County financial operations did comply with 68 O.S. § 1370E, which requires the sales tax collections to be deposited in the general revenue or Sales Tax Revolving Fund of the County and be used only for the purpose for which such sales tax was designated.

Objective 3: To determine the County's financial operations complied with 68 O.S. § 2923, which requires the ad valorem tax collections to be apportioned and distributed monthly among the different funds to which they belong.

Conclusion: With respect to amounts apportioned to County Funds, the County complied with 68 O.S. § 2923, which requires the ad valorem tax collections to be apportioned and distributed monthly among the different funds to which they belong. However, internal controls over the ad valorem tax collections should be strengthened with regard to remittance to school districts.

FINDINGS AND RECOMMENDATIONS

Finding 2013-5 – Inadequate Internal Controls Over Ad Valorem Tax Apportionments

Condition: The County did not review the certified levies or Average Daily Attendance for schools for accuracy when entered into the ad valorem tax system by the County Treasurer, resulting in a remittance error to two school districts.

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Cause of Condition: Policies and procedures have not been designed and implemented to review, document, and retain evidence of procedures performed to ensure ad valorem tax levies are accurately entered into the ad valorem system.

Effect of Condition: This condition resulted in one school district receiving \$906,334.84 of ad valorem tax collections that belonged to another school district. The error was corrected by the previous County Treasurer after it was brought to her attention by the School District Treasurer.

Recommendation: OSAI recommends that the County Treasurer implement a system of internal controls to provide reasonable assurance that the tax levies are entered into the Treasurer's system accurately and to maintain evidence of these controls.

Management Response:

County Treasurer: Internal controls will be implemented to ensure that tax levies are input into the system correctly and that once input they will be checked against the certified mill levy sheet. Once information has been verified then the first individual and second individual will sign off on mill levy sheet.

Criteria: Accountability and stewardship are overall goals in evaluating management's accounting of funds. Internal controls should be designed to analyze and check accuracy and completeness. To help ensure proper account of funds, the duties of allocating, and apportioning ad valorem tax should be segregated or reviewed by an independent party.

Objective 4: To determine whether the County's internal controls provide reasonable assurance that expenditures (including payroll) were accurately reported in the accounting records and financial operations complied with significant laws and regulations.

Conclusion: With respect to the items tested, the County's internal controls did not provide reasonable assurance that expenditures (including payroll) were accurately reported in the accounting records and financial operations did not comply with some significant laws and regulations.

FINDINGS AND RECOMMENDATIONS

Finding 2013-6 – Inadequate Internal Controls and Noncompliance Over the Disbursement Process (Repeat Finding)

Condition: We noted the following weaknesses regarding the disbursement process:

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- Purchase orders were entered into the County Clerk’s system and funds were encumbered prior to the County Clerk’s office receiving signed authorization from the requisitioning officers.
- An independent review of the direct payroll deposit amounts to the approved payroll claim was not performed.
- The test of forty-one (41) disbursements indicated the following exceptions:
 - There was one (1) instance noted where the purchase order was not properly encumbered.

Fund	Office/District	Purchase Order Number	Amount
General Fund	Assessor	2203	\$24,750.00

- Two (2) of the requisitions were signed by an employee who was not an authorized requisitioning officer of that fund.

Cause of Condition: Policy and procedures have not been designed and implemented over the disbursement process to strengthen internal controls and ensure compliance with state statutes.

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 county strengthen internal controls over payroll, by having an individual independent of preparing payroll review the direct deposit amounts with the payroll amounts.

Further, OSAI recommends the following in accordance with 19 O.S. § 1505A and § 1505C.

- County funds should be encumbered prior to the receipt of goods and/or services.
- The County Clerk should only encumber funds after the office receives signed authorization from a requisitioning officer.

Management Response:

District 1: District 1 has implemented the recommendations as stated above.

District 2: We have worked out a plan in my District to ensure a signed written request is sent to the County Clerk prior to a purchase order being generated.

District 3: I will be more diligent in making sure that the purchase orders are signed by an authorized requisitioning officer.

County Clerk: I am working on a policy to put into place that will require my office to receive signed authorization from the requisition officers prior to encumbering the funds. The County Clerk will compare the direct deposit to the payroll claim.

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County Assessor: I was not in office during this audit period. I will encumber funds properly in the future.

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, authorization, and distribution should be segregated.

All Objectives:

The following finding is not specific to any objective, but is considered significant to all of the audit objectives.

