

COUNTY AUDIT

# BRYAN COUNTY

For the fiscal year ended June 30, 2010



*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

**BRYAN COUNTY, OKLAHOMA  
FINANCIAL STATEMENT  
AND INDEPENDENT AUDITOR'S REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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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

March 26, 2014

TO THE CITIZENS OF  
BRYAN COUNTY, OKLAHOMA

Transmitted herewith is the audit of Bryan County, Oklahoma for the fiscal year ended June 30, 2010. The audit was conducted in accordance with 19 O.S. § 171.

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

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

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

Sincerely,

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

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

**BRYAN COUNTY, OKLAHOMA  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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**BRYAN COUNTY, OKLAHOMA  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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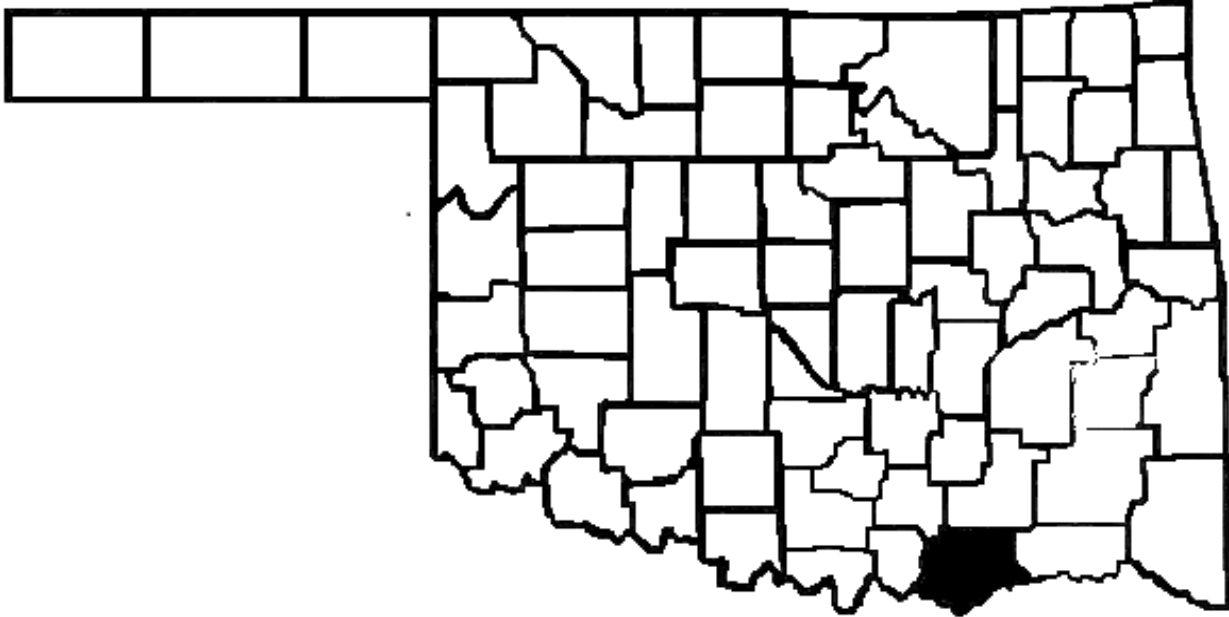
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**BRYAN COUNTY, OKLAHOMA  
STATISTICAL INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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Located in southeastern Oklahoma, Bryan County is named for famous orator William Jennings Bryan. The area was first settled by Choctaw Indians following their removal from Mississippi. The Indians established several schools in the area during the mid-to-late 1800s. One of the schools, the Armstrong Academy for Boys in Durant, later served as the capital of the Choctaw Nation.

Durant, the county seat, is the site of many manufacturers including American Packing, Bryan County Manufacturing, Potter Sausage, and Stahl Metal Products.

Southeastern Oklahoma State University in Durant is the site of the Oklahoma Shakespeare Festival. Held annually during June and July, this popular event has gained national recognition. The historic Bryan Hotel in Durant once served as southeastern Oklahoma's center for social and political activities. Many national politicians such as Robert Kerr, Carl Albert, and William Jennings Bryan included the hotel as a stop on their campaign trails. The hotel has been restored, and tours are available.

Lake Texoma Resort provides a variety of recreational facilities including a golf course, marina, and camping facilities. For information, call the county clerk at (580) 924-2202.

County Seat – Durant

Area – 943.43 Square Miles

County Population – 39,563  
(2007 est.)

Farms – 1,701

Land in Farms – 490,688 Acres

Primary Source: Oklahoma Almanac 2009-2010

**Board of County Commissioners**

District 1 – Monty Montgomery  
District 2 – Tony Simmons  
District 3 – Ivan Kelly

