

COUNTY AUDIT

# BECKHAM 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

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

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



# Oklahoma State Auditor & Inspector

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

May 23, 2014

TO THE CITIZENS OF  
BECKHAM COUNTY, OKLAHOMA

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

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

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

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

Sincerely,

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

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

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

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

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INTERNAL CONTROL AND COMPLIANCE SECTION

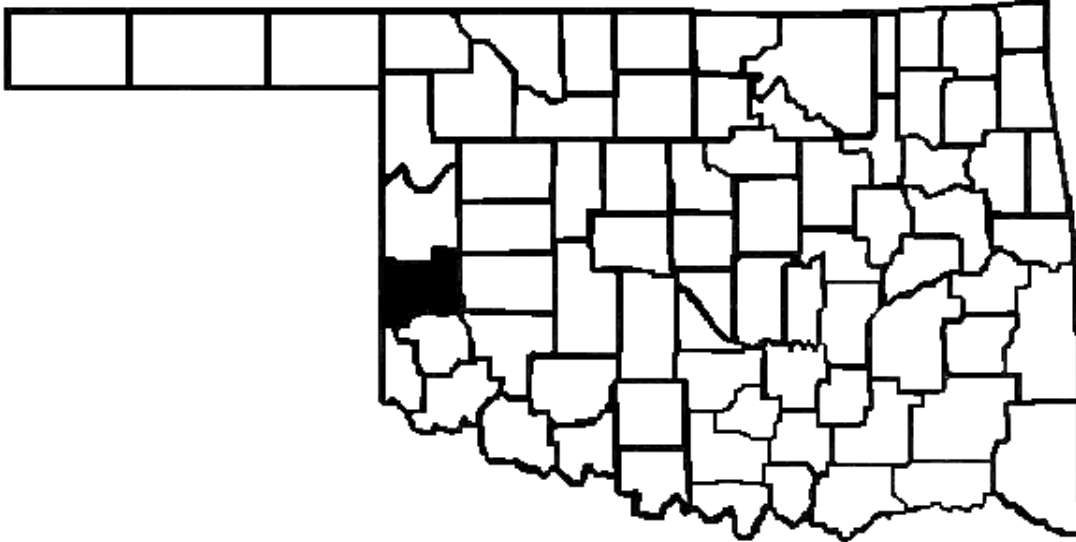
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**PRESENTED FOR INFORMATIONAL PURPOSES ONLY**

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

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Named for Kentucky Governor John C. W. Beckham at the suggestion of a delegate to the Oklahoma Constitutional Convention, Beckham County was formed at statehood from portions of Greer and Roger Mills counties and is the site of the Oklahoma Traveler Information Center for persons entering Oklahoma on Interstate 40 from Texas.

Sayre, the county seat, was named for Robert H. Sayre, a stockholder in the railroad constructed through Sayre at the time of its founding. The city is the home of Southwestern Oklahoma State University, Sayre Campus.

Agriculture, oil, and gas are the major industries of the county. Merrick 14 Ranch, located east of Sayre, has produced world champion quarter horses and Elk City is the host of the Rodeo of Champions held each September.

Construction on the Beckham County Courthouse began in 1907 and was completed in 1911. Originally, four clocks were to be installed in the courthouse dome. Yet, due to a lack of funding the clocks were never installed. However, Beckham County residents raised the necessary funds, and the clocks were installed in the dome in time for the state's centennial celebration. For more information, call the county clerk's office at 580-928-3383.

County Seat – Sayre

Area – 904.14 Square Miles

County Population – 21,116  
(2009 est.)

Farms – 1,053

Land in Farms – 519,503 Acres

Primary Source: Oklahoma Almanac 2011-2012

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

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**Board of County Commissioners**

District 1 – Carl Don Campbell  
District 2 – Buddy Carnes  
District 3 – Johnny Davis