Finding 2013-7 - Inadequate County-Wide Controls (Repeat Finding)

Condition: The County has not addressed all of the components of an internal control framework which are the control environment, risk assessment, control activities, information and communication, and monitoring.

Cause of Condition: This condition is a result of the County not being aware of how the process of identifying risk, implementing control activities, communicating pertinent information and monitoring could positively impact the operations and reporting of the County.

Effect of Condition: This condition does not allow the County to function in the most effective manner possible.

Recommendation: OSAI recommends that the County design procedures to document their internal control framework. This documentation should outline the importance of internal controls, the risk that the County has identified, the control activities established to address the risk, the steps to take to properly communicate pertinent information in a timely manner, and the methodology to monitor the quality of performance over time.

Management Response:

District 1: District 1 has implemented the recommendations as stated above.

District 2: During our officers' meetings, I will have more discussion with the other officers about risks the County faces and we will document those discussions.

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District 3: The County will continue to have quarterly officers' meetings and we will discuss the five components of internal controls.

County Clerk: A book documenting our County-Wide Controls has been started. We will continue to work toward completing this book. We are documenting our communications. We will continue to discuss the importance of fraud prevention, internal controls, and management integrity.

County Treasurer: Since coming into office in July 2015, I will work with County Clerk to address the issue of internal control framework.

Court Clerk: I will document the control activities within my office and continue to participate in our County Officers' meetings.

County Assessor: I will attend the quarterly officers meetings and participate in any discussions of county-wide controls to achieve county-wide objectives.

County Sheriff: I will attend Officers meetings and participate in discussions.

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 Risk Assessment and Monitoring for the achievement of these goals.

REPORT ON STATUTORY COMPLIANCE – OTHER MATTERS



Oklahoma State Auditor & Inspector

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Beaver County
Board of County Commissioners
Beaver County Courthouse
Beaver, Oklahoma 73932

Dear Chairman:

For the purpose of complying with 19 O.S. § 171 and 20 O.S. § 1312, we have performed statutory procedures regarding the following offices and departments for the fiscal year ended June 30, 2013:

- All County Offices - Fixed Assets procedures (19 O.S. § 178.1 and 69 O.S. § 645).
- All County Offices - Consumable Inventories procedures (19 O.S. § 1502 and 19 O.S. § 1504).
- Court Clerk procedures (20 O.S. § 1304 and 19 O.S. § 220).
- Inmate Trust Fund procedures (19 O.S. § 531 and 19 O.S. § 180.43).

Our statutory compliance engagement was limited to the procedures performed above and was less in scope than an audit performed in accordance with generally accepted auditing standards. Accordingly, we do not express an opinion on any basic financial statement of Beaver County.

Based on our procedures performed, we have presented our findings in the accompanying schedule.

This report is intended for the information and use of the management of the County. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

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

January 26, 2016

SCHEDULE OF FINDINGS AND RESPONSES

Finding: 2013-8 – Inadequate Internal Controls and Noncompliance Over Court Clerk Receipts and Expenditures

Condition: Upon inquiry of the Court Clerk, we noted the following weaknesses with regard to internal controls related to the receipting process of the Court Clerk and the expenditure process over the Court Clerk Revolving Fund and Court Fund.

Receipting Process:

- All employees operate from the same cash drawer.
- The duties of receipting, voiding receipts, depositing, and reconciling are not adequately segregated.

Expenditure Process:

- The Court Clerk is responsible for preparing the Court Clerk Revolving Fund claims, distributing vouchers to vendors, and reconciling the Court Clerk Revolving Fund to the County Treasurer.
- The Court Clerk prepares the Court Fund claims, prints the Court Fund vouchers, takes vouchers to the County Treasurer to be registered, distributes the vouchers to vendors, and reconciles the Court Fund to the County Treasurer.

Cause of Condition: Policies and procedures have not been designed and implemented to adequately segregate the duties over the receipting and the expenditure processes to ensure adequate internal controls over receipting and expenditures.

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; misstate financial reports, undetected errors, or misappropriation of funds not being detected in a timely manner.

Recommendation: OSAI recommends that the Court Clerk design and implement procedures to ensure a proper segregation of duties over the receipting and expenditures processes.

The following key accounting functions of the receipting process should be adequately segregated:

- Receipting, voiding receipts, depositing, and reconciling.
- Separate cash drawers should be utilized.

Further, the following accounting functions of the expenditures process should be adequately segregated:

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

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Management Response:

Court Clerk: Due to the limited staff of my office, I do the best I can do to segregate the duties within my office.