**County Assessor**

Glendel Rushing

**County Clerk**

Tammy Reynolds

**County Sheriff**

Bill Sturch

**County Treasurer**

Nancy Conner

**Court Clerk**

Sandy Stroud

**District Attorney**

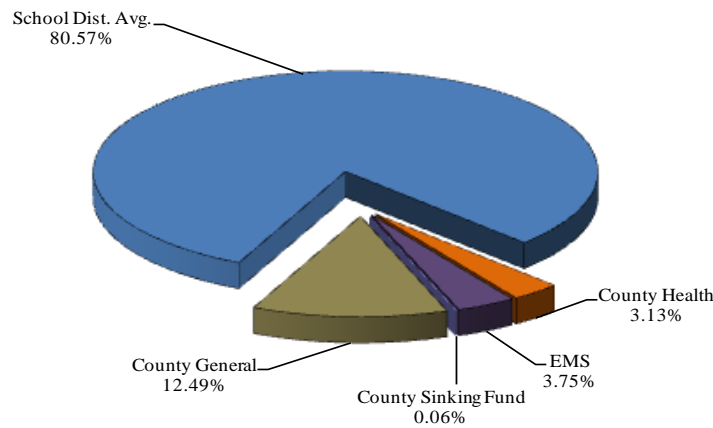
Emily Redman



**BRYAN COUNTY, OKLAHOMA  
AD VALOREM TAX DISTRIBUTION  
SHARE OF THE AVERAGE MILLAGE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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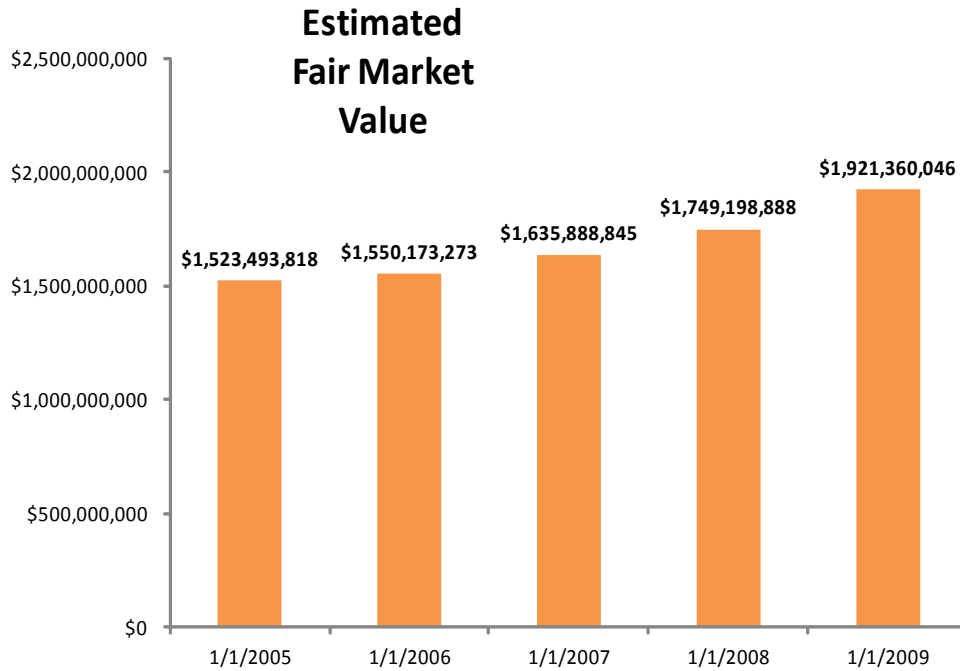
Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of a property is \$1,000.00 and the millage rate is 1.00, then the 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.	Sk.	Career Tech	Common	Total
County General	10.22								
County Health	2.56	Silo	I-1	36.26	5.18		12.26	4.09	57.79
EMS	3.07	Rock Creek	I-2	36.33	5.19		12.26	4.09	57.87
County Sinking Fund	0.05	Achille	I-3	36.33	5.19	5.84	12.26	4.09	63.71
		Colbert	I-4	35.84	5.12	23.01	12.26	4.09	80.32
		Caddo	I-5	36.23	5.18	6.99	12.26	4.09	64.75
		Bennington	I-40	36.02	5.15	13.01	12.26	4.09	70.53
		Calera	I-48	35.70	5.10	7.61	12.26	4.09	64.76
		Durant	I-72	35.49	5.07	17.24	12.26	4.09	74.15
		Choctaw County	I-1	37.77	5.40		12.26	4.09	59.52

**BRYAN COUNTY, OKLAHOMA  
 ASSESSED VALUE OF PROPERTY  
 TREND ANALYSIS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

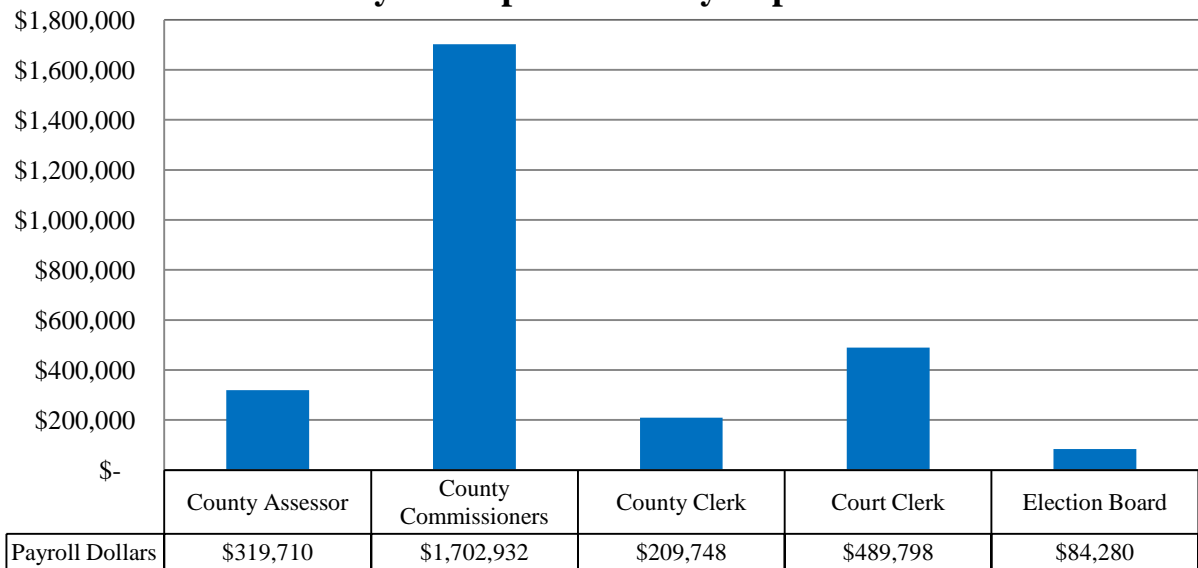
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2009	\$27,575,908	\$41,160,619	\$167,435,835	\$9,638,039	\$226,534,323	\$1,921,360,046
1/1/2008	\$29,374,701	\$24,322,351	\$155,395,186	\$9,509,521	\$199,582,717	\$1,749,198,888
1/1/2007	\$28,721,680	\$25,704,866	\$142,792,380	\$9,433,614	\$187,785,312	\$1,635,888,845
1/1/2006	\$25,816,373	\$27,122,350	\$131,141,512	\$7,948,209	\$176,132,026	\$1,550,173,273
1/1/2005	\$34,837,107	\$13,845,342	\$125,824,542	\$8,238,629	\$166,268,362	\$1,523,493,818



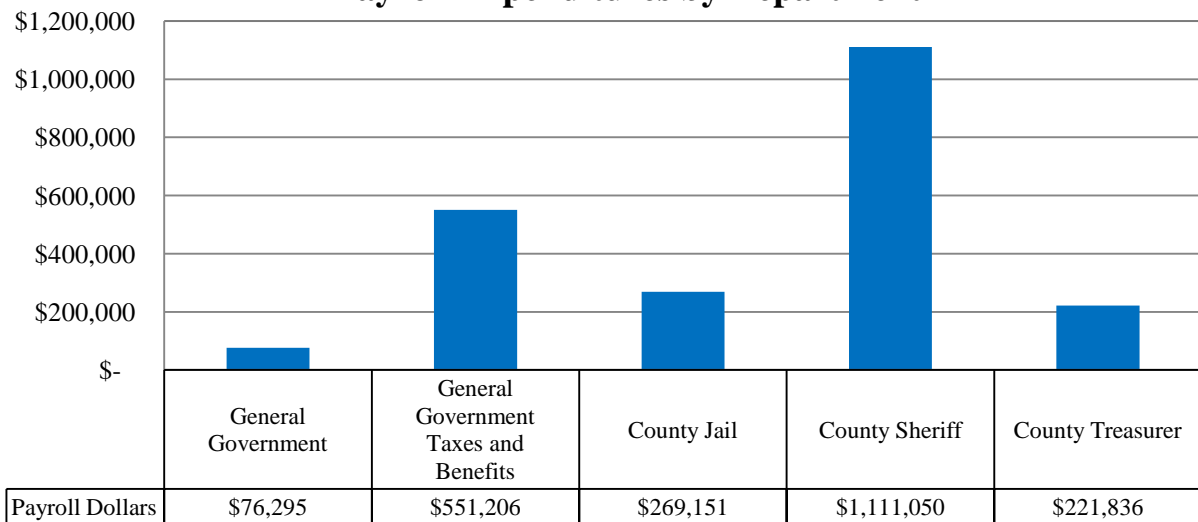
**BRYAN COUNTY, OKLAHOMA  
COUNTY PAYROLL EXPENDITURES ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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, 2010.