**County Assessor**

Gayla Gillie

**County Clerk**

Leasa Hartman

**County Sheriff**

Scott Jay

**County Treasurer**

Janette Cornelius

**Court Clerk**

Donna Howell

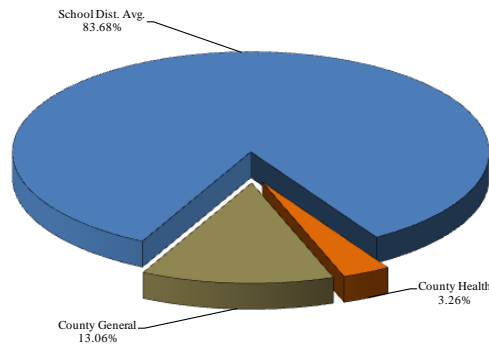
**District Attorney**

Dennis Smith



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

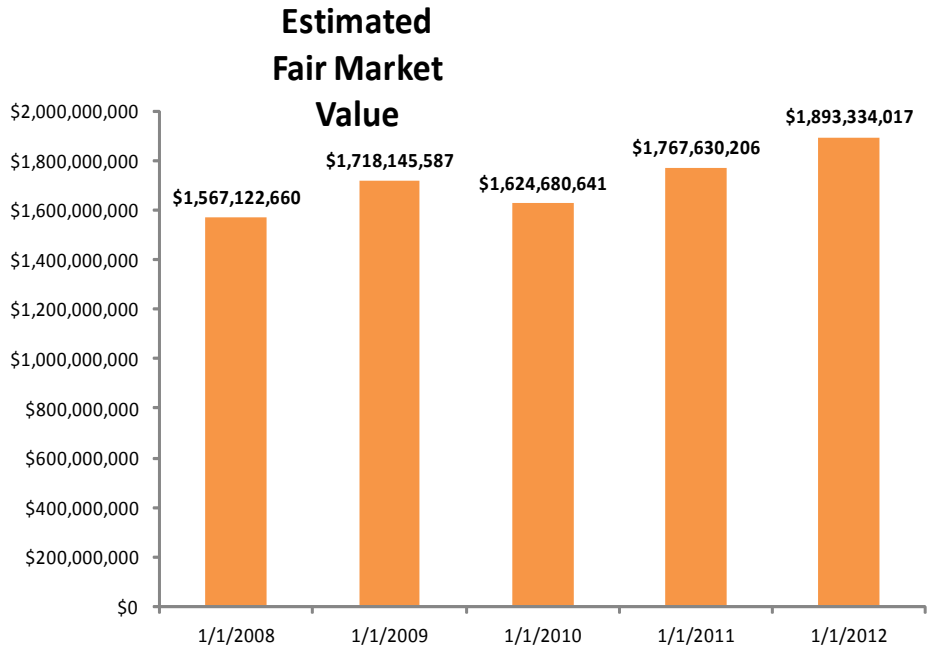
Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of a property is \$1,000.00 and the millage rate is 1.00, then the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



County-Wide Millages			School District Millages						
			Gen.	Bldg.	Skg.	Career Tech	Common	Total	
County General	10.38								
County Health	2.59								
		Rural Merritt	2RV12	36.11	5.16	-	12.36	4.15	57.78
		EC Merritt	2CV12	36.11	5.16	-	12.36	4.15	57.78
		Carter Merritt	2R12C	36.11	5.16	-	12.36	4.15	57.78
		Carter Merritt	2V12C	36.11	5.16	-	12.36	4.15	57.78
		Elk City	6CV	36.04	5.15	-	12.36	4.15	57.70
		Rural Elk City	6RV	36.04	5.15	-	12.36	4.15	57.70
		Sayre	31C	36.42	5.20	3.25	12.36	4.15	61.38
		Rural Sayre	31R	36.42	5.20	3.25	12.36	4.15	61.38
		Carter Sayre	31RC	36.42	5.20	3.25	12.36	4.15	61.38
		Erick	51EC	36.90	5.27	8.53	-	4.15	54.85
		Rural Erick	51R	36.90	5.27	8.53	-	4.15	54.85
		Texola Erick	51TC	36.90	5.27	8.53	-	4.15	54.85
		Sweetwater	15	35.99	5.14	-	12.36	4.15	57.64
		Hammon	66V12	37.50	5.36	10.90	12.36	4.15	70.27
		Mangum	G-1	35.29	5.04	10.75	-	4.15	55.23
		Canute	11V12	36.07	5.15	7.28	12.36	4.15	65.01
		Sentinel Carter	J11C	38.63	5.16	-	12.36	4.15	60.30
		Sentinel Carter	J11RC	38.63	5.16	-	12.36	4.15	60.30