Auditor Response: Although the office is limited in staff, mitigating controls such as reviewing work of others could be implemented to reduce the risks of error and fraud. Evidence of the review should be noted with initials and dates.

Criteria: Accountability and stewardship are overall goals of management in 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.

Finding 2013-9 – Inadequate Segregation of Duties Over Inmate Trust Checking Account Fund

Condition: Upon reviewing the bookkeeping process of the Inmate Trust Checking Account Fund, it was noted that one individual could issue receipts, void receipts, prepare the deposit, maintain ledgers, sign checks, and reconcile the bank statement.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure that internal controls are in place with regard to Inmate Trust Checking Account Fund financial operations.

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 be aware of this condition and realize that a concentration of duties and responsibilities is not desired from a control point of view. Management should provide segregation of duties so that no employee is able to perform all accounting functions.

Management Response:

County Sheriff: The Sheriff or Undersheriff will check all bank statements.

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 transactions.

Finding 2013-11 – Inadequate Internal Controls Over Fixed Assets

Condition: While gaining an understanding of internal controls over fixed assets the following was noted:

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- **County Assessor:** Documentation of the annual physical inventory verification was not maintained.
- **County Treasurer:** An annual inventory verification of fixed assets was not performed.
- **County Sheriff:** The annual physical inventory records were incomplete.
- **Court Clerk:** There was no indication of who performed the annual inventory verification.
- **District 2:** Documentation of the annual physical inventory verification was not maintained.
- **District 3:** Documentation of the annual physical inventory verification was not maintained.

Cause of Condition: Policies and procedures have not been designed and implemented that would provide assurance that a complete fixed assets inventory verification was performed on an annual basis.

Effect of Condition: When fixed assets are not monitored, opportunities for misuse or loss of equipment can occur. Failure to maintain documentation of fixed assets inventory verifications has resulted in the inability to provide an accounting of when and by whom the inventory verification was performed.

Recommendation: OSAI recommends that an annual inventory be performed by someone other than the recordkeeper of fixed assets. Documentation of these procedures should be signed and dated by the person completing the inventory verification and maintained in the files of the office.

Management Response:

District 1: District 1 has already implemented the recommendations as stated above.

District 2: My District will do a better job documenting the semi-annual inventory that is performed.

District 3: District 3 will perform a physical inventory at the time we are reviewing the County insurance policy. We will obtain a print out of the District 3 inventory from the County Clerk, perform a physical inventory, and sign and date the inventory.

County Treasurer: Since coming into office in July 2015, an annual fixed inventory verification will be conducted every year to ensure that all fixed inventory is accounted for in the Treasurer's office.

County Clerk: I have already implemented a policy of reviewing inventory and maintaining documentation of this review.

County Assessor: I was not in office during this audit period. I am currently maintaining documentation of physical inventories performed.

Court Clerk: This issue has been corrected. In the future, the person who performs the annual inventory verification will initial and date the review.

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County Sheriff: We will initial and date who performed the checking of all inventory.

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.

Finding 2013-12 - Inadequate Internal Controls Over Consumable Inventories

Condition: While gaining an understanding of internal controls over consumable inventories records the following weaknesses were noted:

- **District 1:**
 - The duties of ordering, receiving, and recordkeeping of consumable inventories are not adequately segregated.
 - The documentation regarding the inventory verification of consumable items was not maintained.

- **District 2:**
 - The duties of ordering, receiving, and recordkeeping of consumable inventories are not adequately segregated.
 - The documentation regarding the inventory verification of consumable items was not maintained.

- **District 3:**
 - The duties of ordering, receiving, and recordkeeping of consumable inventories are not adequately segregated.
 - The documentation regarding the inventory verification of consumable items was not maintained.

Cause of Condition: Policies and procedures have not been designed and implemented that would provide assurance that consumable inventory verifications were performed.

Effect of Condition: Failure to maintain documentation of consumable inventory verifications has resulted in the inability to provide an accounting of when and by whom the inventory verification was performed.

Recommendation: OSAI recommends that consumable inventory verifications be performed by someone other than the recordkeeper of consumable inventories. Documentation of these procedures should be signed and dated by the person completing the inventory verification and maintained in the files of the office.

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Management Response:

District 1: District 1 has implemented the recommendations as stated above.

District 2: My District will document the quarterly inventory of consumable items and the individual receiving consumable items will sign the receiving reports.

District 3: We will retain documentation of a physical count of consumable inventories. The documentation will be signed and dated by the employee performing the count.

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.



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