**Payroll Expenditures by Department**



**Payroll Expenditures by Department**

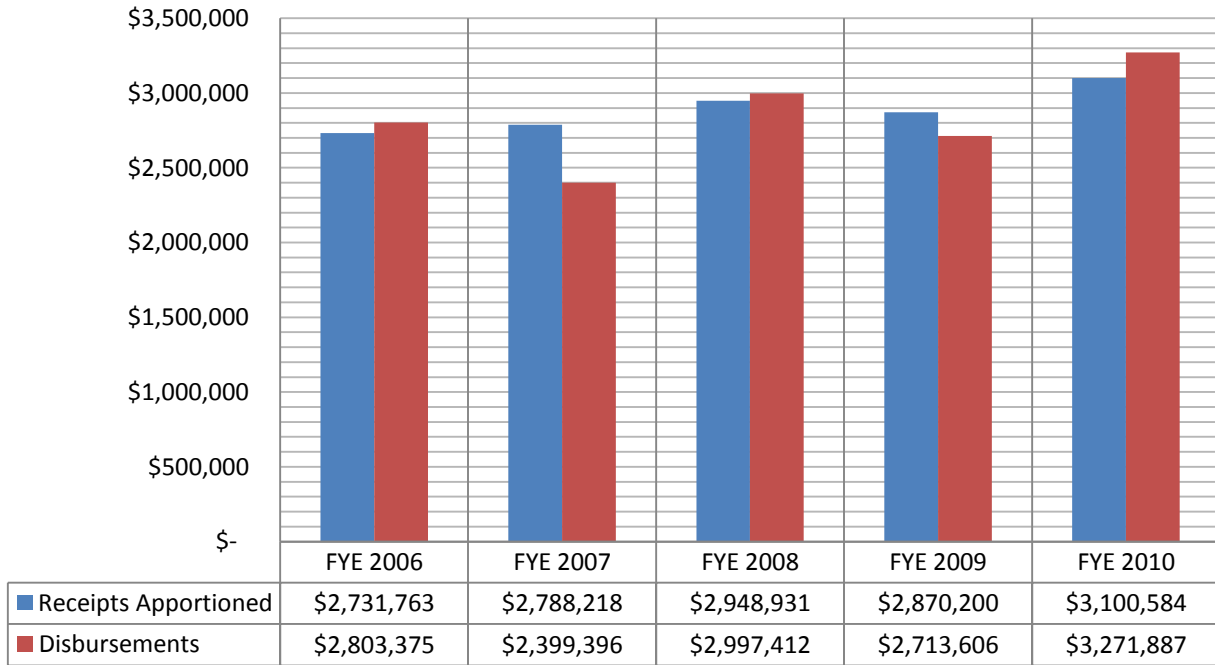


**BRYAN COUNTY, OKLAHOMA  
COUNTY GENERAL FUND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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## 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.

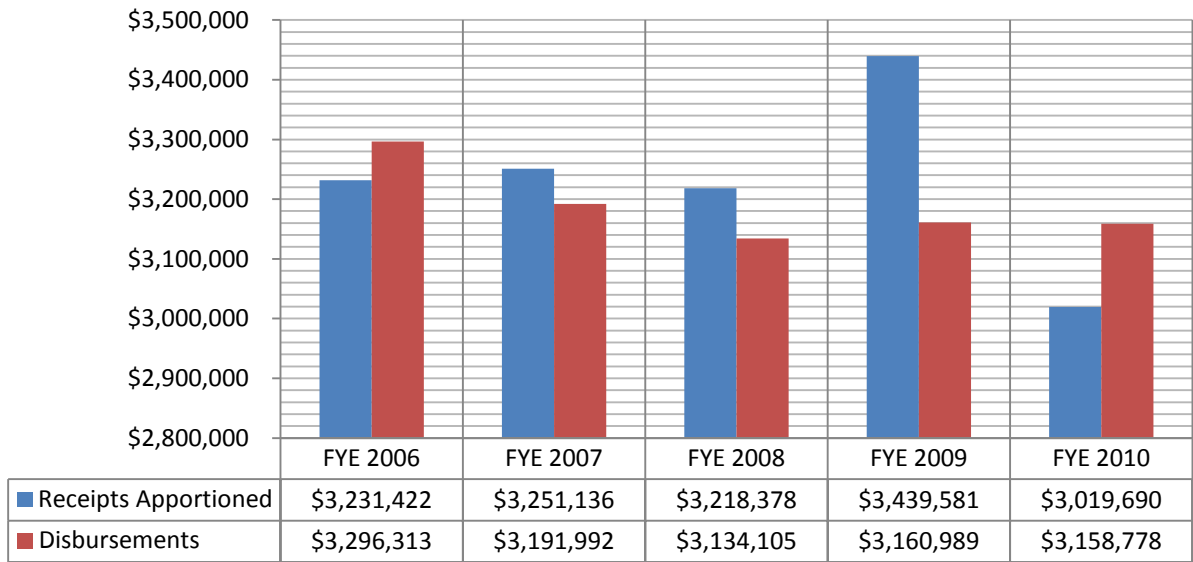


**BRYAN COUNTY, OKLAHOMA  
COUNTY HIGHWAY FUND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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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 BRYAN COUNTY, OKLAHOMA

We have audited the combined total—all county funds on the accompanying regulatory basis Statement of Receipts, Disbursements, and Changes in Cash Balances of Bryan County, Oklahoma, as of and for the year ended June 30, 2010, listed in the table of contents as the financial statement. This financial statement is the responsibility of Bryan County's management. Our responsibility is to express an opinion on the combined total—all county funds on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Bryan County as of June 30, 2010, or changes in its financial position for the year then ended.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined total of receipts, disbursements, and changes in cash balances for all county funds of Bryan County, for the year ended June 30, 2010, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2014, on our consideration of Bryan County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the combined total of all county funds on the financial statement. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statement. The remaining Other Supplementary Information, as listed in the table of contents, is presented for purposes of additional analysis, and is not a required part of the financial statement. Such supplementary information has been subjected to the auditing procedures applied in the audit of the combined total—all county funds on the regulatory basis Statement of Receipts, Disbursements and Changes in Cash Balances and, in our opinion, is fairly stated, in all material respects, in relation to the combined total—all county funds. The information listed in the table of contents under Introductory Section has not been audited by us, and accordingly, we express no opinion on it.