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

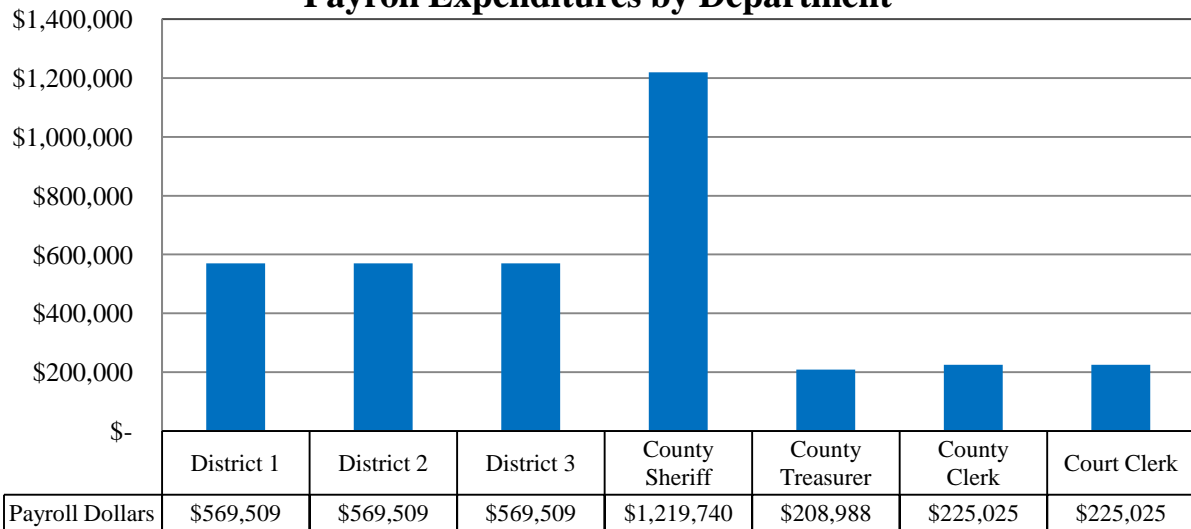
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2012	\$93,388,077	\$40,437,211	\$112,575,833	\$4,221,528	\$242,179,593	\$1,893,334,017
1/1/2011	\$85,255,021	\$40,838,660	\$105,413,605	\$4,304,504	\$227,202,782	\$1,767,630,206
1/1/2010	\$74,349,415	\$38,269,138	\$100,514,684	\$4,329,255	\$208,803,982	\$1,624,680,641
1/1/2009	\$90,540,029	\$38,057,805	\$95,650,848	\$4,310,732	\$219,937,950	\$1,718,145,587
1/1/2008	\$78,275,953	\$39,035,118	\$89,278,923	\$4,212,847	\$202,377,147	\$1,567,122,660



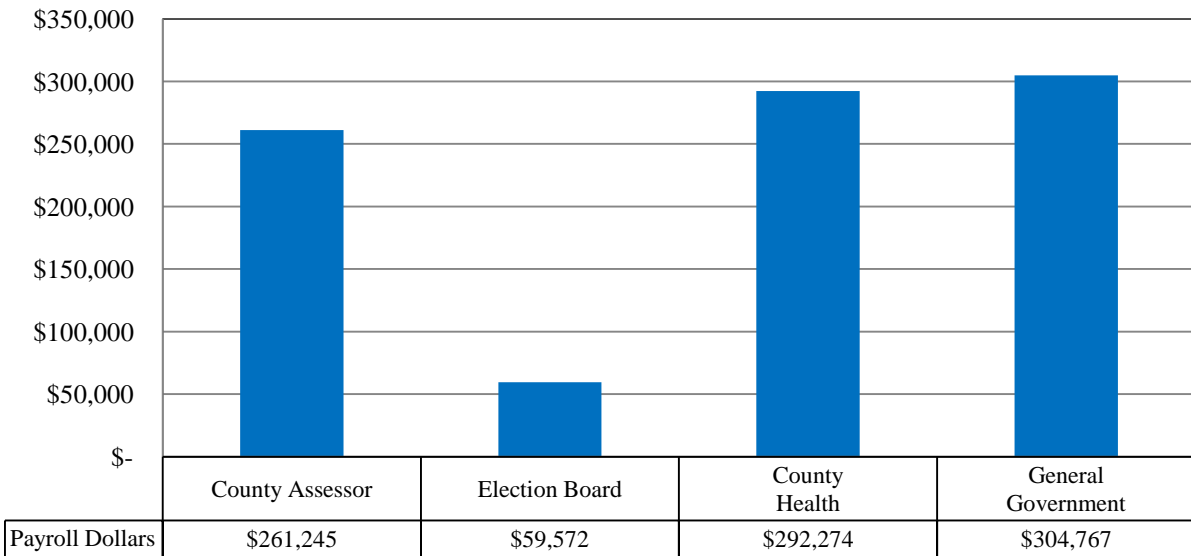
**BECKHAM COUNTY, OKLAHOMA  
COUNTY PAYROLL EXPENDITURES ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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**



**BECKHAM 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.

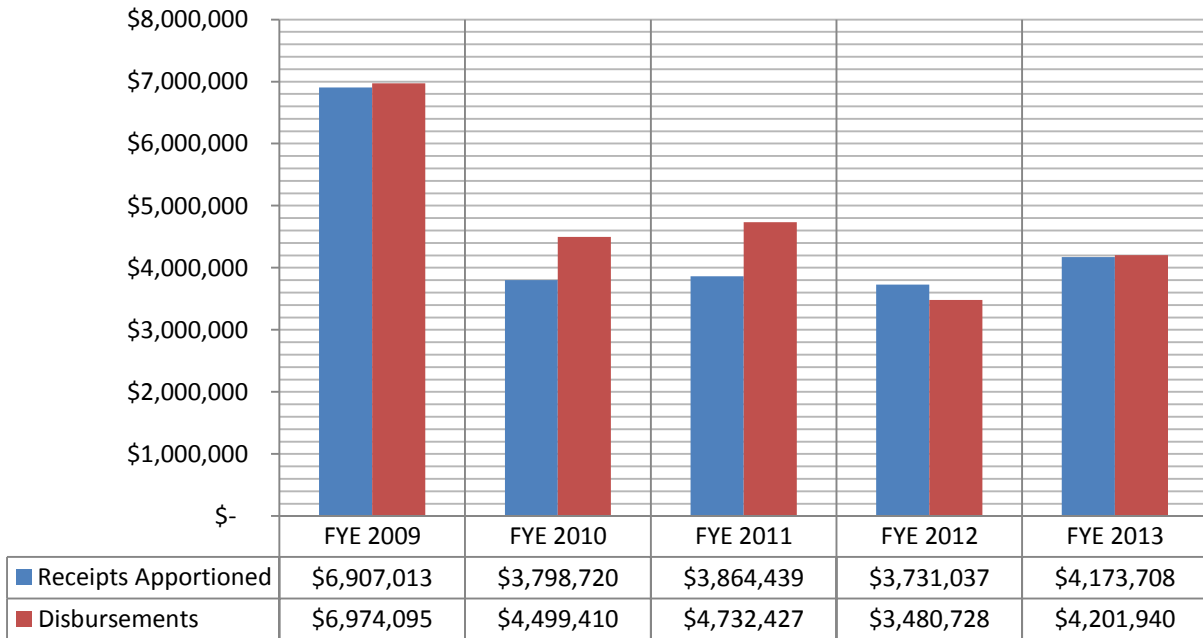


**BECKHAM COUNTY, OKLAHOMA  
COUNTY HIGHWAY FUND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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## County Highway Fund

The County receives major funding for roads and highways from a state imposed fuel tax. Taxes are collected by the Oklahoma Tax Commission. Taxes are imposed on all gasoline, diesel, and special fuel sales statewide. The County's share is determined on formulas based on the County population, road miles, and land area and is remitted to the County monthly. These funds are earmarked for roads and highways only and are accounted for in the County Highway Fund. The chart below summarizes receipts and disbursements of the County's Highway Fund for the last five fiscal years.



**FINANCIAL SECTION**



# Oklahoma State Auditor & Inspector

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

## **Independent Auditor's Report**

TO THE OFFICERS OF  
BECKHAM COUNTY, OKLAHOMA

### ***Report on the Financial Statement***

We have audited the combined total—all county funds on the accompanying regulatory basis Statement of Receipts, Disbursements, and Changes in Cash Balances of Beckham County, Oklahoma, as of and for the year ended June 30, 2013, listed in the table of contents as the financial statement.

### ***Management's Responsibility for the Financial Statement***

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the regulatory basis of accounting described in Note 1, and for determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1 of the financial statement, the financial statement is prepared by Beckham County using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted accounting Principles” paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Beckham County as of June 30, 2013, or changes in its financial position for the year then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined total of receipts, disbursements, and changes in cash balances for all county funds of Beckham County, for the year ended June 30, 2013, on the basis of accounting described in Note 1.

***Other Matters***

***Other Information***

Our audit was conducted for the purpose of forming an opinion on the combined total of all county funds on the financial statement. The Other Supplementary Information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statement.

The Other Supplementary Information, as listed in the table of contents, is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Other Supplementary Information, as listed in the table of contents, is fairly stated, in all material respects, in relation to the combined total—all county funds.

The information listed in the table of contents under Introductory Section has not been subjected to the auditing procedures applied in the audit of the financial statement, and accordingly, we do not express an opinion or provide any assurance on it.



***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 19, 2014, on our consideration of Beckham County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and in considering Beckham County's internal control over financial reporting and compliance.

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

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

May 19, 2014

**REGULATORY BASIS FINANCIAL STATEMENT**

**BECKHAM COUNTY, OKLAHOMA**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND**  
**CHANGES IN CASH BALANCES—REGULATORY BASIS**  
**(WITH COMBINING INFORMATION)—MAJOR FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	Cash Balances July 1, 2012	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Cash Balances June 30, 2013
Combining Information:						
Major Funds:						
County General Fund	\$ 5,660,652	\$ 3,505,987	\$ 1,900	\$ 45,180	\$ 3,281,659	\$ 5,841,700
County Highway Cash	3,632,804	4,173,708	489,645	-	4,201,940	4,094,217
County Bridge and Road Improvement Fund 105	1,176,066	225,898	-	484,833	-	917,131
County Health Department	1,026,498	790,716	-	-	610,611	1,206,603
Sheriff Service Fee	151,999	199,962	-	-	190,748	161,213
Sheriff Department of Corrections	72,407	332,238	-	-	310,985	93,660
Sheriff Jail Funds	111,222	1,008,000	-	-	869,813	249,409
County Sales Tax	-	1,995,505	-	-	1,995,505	-
Beckham County Rural Water District #1 (REAP Grant)	1,000	213,626	-	-	214,626	-
Hazard Mitigation	-	22,038	-	-	22,038	-
Remaining Aggregate Funds	843,806	227,655	45,180	6,712	284,172	825,757
<b>Combined Total - All County Funds</b>	<b>\$ 12,676,454</b>	<b>\$ 12,695,333</b>	<b>\$ 536,725</b>	<b>\$ 536,725</b>	<b>\$ 11,982,097</b>	<b>\$ 13,389,690</b>