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

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

March 20, 2014



**REGULATORY BASIS FINANCIAL STATEMENT**

**BRYAN 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, 2010**

	Beginning Cash Balances July 1, 2009	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2010
Combing Information:						
Major Funds:						
County General Fund	\$ 816,509	\$ 3,100,584	\$ -	\$ 6,441	\$ 3,271,887	\$ 638,765
County General Note Payment Fund	12,407	89,598	-	-	102,005	-
County General Revolving Fund	6,756	10	-	-	-	6,766
T-Highway Fund	1,207,488	3,019,690	-	-	3,158,778	1,068,400
T-Highway Roads and Bridges Revolving Fund	328,535	377,882	-	-	391,672	314,745
County Health Department Fund	556,849	763,333	-	-	661,403	658,779
County Sinking Fund	1,707	10,862	-	-	5,358	7,211
CDBG Elevator Fund	490	-	-	-	-	490
CDBG Rural Water District 2 Fund	99,682	15,100	-	-	114,782	-
COPS Fast Fund	1	-	-	-	-	1
County Treasurer Resale Property Fund	105,602	129,644	-	-	128,483	106,763
Jail Revolving Fund	41,293	30,939	-	-	42,126	30,106
Jail Special Fund	5	-	-	-	-	5
Jail Sales Tax Revolving Fund	62,331	156,750	-	-	164,005	55,076
Sheriff City Prisoners Fund	33,072	72,430	-	-	70,125	35,377
Sheriff Commissary Fund	6,393	3,857	-	-	7,372	2,878
Sheriff Department of Corrections Fund	53,791	292,059	-	-	219,287	126,563
Sheriff Social Security Administration Fund	5,699	7,200	-	-	7,691	5,208
Sheriff Service Fees Fund	105,916	255,188	-	-	265,816	95,288
Sheriff Revolving Fund	160,346	310,354	-	-	362,359	108,341
Sheriff Helicopter Fund	768	1,509	-	-	1,354	923
Court Clerk Payroll Fund	30,339	313,249	-	-	331,226	12,362
T-Highway Liberty Hills Fund	-	26,041	-	-	5,114	20,927
T-Highway Sawmill BIA Fund	329,574	17,774	-	-	17,074	330,274
T-Highway Orchard Road BIA Fund	1,280,284	1,106	-	-	1,174,585	106,805
T-Highway Sawmill Rd Phase 1 Fund	-	200,208	-	-	-	200,208
Wade-Albany Senior Citizens Center Fund	-	39,815	-	-	39,815	-
Remaining Aggregate Funds	216,174	219,380	-	-	233,568	201,986
<b>Combined Total - All County Funds</b>	<b>\$ 5,462,011</b>	<b>\$ 9,454,562</b>	<b>\$ -</b>	<b>\$ 6,441</b>	<b>\$ 10,775,885</b>	<b>\$ 4,134,247</b>

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

**BRYAN COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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**1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

Bryan County is a subdivision of the State of Oklahoma created by the Oklahoma Constitution and regulated by Oklahoma Statutes.

The accompanying financial statement presents the receipts, disbursements, and changes in cash balances of the total of all funds under the control of the primary government. The general fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund, where its use is restricted for a specified purpose. Other funds established by statute and under the control of the primary government are also presented.

The County Treasurer collects and remits material amounts of intergovernmental revenues and ad valorem tax revenue for other budgetary entities, including emergency medical districts, 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 General Note Payment Fund - accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the sales tax resolution to be used for the retirement of the existing indebtedness for the remodeling of the jail.

County General Revolving Fund - accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the sales tax resolution to be used for general county uses.

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

**BRYAN COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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T-Highway Roads and Bridges Revolving Fund - accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the sales tax resolution to be used for the maintenance of county highway and bridges.

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

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

CDBG Elevator Fund - accounts for federal funds to be expended for the maintenance and repair of an elevator for handicap accessibility.

CDBG Rural Water District 2 Fund - accounts for federal funds to be expended for the installation of a water line for District 2.

COPS Fast Fund - accounts for federal funds to be expended for deputies' salaries in the Sheriff's office.

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

Jail Revolving Fund - accounts for sales tax revenues received to be used for the maintenance of the jail.

Jail Special Fund - accounts for donations to help fund the County jail.

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

Sheriff City Prisoners Fund - accounts for monies received for housing city prisoners to be used for jail operating expenses.

Sheriff Commissary Fund - accounts for monies received from the commissary sales and disbursement of funds for commissary expenses and jail operating expenses.

Sheriff Department of Corrections Fund - accounts for monies received from the State of Oklahoma for the boarding and feeding of Department of Corrections' prisoners.

Sheriff Social Security Administration Fund - accounts for the collection and deposit of Social Security funds to be used for jail operating expenses.

**BRYAN COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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Sheriff Service Fees Fund - accounts for the collection and disbursement of sheriff process service fees as restricted by statute.

Sheriff Revolving Fund - accounts for sales tax revenues received for the maintenance and operation of the Sheriff's office.

Sheriff Helicopter Fund - accounts for donations made for the purpose of advancing utilization of the Sheriff Department helicopter.

Court Clerk Payroll Fund - accounts for funds deposited to be used for payroll for the Court Clerk's office.

T-Highway Liberty Hills Fund - accounts for grant funds to be expended for the repair of Liberty Hills Road.

T-Highway Sawmill BIA Fund - accounts for grant funds to be expended for the repair of Sawmill Road.

T-Highway Orchard Road BIA Fund - accounts for grant funds to be expended for the repair of Orchard Road.

T-Highway Sawmill Rd Phase 1 Fund - accounts for grant funds to be expended for the repair of Sawmill Road.

Wade-Albany Senior Citizens Center Fund - accounts for grant funds to be expended for a construction project for the senior citizens center.

**C. Basis of Accounting**

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

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

**BRYAN COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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**D. Budget**

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

**E. Cash and Investments**

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

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

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."

**BRYAN COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

**3. Other Information**

**A. Pension Plan**

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

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

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

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

**BRYAN COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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**D. Long Term Obligations**

**1. Judgments**

During the fiscal year the County retired the following judgment with a payment from the County Sinking Fund in the amount of \$5,358.

<u>Case Number</u>	<u>Original Judgment</u>
CY-2006-657	\$14,727

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

<u>Case Number</u>	<u>Original Judgment</u>
LTC-2006-159	\$11,677

The County did not make a payment on this judgment during the fiscal year. Future principal payments that will become due on the existing judgment are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>
2011	\$7,785

**E. Sales Tax**

The voters of Bryan County approved a permanent one-fourth percent (1/4%) sales tax effective July 10, 2007. This sales tax was established to provide revenue for the operation of the Bryan County Sheriff's Office for law enforcement purposes, to provide revenue for the construction and maintenance of county roads and bridges, to provide revenue for the operation of the Bryan County Jail, and to provide revenue for the retirement of the existing indebtedness for the remodeling of the Bryan County Jail.