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

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

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**1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

Beckham 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 school districts and cities and towns. The cash receipts and disbursements attributable to those other entities do not appear in funds on the County's financial statement; those funds play no part in the County's operations. Any trust or agency funds maintained by the County are not included in this presentation.

**B. Fund Accounting**

The County uses funds to report on receipts, disbursements, and changes in cash balances. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

Following are descriptions of the county funds included as combining information within the financial statement:

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

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

County Bridge and Road Improvement Fund 105 – accounts for state receipts and disbursements are for the purpose of maintaining bridges and roads.

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

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

Sheriff Department of Corrections – accounts for the state receipts and disbursements for the purpose of maintaining Department of Corrections' inmates.

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

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Sheriff Jail Funds – accounts for the collection of reserve sales tax monies received from the Facilities Authority in excess of bond issue payments. Disbursements are for the general operations of the County jail.

County Sales Tax – accounts for the collection of sales tax money disbursed to the Beckham County Facilities Authority for the payment of revenue bonds issued for the construction of the County jail.

Beckham County Rural Water District #1 (REAP Grant) – accounts for the collections of grant monies and to be disbursed in accordance with grant agreement.

Hazard Mitigation – accounts for federal funds for the purpose of hazard mitigation.

**C. Basis of Accounting**

The financial statement is prepared on a basis of accounting wherein amounts are recognized when received or disbursed. This basis of accounting differs from accounting principles generally accepted in the United States of America, which require revenues to be recognized when they become available and measurable or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred. This regulatory basis financial presentation is not a comprehensive measure of economic condition or changes therein.

Title 19 O.S. § 171 specifies the format and presentation for Oklahoma counties to present their financial statement in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) or on a regulatory basis. The County has elected to present their financial statement on a regulatory basis in conformity with Title 19 O.S. § 171. County governments (primary only) are required to present their financial statements on a fund basis format with, at a minimum, the general fund and all other county funds, which represent ten percent or greater of total county revenue. All other funds included in the audit shall be presented in the aggregate in a combining statement.

**D. Budget**

Under current Oklahoma Statutes, a general fund and a county health department fund are the only funds required to adopt a formal budget. On or before the first Monday in July of each year, each officer or department head submits an estimate of needs to the governing body. The budget is approved for the respective fund by office, or department and object. The County Board of Commissioners may approve changes of appropriations within the fund by office or department and object. To increase or decrease the budget by fund requires approval by the County Excise Board.

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

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**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).

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

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

**2. Ad Valorem Tax**

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

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

**3. Other**

**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

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

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

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

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

In addition to the pension benefits described in the Pension Plan note, OPERS provides post-retirement health care benefits of up to \$105 each for retirees who are members of an eligible 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. Sales Tax**

On February 12, 2002, the citizens of Beckham County voted a county sales tax of three-tenths of one percent (3/10 of 1%) County sales tax through March 31, 2017, after which time said tax shall be reduced to one-fourth of one-percent (1/4 of 1%) being unlimited in duration. Said tax of the three-tenths of one percent (3/10 of 1%) shall be to fund the acquisition, construction, equipping, furnishing, general operations and maintenance of a jail facility in Beckham County, Oklahoma. The one-fourth of one percent (1/4 of 1%) sales tax shall be to pay for general operations and capital improvements benefiting Beckham County, Oklahoma. These funds are accounted for in the County Sales Tax Fund.

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

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**E. Interfund Transfers**

During the fiscal year, the County made the following interfund transfers between funds.

- \$1,900 from Emergency Management fund to County General Fund for the purpose of reimbursing grant expenditures.
- \$484,833 from County Bridge and Road Improvement Fund 105 to County Highway Cash fund for bridge projects.
- \$4,812 from County Bridge and Road Improvement Fund 103 to County Highway Cash fund for bridge projects.
- \$45,000 from County General Fund to Beckham County Juvenile Detention fund to account for state revenue designated to be spent for the expenses of the Beckham County Juvenile Detention operations.
- \$180 from County General Fund to Emergency Management fund to account for a cancelled warrant related to previous expenditures related to emergency management purposes.



**OTHER SUPPLEMENTARY INFORMATION**

**BECKHAM COUNTY, OKLAHOMA**  
**COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND**  
**CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—**  
**GENERAL FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 5,660,639	\$ 5,660,652	\$ 13
Less: Prior Year Outstanding Warrants	(48,634)	(48,093)	541
Less: Prior Year Encumbrances	(54,110)	(48,684)	5,426
Beginning Cash Balances, Budgetary Basis	<u>5,557,895</u>	<u>5,563,875</u>	<u>5,980</u>
Receipts:			
Ad Valorem Taxes	2,285,294	2,600,849	315,555
Charges for Services	25,000	203,019	178,019
Intergovernmental Revenues	75,570	464,616	389,046
Miscellaneous Revenues	130,000	237,503	107,503
Total Receipts, Budgetary Basis	<u>2,515,864</u>	<u>3,505,987</u>	<u>990,123</u>
Expenditures:			
District Attorney	3,500	3,230	270
County Sheriff	621,102	604,303	16,799
County Treasurer	204,994	204,757	237
County Commissioners	12,200	7,797	4,403
OSU Extension	25,507	22,505	3,002
County Clerk	212,057	210,521	1,536
Court Clerk	231,025	230,478	547
County Assessor	220,830	220,379	451
Revaluation of Real Property	178,442	166,996	11,446
General Government	5,336,342	673,123	4,663,219
Excise-Equalization Board	3,800	3,222	578
County Election Board	76,060	67,264	8,796
Insurance	698,286	688,371	9,915
County Purchasing Agent	38,927	38,925	2
Court Clerk Deputies	143,736	143,736	-
County Audit Budget Account	50,951	608	50,343
Free Fair	16,000	13,442	2,558
Total Expenditures, Budgetary Basis	<u>8,073,759</u>	<u>3,299,657</u>	<u>4,774,102</u>

Continued on next page

**BECKHAM COUNTY, OKLAHOMA  
 COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND  
 CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—  
 GENERAL FUND - CONTINUED  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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	General Fund		
	Budget	Actual	Variance
Continued from previous page			
Operating Transfers:			
Transfer In	-	1,900	1,900
Transfer Out	-	(45,180)	(45,180)
Net transfers	-	(43,280)	(43,280)
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	5,726,925	\$ 5,726,925
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Reserves		62,048	
Add: Current Year Outstanding Warrants		52,727	
Ending Cash Balance		\$ 5,841,700	

**BECKHAM COUNTY, OKLAHOMA  
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND  
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—  
COUNTY HEALTH DEPARTMENT FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 1,026,498	\$ 1,026,498	\$ -
Less: Prior Year Outstanding Warrants	(49,065)	(49,065)	-
Less: Prior Year Encumbrances	(1,832)	(1,832)	-
Beginning Cash Balances, Budgetary Basis	975,601	975,601	-
Receipts:			
Ad Valorem Taxes	570,223	648,961	78,738
Charges for Services	-	12,871	-
Intergovernmental	12,873	122,386	-
Miscellaneous Revenues	-	6,498	6,498
Total Receipts, Budgetary Basis	583,096	790,716	207,620
Expenditures:			
County Health Budget Account	1,558,697	733,924	824,773
Total Expenditures, Budgetary Basis	1,558,697	733,924	824,773
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	1,032,393	\$ 1,032,393
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		161,951	
Add: Current Year Outstanding Warrants		12,259	
Ending Cash Balance		\$ 1,206,603	

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

	Beginning					Ending
	Cash Balances	Receipts	Transfers	Transfers	Disbursements	Cash Balances
	July 1, 2012	Apportioned	In	Out		June 30, 2013
<b>Remaining Aggregate Funds:</b>						
County Bridge and Road Improvement Fund 103	\$ 144,340	\$ 72	\$ -	\$ 4,812	\$ -	\$ 139,600
Resale Property	245,843	106,149	-	-	52,409	299,583
Treasurer Mortgage Tax Certification Fee	15,679	5,760	-	-	-	21,439
County Clerk Lien Fee	190,097	34,076	-	-	9,139	215,034
County Clerk Records Preservation Fee	158,100	40,590	-	-	95,394	103,296
Assessor Revolving	18,132	5,901	-	-	10,493	13,540
Assessor Visual Inspection	642	-	-	-	-	642
Sheriff Commissary	13,093	16,683	-	-	21,590	8,186
Sheriff Estray	1,446	-	-	-	-	1,446
Emergency Management	6,750	10,831	180	1,900	4,774	11,087
Beckham County Educational Facilities Authority	-	5,220	-	-	-	5,220
Northfork Redriver Conservation	45,112	2,373	-	-	47,485	-
Beckham County Juvenile Detention	4,572	-	45,000	-	42,888	6,684
<b>Combined Total - Remaining Aggregate Funds</b>	<b>\$ 843,806</b>	<b>\$ 227,655</b>	<b>\$ 45,180</b>	<b>\$ 6,712</b>	<b>\$ 284,172</b>	<b>\$ 825,757</b>

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

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**1. Budgetary Schedules**

The Comparative Schedules of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis for the General Fund and the County Health Department Fund present comparisons of the legally adopted budget with actual data. The "actual" data, as presented in the comparison of budget and actual, will differ from the data as presented in the Combined Statement of Receipts, Disbursements, and Changes in Cash Balances with Combining Information because of adopting certain aspects of the budgetary basis of accounting and the adjusting of encumbrances and outstanding warrants to their related budget year.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in these funds. At the end of the year unencumbered appropriations lapse.