**F. Interfund Transfers**

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



**BRYAN COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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- During the fiscal year ended June 30, 2010, the County General Fund made an interfund loan to the Drug Court Fund (a Trust and Agency Fund) in the amount of \$6,441. The loan was not repaid at June 30, 2010.

**G. Special Items**

**Investigative Audit**

The Bryan County Sheriff's office discovered an embezzlement of the County Sheriff's jail deposits for the period of May 1, 2009 through September 1, 2009. It was noted, that the County jail's assistant jail administrator did not deposit all monies received. After the advisement of the District Attorney's office an investigation was performed by the Durant Police Department. It was determined that \$ 11,300 of County funds was not deposited by the County jail's assistant jail administrator. Of this amount, \$0 has been repaid. These findings will not have a material effect on the basic financial statement for the year ending June 30, 2010.

**OTHER SUPPLEMENTARY INFORMATION**

**BRYAN 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, 2010**

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 816,509	\$ 816,509	\$ -
Less: Prior Year Outstanding Warrants	(182,181)	(182,181)	-
Less: Prior Year Encumbrances	(57,568)	(57,602)	(34)
Beginning Cash Balances, Budgetary Basis	<u>576,760</u>	<u>576,726</u>	<u>(34)</u>
Receipts:			
Ad Valorem Taxes	2,104,710	2,200,354	95,644
Charges for Services	159,270	164,506	5,236
Intergovernmental Revenues	587,865	686,294	98,429
Miscellaneous Revenues	33,688	49,430	15,742
Total Receipts, Budgetary Basis	<u>2,885,533</u>	<u>3,100,584</u>	<u>215,051</u>
Expenditures:			
County Sheriff	313,775	310,621	3,154
County Treasurer	139,844	137,784	2,060
County Commissioner	133,401	132,541	860
OSU Extension	112,265	109,507	2,758
County Clerk	169,155	168,712	443
Court Clerk	130,843	130,762	81
County Assessor	87,023	86,989	34
Revaluation of Real Property	298,917	243,440	55,477
General Government	1,318,207	1,122,186	196,021
Excise-Equalization Board	7,001	4,144	2,857
County Election Board	96,726	93,641	3,085
County Jail	600,414	600,056	358
Charity	600	250	350
County Audit Budget Account	41,622	2,698	38,924
Free Fair Budget Account	12,500	12,500	-
Total Expenditures, Budgetary Basis	<u>3,462,293</u>	<u>3,155,831</u>	<u>306,462</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	521,479	<u>\$ 521,479</u>
Operating Transfers		6,441	
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Outstanding Warrants		77,161	
Add: Current Year Encumbrances		46,566	
Ending Cash Balance		<u>\$ 638,765</u>	

**BRYAN 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, 2010**

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	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 556,849	\$ 556,849	\$ -
Less: Prior Year Outstanding Warrants	(129,600)	(129,600)	-
Less: Prior Year Encumbrances	(48,577)	(33,064)	15,513
Beginning Cash Balances, Budgetary Basis	378,672	394,185	15,513
Receipts:			
Ad Valorem Taxes	527,207	539,931	12,724
Miscellaneous Revenues	-	223,402	223,402
Total Receipts, Budgetary Basis	527,207	763,333	236,126
Expenditures:			
Health and Welfare	905,879	589,701	316,178
Total Expenditures, Budgetary Basis	905,879	589,701	316,178
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	567,817	\$ 567,817
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		73,531	
Add: Current Year Outstanding Warrants		17,431	
Ending Cash Balance		\$ 658,779	

**BRYAN COUNTY, OKLAHOMA**  
**COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND**  
**CHANGES IN CASH BALANCES—REGULATORY BASIS—**  
**REMAINING AGGREGATE FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	Beginning Cash Balances July 1, 2009	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2010
Remaining Aggregate Funds:				
County Health Department Petty Cash Fund	\$ 300	\$ -	\$ -	\$ 300
County Assessor Fee Revolving Fund	53,068	4,794	848	57,014
County Assessor Visual Inspection Reimbursement Fund	11,967	-	65	11,902
County Clerk Lien Fee Fund	42,667	16,919	8,709	50,877
County Clerk Records Management and Preservation Fund	53,620	43,810	61,089	36,341
County Commissioner Trash Cop Fund	-	200	-	200
County Treasurer Resale Cash Drawer Increase Fund	520	-	-	520
Court House Security-SSF Fund	8,985	33,798	36,947	5,836
DHS Attendant Care Fund	170	960	1,035	95
Elevator REAP Grant Fund	174	-	-	174
Emergency 911 Fund	8,186	57,836	61,638	4,384
Keep Bryan County Beautiful Fund	1,345	-	-	1,345
Mortgage Tax Certification Fee Fund	16,737	7,685	18,160	6,262
OSU Extension Grant Fund	832	-	-	832
Sheriff Corps Fund	2,728	23,400	21,211	4,917
Sheriff DARE Fund	102	-	-	102
Sheriff Training Fund	442	4,237	-	4,679
Free Fair Cash Fund	3,362	17,741	19,696	1,407
Sheriff Forfeited Revolving Fund	7,020	-	2,015	5,005
Bryan County 911 Fund	3,949	7,500	1,655	9,794
West Bryan Co Fire Department Fund	-	500	500	-
<b>Combined Total - Remaining Aggregate Funds</b>	<b>\$ 216,174</b>	<b>\$ 219,380</b>	<b>\$ 233,568</b>	<b>\$ 201,986</b>

**BRYAN COUNTY, OKLAHOMA  
NOTES TO OTHER SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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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 Health Department Petty Cash Fund - accounts for the cash set aside to maintain the change fund used for health department collections.

County Assessor Fee Revolving Fund - accounts for the collection of fees for copies restricted by state statute.

County Assessor Visual Inspection Reimbursement Fund - accounts for the funds given to the assessor for the startup and operation of the computer assisted mass appraisal and computer mapping of the County and related expenditures.

County Clerk Lien Fee Fund - accounts for lien collections and disbursements as restricted by statute.

County Clerk Records Management and Preservation Fund - accounts for fees collected for instruments filed in the County Clerk's office as restricted by statute for preservation of records.

County Commissioner Trash Cop Fund - accounts for the state funds used to pay personal services for the prevention of illegal dumping.

County Treasurer Resale Cash Drawer Increase Fund - accounts for the cash set aside to maintain the change fund used for the County Treasurer's office collections.

**BRYAN COUNTY, OKLAHOMA  
NOTES TO OTHER SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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Court House Security-SSF Fund - accounts for the collection and disbursement of sheriff service fees as restricted by statute to be used for courthouse security.

DHS Attendant Care Fund - accounts for the state contract funds for juvenile care.

Elevator REAP Grant Fund - accounts for state funds used for the repair and maintenance of the courthouse elevator.

Emergency 911 Fund - accounts for monies received from the telephone companies for operation of the emergency 911 services.

Keep Bryan County Beautiful Fund - accounts for donations to be used for the beautification of Bryan County.

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

OSU Extension Grant Fund - accounts for the remaining match funds for a federal grant used to renovate the Expo Building.

Sheriff Corps Fund - accounts for monies received from the Corps of Engineers for patrolling purposes.

Sheriff DARE Fund - accounts for the excess match remaining from the Drug Awareness Resistance Education grant.

Sheriff Training Fund - accounts for the funds collected from the disposition of unclaimed property for the purpose of purchasing equipment, material, or supplies that may be used in crime prevention.

Free Fair Cash Fund - accounts for funds collected from Fair Board activities to be used for Fair expenses.

Sheriff Forfeited Revolving Fund - accounts for funds collected from forfeitures to be used for the intervention and prevention of narcotic use.

Bryan County 911 Fund - accounts for funds collected from city of Durant to be used for 911 signs.

West Bryan Co Fire Department Fund - accounts for funds held for deposit related to submitting a proposition to be placed on the ballot.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**



**BRYAN COUNTY, OKLAHOMA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Defense</b>			
Direct Grant:			
Payments to States in Lieu of Real Estate Taxes	12.112		\$ 12,196
Total U.S. Department of Defense			<u>12,196</u>
<b>U.S. Department of Housing and Urban Development</b>			
Passed through the Oklahoma Department of Commerce:			
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	13105 CDBG 07	45,928
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	13241 CDBG 08	114,782
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	13581 CDBG 08	<u>102,300</u>
Total U.S. Department of Housing and Urban Development			<u>263,010</u>
<b>U.S. Department of the Interior</b>			
Direct Grant:			
Payments in Lieu of Taxes	15.226		<u>67,271</u>
Total U.S. Department of the Interior			<u>67,271</u>
<b>U.S. Department of Justice</b>			
Direct Grant:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2007 DJBX 0788	1,896
Recovery Act – Assistance to Rural Law Enforcement to Combat Crime and Drugs Competitive Grant Program	16.810	2009 SDB9 0219	<u>10,425</u>
Total U.S. Department of Justice			<u>12,321</u>
<b>U.S. Department of Energy</b>			
Passed through the Oklahoma Department of Commerce:			
Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128	13955 SEECBG 09	<u>29,500</u>
Total U.S. Department of Energy			<u>29,500</u>
<b>U.S. Department of Homeland Security</b>			
Passed through the Oklahoma Department of Emergency Management:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR-1876	<u>367,080</u>
Total U.S. Department of Homeland Security			<u>367,080</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 751,378</u>

**BRYAN COUNTY, OKLAHOMA  
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of Bryan County, and is presented on the *cash basis of accounting*. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

**INTERNAL CONTROL AND COMPLIANCE SECTION**



# Oklahoma State Auditor & Inspector

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

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

TO THE OFFICERS OF  
BRYAN COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Bryan County, Oklahoma, as of and for the year ended June 30, 2010, which comprises Bryan County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated March 20, 2014. Our report on the basic financial statement was adverse because the statement is not a presentation in conformity with accounting principles generally accepted in the United States of America. However, our report also included our opinion that the financial statement does present fairly, in all material respects, the receipts, disbursements, and changes in cash balances – regulatory basis of the County for the year ended June 30, 2010, on the basis of accounting prescribed by Oklahoma state law, described in Note 1. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies in internal control described in the accompanying schedule of findings and questioned costs to be material weaknesses in internal control over financial reporting. 2010-1, 2010-2, 2010-6, 2010-7, 2010-8, 2010-10, and 2010-12.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting, 2010-3, 2010-9, and 2010-17.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bryan County's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2010-12 and 2010-10.

We noted certain matters that we reported to the management of Bryan County, which are included in Section 4 of the schedule of findings and questioned costs contained in this report.

Bryan County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Bryan County's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, those charged with governance, others within the entity, and is not intended to be and should not be used by anyone other than the specified parties. This report is also a public document pursuant to the Oklahoma Open Records Act (51 O.S. § 24A.1 et seq.), and shall be open to any person for inspection and copying.



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

March 20, 2014



# 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 Auditors Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133**

TO THE OFFICERS OF  
BRYAN COUNTY, OKLAHOMA

### Compliance

We have audited the compliance of Bryan County, Oklahoma, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on Bryan County's major federal programs for the year ended June 30, 2010. Bryan County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of Bryan County's management. Our responsibility is to express an opinion on Bryan County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Bryan County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Bryan County's compliance with those requirements.

In our opinion, Bryan County, complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2010.

### Internal Control Over Compliance

Management of Bryan County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Bryan County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the

purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Bryan County's internal control over compliance. Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2010-20 and 2010-21 to be material weaknesses.

Bryan County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Bryan County's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, those charged with governance, others within the entity, and is not intended to be and should not be used by anyone other than the specified parties. This report is also a public document pursuant to the Oklahoma Open Records Act (51 O.S., section 24A.1 et seq.), and shall be open to any person for inspection and copying.

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

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

March 20, 2014

**BRYAN COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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**SECTION 1—Summary of Auditor’s Results**

Financial Statements

Type of auditor's report issued:.....Adverse as to GAAP; qualified as to statutory presentation

Internal control over financial reporting:

- Material weakness(es) identified?..... Yes
- Significant deficiency(ies) identified? ..... Yes

Noncompliance material to financial statements noted?..... Yes

Federal Awards

Internal control over major programs:

- Material weakness(es) identified?..... Yes
- Significant deficiency(ies) identified? ..... None reported

Type of auditor's report issued on compliance for major programs: ..... Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?..... Yes

Identification of Major Programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.228	Community Development Block Grant Program/State's program and Non-Entitlement Grants in Hawaii
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)



**BRYAN COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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Dollar threshold used to distinguish between  
Type A and Type B programs: ..... \$300,000

Auditee qualified as low-risk auditee? ..... No

**BRYAN COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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**SECTION 2—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 2010-1 – 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 and 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.

Examples of risks and procedures to address risk management:

<b>Risks</b>	<b>Procedures</b>
Fraudulent activity	Segregation of duties
Information lost to computer crashes	Daily backups of information
Noncompliance with laws	Attend workshops
Natural disasters	Written disaster recovery plans
New employee errors	Training, attending workshops, monitoring

Examples of activities and procedures to address monitoring:

<b>Monitoring</b>	<b>Procedures</b>
Communication between officers	Periodic meetings to address items that should be included in the handbook and to determine if the County is meeting its goals and objectives.
Annual Financial Statement	Review the financial statement of the County for accuracy and completeness.
Schedule of Expenditures of Federal Awards (SEFA)	Review the SEFA of the County for accuracy and to determine all federal awards are presented.
Audit findings	Determine audit findings are corrected.
Financial status	Periodically review budgeted amounts to actual amounts and resolve unexplained variances.
Policies and procedures	Ensure employees understand expectations in meeting the goals of the County.