**2. Remaining County Funds**

Remaining aggregate funds as presented on the financial statement are as follows:

County Bridge and Road Improvement Fund 103 – accounts for state receipts and disbursements for the purpose of maintaining bridges and roads.

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 lien collections and disbursements as restricted by statute.

County Clerk Records Preservation Fee – accounts for fees collected for instruments filed in the County Clerk's office as restricted by statute for preservation of records.

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

Assessor Visual Inspection – accounts for the collection and expenditure of monies by the Assessor as restricted by statute for the visual inspection program.

Sheriff Commissary – accounts for the collection of the sale of items to inmates and disbursements to purchase commissary goods from the vendor and can be used for the maintenance and operations of the County jail.

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

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Sheriff Estray – accounts for the sale of stray cattle. Disbursements are for lawful operations of the County Sheriff.

Emergency Management – accounts for the collections of grant money to be disbursed for the purpose of County-wide emergency management.

Beckham County Educational Facilities Authority – accounts for money held for the Authority to be disbursed for Board operations of which the County Commissioners serve as the governing Board of the Authority.

Northfork Redriver Conservation – accounts for the collections of grant monies and to be disbursed in accordance with grant agreement.

Beckham County Juvenile Detention – fund was established to disburse funds for juvenile detention contracts.

**INTERNAL CONTROL AND COMPLIANCE SECTION**





# Oklahoma State Auditor & Inspector

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

## **Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

TO THE OFFICERS OF  
BECKHAM COUNTY, OKLAHOMA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined total—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Beckham County, Oklahoma, as of and for the year ended June 30, 2013, which comprises Beckham County's financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated May 19, 2014.

Our report included an adverse opinion on the financial statement because the statement is prepared using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. However, our report also included our opinion that the financial statement does present fairly, in all material respects, the receipts, disbursements, and changes in cash balances – regulatory basis of the County for the year ended June 30, 2013, on the basis of accounting prescribed by Oklahoma state law, described in Note 1.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statement, we considered Beckham County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of Beckham County's internal control. Accordingly, we do not express an opinion on the effectiveness of Beckham County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses: 2013-1 and 2013-3.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Beckham County's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2013-3.

We also noted certain instances of noncompliance with provisions of contracts and grant agreements or abuse that have an effect on the financial statement that is less than material, but warrant the attention of those charge with governance, and which are included in Section 2 of the schedule of findings and responses contained in this report.

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

Beckham County's response to the findings identified in our audit, are described in the accompanying schedule of findings and responses. Beckham County's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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



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

May 19, 2014

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

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**SECTION 1—Findings related to the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

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

**Condition:** County-wide controls regarding Risk 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:** The Board of County Commissioners will work towards assessing and identifying risks to design written policies and procedures regarding county-wide controls.

**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.

**Finding 2013-3 - Inadequate Internal Controls and Noncompliance Over the Disbursement Process (Repeat Finding)**

**Condition:** Upon inquiry and observation of the County's payroll disbursement process, we noted the following:

- The duties of processing payroll are not adequately segregated. The Payroll Clerk enrolls new hires, makes payroll changes, maintains personnel files, and prepares OPERS reports and state and federal tax reports.
- The Payroll Clerk is also responsible for logging onto the financial institution website and initiating the direct deposit process.

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

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In the audit of fifty purchase orders, we noted the following:

- Fifteen instances were noted in which goods and/or services were received prior to the encumbrance of funds.
- Two instances were noted in which supporting documentation of the disbursement was not attached to the purchase order. (i.e., one was an invoice and one is was receiving report.).

**Cause of Condition:** Procedures have not been designed over the disbursements 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 following key accounting functions over payroll disbursements be adequately segregated:

- Posting new hires and/or making payroll changes to the payroll system
- Access to personnel files
- Performing the direct deposit process
- Preparing state reports and state and federal tax reports

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

- County funds should be encumbered prior to the receipt of goods and/or services.
- Disbursements of county funds should be supported with invoices and receiving reports.

**Management Response:**

**Chairman of the Board:** The Board of County Commissioners will express to fellow County Officials the importance of County funds being encumbered prior to the receipt of goods and/or services and that invoices and receiving reports are to be attached to purchase orders to support disbursements in accordance with Oklahoma Statutes.