**BRYAN COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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<b>Monitoring</b>	<b>Procedures</b>
Following up on complaints	Determine source of complaint and course of action for resolution.
Estimate of needs	Work together to ensure this financial document is accurate and complete.

**Management Response:**

**Chairman, Board of County Commissioners:** I will address control issues regarding risk management and monitoring to avoid errors.

**County Treasurer:** I concur with finding, and believe that many of these procedures are currently being implemented, with more to follow. Written policies should be clear, concise, and easily understandable. I will work with other officials to see this happens in our office, and with the County overall.

**County Clerk:** I will put something in writing on procedures recommended for my office.

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

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

Monitoring is a component of internal control which should assess the quality of performance over time and ensure that the findings of audits and other reviews are promptly resolved. Ongoing monitoring occurs during normal operations and includes regular management and supervisory activities, comparisons, reconciliations, and other actions people take in performing their duties. It includes ensuring that management know their responsibilities for internal control and the need to make control monitoring part of their regular operating process.

**Finding 2010-2 – Disaster Recovery Plan (Repeat Finding)**

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

- County Assessor
- County Treasurer

**BRYAN COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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- County Clerk

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

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

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

**Management Response:**

**County Assessor:** I will work to implement a disaster recovery plan.

**County Treasurer:** I concur with finding. A basic Plan is now in place, and will be reviewed periodically, with procedures added as they are developed. In addition, three "Office in a box" set-ups are being developed for deployment to three different places to preserve continuity of operations.

**County Clerk:** We have been working on Disaster Plans, where we had a meeting and films with Emergency Management on procedures for disaster with employees and have put work material at each barn.

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

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

- Guidelines on how to use the recovery plan;
- Emergency procedures to ensure the safety of all affected staff members;
- Roles and responsibilities of information services function, vendors providing recovery services, users of services and support administrative personnel;
- Listing of systems requiring alternatives (hardware, peripherals, software);
- Listing of highest to lowest priority applications, required recovery times and expected performance norms;
- Various recovery scenarios from minor to loss of total capability and response to each in sufficient detail for step by step execution;
- Training and/or awareness of individual and group roles in continuing plan;
- Listing of contracted service providers;

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- Logistical information on location of key resources, including back-up site for recovery operating system, applications, data files, operating manuals, and program/system/user documentation;
- Current names, addresses, telephone numbers of key personnel;
- Business resumption alternatives for all users for establishing alternative work locations once IT services are available.

**Finding 2010-3 – Inadequate Internal Controls Over Information Systems Security – County Assessor, County Clerk, and County Treasurer (Repeat Finding)**

**Condition:** Upon review of the computer systems within the County Assessor’s, County Clerk’s and the County Treasurer’s offices, it was noted that there does not appear to be adequate controls in place to safeguard data from unauthorized modification, loss, or disclosure. The following was noted:

- Passwords are not required to be changed on a quarterly basis in the County Assessor’s, County Treasurer’s, and the County Clerk’s offices.
- Passwords are shared between users in the County Clerk’s office.

**Cause of Condition:** Policies and procedures have not been designed and implemented to prevent unauthorized access to data.

**Effect of Condition:** This condition could result in compromised security for the computers, computer programs, and data.

**Recommendation:** OSAI recommends the County work with IT personnel or in conjunction with software vendors to setup password requirements for length, character, and an expiration of a minimum of at least every ninety days. In addition, OSAI recommends passwords not be shared and access to servers be limited.

**Management Response**

**County Assessor:** I will implement procedures to have passwords changed every ninety days.

**County Clerk:** We do not share desks, everyone has a password, but we only use our own computers.

**County Treasurer:** I have found by experience that one must frequently use the computer of another who is absent, and has therefore kept all first level passwords to a formula all can easily remember. Second level passwords, required to access collection and bookkeeping programs, are not known by anyone other than the Deputy and KTS IT personnel. Thus, anyone can login to any computer, but must use one's own user identification and password to access any programs. Access to the actual machines is physically blocked by an electromagnetic lock on the door from the lobby into the work area of the office. I understand the need for security, but must balance security procedures with the need for quick, responsive customer service. The office is open where I and deputies can physically see all computers and equipment, and no one is allowed into the work area without specific reason and supervision. At this time, I believe this to be sufficient, but will work with IT personnel to see about making passwords of a

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longer length, and a combination of letters, numbers and symbols for second level passwords to increase that security, along with whatever other measures are recommended by KTS IT personnel.

**Auditor Response:** Financial data is not adequately secured with passwords unique to each user.

**Criteria:** According to the standards of the Information Systems Audit and Control Association (CobiT, Delivery and Support DS5), the need to maintain the integrity of information and protect IT assets requires a security management process. This process includes establishing and maintaining IT security roles and responsibilities, policies, standards, and procedures. Security management also includes performing security monitoring and periodic testing and implementing corrective actions for identified security weaknesses or incidents. Effective security management protects all IT assets to minimize the business impact of security vulnerabilities and incidents.

**Finding 2010-6 – Inadequate Segregation of Duties – County Treasurer (Repeat Finding)**

**Condition:** A concentration of duties exists in the County Treasurer's office because one person is responsible for posting to the general ledger, preparing the monthly reports, taking deposits to the bank, and reconciling the bank accounts.

**Cause of Condition:** Procedures have not been designed to ensure adequate segregation of duties in the Treasurer's office.

**Effect of Condition:** A single person having responsibility for more than one area of recording, authorization, custody of assets, and execution of transactions could result in unrecorded transactions, misstated financial reports, clerical errors, or misappropriation of funds not being detected in a timely manner.

**Recommendation:** OSAI recommends management be aware of these conditions and realize that concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. The most effective controls lie in management's overseeing of office operations and a periodic review of operations. OSAI recommends management provide segregation of duties so that no one employee is able to perform all accounting functions. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risks involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office, and having management review and approval of accounting functions.

**Management Response:**

**County Treasurer:** We continually work to segregate duties with the purpose of having a minimum of three people involved in each function. For example, all deputies are authorized to take collections throughout the day. At end of day, each front line deputy balances her own ad valorem tax collections, plus one different type of collection (Misc, Mortgage, Trust, Ind. Redemption). Those individual balancing are verified by First Deputy or Treasurer making bank deposit. A third person takes deposits to

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bank and returns slips to First Deputy or Treasurer for verification and inclusion in daily envelope. Reports and ledgers are for the most part now all computer-generated and eventually apportioned from the information entered when the receipt is made. Some items, such as investments and collateral, and judgments, are still in the process of being developed, and there may be some duplication in those. Management will continue to try to segregate duties for safety and security of the county's funds and assets.