**County Clerk:** The County Clerk is aware of these conditions and has implemented some review processes over payroll. In the review of purchase orders, the Purchasing Agent will place an emphasis on ensuring documentation such as invoices and receiving reports are attached to support the disbursements of County funds.

**Criteria:** Accountability and stewardship are overall goals of management in the account of funds. Internal controls should be designated 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.

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

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Additionally, an aspect of internal control is the safeguard of assets. Internal controls over safeguarding of assets constitute a process, affected by the entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or untimely detection of unauthorized acquisition, use, or disposition of the entity's assets and safeguarding assets from loss, damage, or misappropriation. Effective internal controls would include procedures that ensure compliance with Title 19 O.S. § 1505C and § 1505E.

**SECTION 2—This section contains certain matters not required to be reported in accordance with *Government Auditing Standards*. However, we believe these matters are significant enough to bring to management's attention. We recommend that management consider these matters and take appropriate corrective action.**

**Finding 2013-5 - Inadequate Internal Controls and Noncompliance Over Inmate Trust Fund (Repeat Finding)**

**Condition:** Upon inquiry and observation of the collection process, we noted the duties of balancing the kiosk, and depositing and reconciling, are not adequately segregated within the office of the County Sheriff.

Further, the audit of all checks issued from the Inmate Trust Fund for the fiscal year, indicated that sixty-nine checks totaling \$14,148.73 issued to payees not authorized by statute.

**Cause of Condition:** Procedures have not been designed and implemented to ensure that controls are in place with regards to Inmate Trust Fund financial operations. The Sheriff issued checks from the Inmate Trust Fund rather than transferring the proceeds from the inmate sales to the Sheriff Commissary Fund for disbursement.

**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. Further, issuing checks directly from the Inmate Trust Fund resulted in noncompliance with state statute.

**Recommendation:** OSAI recommends management be aware of these conditions and determine how to properly segregate duties. In the event that limited resources are available to properly segregate the duties, OSAI recommends implementing compensating procedures to mitigate the risks involved with a concentration of duties. Compensating procedures would include separating key processes and/or critical functions of the office, and having management review and approve the accounting functions to ensure the duties of issuing receipts, depositing, and reconciling are performed by separate individuals or that transactions are reviewed by separate individuals.

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

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Further, OSAI recommends the County Sheriff comply with Title 19 O.S. § 531A which specifically establishes the purpose for disbursements from the Inmate Trust Fund.

**Management Response:**

**County Sheriff:** The County Sheriff is aware of the condition in regards to the collections process; however, prefers to operate his office in this manner. The County Sheriff will comply with Title 19 O.S. § 531A and expend funds for only authorized purchases.

**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. Further, the County should comply with Title 19 O.S. § 531A which outlines purposes for disbursements of Inmate Trust funds.

**Finding 2013-6 - Inadequate Internal Controls and Noncompliance Over Fixed Assets Inventory (Repeat Finding)**

**Condition:** Upon inquiry and observation of fixed assets inventory items, we noted the following:

District 1 Commissioner:

- Ten of the ten items selected were not properly marked “Property of Beckham County.”

District 2 Commissioner:

- Ten of the ten items selected were not properly marked “Property of Beckham County.”

District 3 Commissioner:

- Ten of the ten items selected were not properly marked “Property of Beckham County.”

County Sheriff:

- Documentation of the annual physical fixed assets inventory count is not maintained.
- Two of the five items selected were not marked with county identification numbers.

**Cause of Condition:** Policies and procedures have not been designed to ensure compliance with the state statutes regarding maintaining and properly identifying fixed assets.

**Effect of Condition:** When fixed assets are not monitored and equipment is not properly marked with identification numbers and “Property of,” opportunities for misuse or loss of equipment can occur.

**Recommendation:** OSAI recommends management implement internal controls to ensure compliance with 19 O.S. § 178.1, 19 O.S. § 1502(B) (1), and 69 O.S. § 645.1 by maintaining inventory records and marking assets with county identification numbers. OSAI further recommends performing and documenting a periodic inventory of fixed assets.

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

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**Management Response:**

**Board of County Commissioners:** The Chairman of the Board stated new decals for District 1, 2, and 3 have been ordered for replacement on all required vehicles, machinery and equipment.

**County Sheriff:** The County Sheriff will maintain documentation of the physical count of fixed assets performed on an annual basis and will sign and date the review. The County Sheriff will implement procedures to ensure that all fixed assets in excess of \$500 are properly marked with county identification numbers.

**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.



**OFFICE OF THE STATE AUDITOR & INSPECTOR**  
2300 N. LINCOLN BOULEVARD, ROOM 100  
OKLAHOMA CITY, OK 73105-4896

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