**Criteria:** Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, key duties and responsibilities should be segregated among different individuals to reduce the risk of error or fraud. No one individual should have the ability to authorize transactions, have physical custody of assets, and record transactions.

**Finding 2010-7 – Reconciliation of the Appropriation Ledger to General Ledger (Repeat Finding)**

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

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

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

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

**Management Response:**

**County Clerk:** My office reconciles with the County Treasurer monthly. I was not aware we were supposed to sign and date, we will sign and date as required.

**Criteria:** To ensure a proper accounting of funds, the County Clerk's appropriation ledger should be reconciled monthly to the County Treasurer's general ledger.

**Finding 2010-8 – Inadequate Segregation of Duties – Payroll (Repeat Finding)**

**Condition:** Based on our documentation of controls, a lack of segregation of duties exists in the County Clerk's office because one deputy performs all key payroll processes including:

- Enrolling new employees
- Inputting payroll information into the system
- Maintaining personnel files

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- Processing payroll claims
- Reviewing payroll verification report
- Printing payroll warrants
- Distributing payroll warrants
- Preparing payroll reports (OPERS, IRS, and OTC)

**Cause of Condition:** Procedures have not been designed to ensure adequate segregation of duties in the County Clerk's office with regards to the payroll process.

**Effect of Condition:** This condition could result in unrecorded transactions, misstated financial reports, misappropriation of funds, or clerical errors that are not detected in a timely manner.

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

OSAI recommends management take steps to adequately segregate the following key accounting functions:

- Enrolling new employees and maintaining personnel files.
- Reviewing time records and preparing payroll.
- Distributing payroll warrants to individuals.

**Management Response:**

**County Clerk:** I now review verifications, and disburse warrants; also, the purchasing agent does this. I am learning how to enroll new employees.

**Criteria:** Accountability and stewardship are overall goals of management in the accounting of funds. Internal controls should be designed to analyze and check accuracy, completeness, and authorization of payroll calculations and/or transactions to allow for prevention and detection of errors and abuse. To help ensure a proper accounting of funds, key functions within the payroll process such as the duties of processing, authorizing, and payroll distribution should be adequately segregated.

**Finding 2010-9 – Inadequate Internal Controls Over Signature Stamps- County Clerk and County Commissioners (Repeat Finding)**

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

- The County Clerk's and District 1, 2, and 3 County Commissioners' signature stamps were not on file with Secretary of State.



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- The Board of County Commissioners' (BOCC) secretary has physical control of District 1, 2, and 3 County Commissioners' signature stamps. (Stamps are retained in a locked filing cabinet in the BOCC office; the secretary has the only key.)
- The County Clerk's office employees have access to her signature stamp.

**Cause of Condition:** Management was unaware of requirements for signature stamps to be registered with the Secretary of State. Also, procedures have not been designed to safeguard the County from unauthorized use.

**Effect of Condition:** This condition could result in an unauthorized transactions and misappropriation of funds.

**Recommendation:** OSAI recommends signature stamps be adequately safeguarded from unauthorized use and filed with the Secretary of State.

**Management Response:**

**Commissioner District 1:** My signature stamp has been destroyed and in the future I will sign all documents.

**Commissioner District 2:** Chose not to respond.

**Commissioner District 3:** My stamp has recently been file with Secretary of State, and is now kept in locked filing cabinet.

**County Clerk:** My signature stamp is now locked up, and I have registered all County signature stamps with Secretary of State. I was not aware of the requirements for signature stamps.

**Criteria:** An aspect of internal control is the safeguarding of assets. Internal controls over safeguarding of assets constitute a process, affected by the entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or untimely detection of unauthorized acquisition, use, or disposition of the entity's assets from loss, damage, or misappropriation.

Title 62 O.S. § 602 requires any authorized officer to file his manual signature, certified by him under oath, with the Secretary of State to obtain an authorized facsimile signature.

**Finding 2010-10 – Inadequate Internal Controls Over Pledged Collateral and Noncompliance with State Statute (Repeat Finding)**

**Condition:** Upon inquiry of County personnel, observation, and review of documents regarding the pledged collateral process, the following was noted:

- The County has not properly designed and implemented procedures to monitor the bank balance on a daily basis to ensure that County funds are adequately secured.

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- County funds were not adequately secured with financial institutions for fifty-six days for the audit period ranging from \$2,920 up to \$774,906.

**Cause of Condition:** Procedures have not been designed to review daily bank deposits to determine they are adequately secured with pledged collateral.

**Effect of Condition:** Failure to monitor pledged collateral amounts resulted in unsecured county funds, noncompliance with state statute, and could result in possible loss of county funds.

**Recommendation:** OSAI recommends that the County Treasurer design procedures to compare bank balances to the fair market value of pledged collateral on a daily basis to ensure that county funds are adequately secured and that the county is in compliance with 62 O.S. § 517.4. Documentation for this daily procedure should be maintained.

**Management Response:**

**County Treasurer:** I concur with the finding and have implemented procedures to avoid the situation in the future.

**Criteria:** Effective internal controls require that monitoring pledged securities be performed on a daily basis to ensure compliance 62 O.S. § 517.4.

**Finding 2010-12 – Inadequate Internal Controls and Noncompliance Over Purchasing (Repeat Finding)**

**Condition:** Of the seventy-eight expenditures tested, the following exceptions were noted:

- Twenty-five were not timely encumbered.
- One was not supported by adequate documentation.

**Cause of Condition:** Procedures have not been implemented regarding the purchasing process.

**Effect of Condition:** These conditions resulted in noncompliance with state statutes and could result in unrecorded transactions, undetected errors, and misappropriation of funds, inaccurate records, and incomplete information.

**Recommendation:** OSAI recommends the County implement procedures to ensure compliance with purchasing statutes. In addition, we recommend all documentation supporting county expenditures, including purchase orders and invoices, be properly accounted for and retained by the County Clerk in accordance with state statutes.

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**Management Response:**

**Chairman, Board of County Commissioners:** The County Clerk and I will notify the departments to ensure they will comply with rules so that purchase orders will be timely encumbered and that adequate documentation is attached.

**County Clerk:** I am working with all offices to let them know we concur with auditor's finding and will work to implement controls to ensure compliance with state statutes regarding purchase orders.

**Criteria:** Effective internal controls require that management properly implement procedures to ensure that purchases comply with 19 O.S. § 1505C, 19 O.S. § 1505E, and 19 O.S. § 1505F.

**Finding 2010-17 – Noncompliance with State Statute Regarding Financing of Equipment – District 1**

**Condition:** County Commissioner District 1 purchased the following equipment off the state contract and subsequently obtained financing for the equipment at a local bank.

- 2011 International Truck
- 2010 Pack Mule Belly Dump Trailer

On April 15, 2010, County Commissioner District 1 entered into a lease purchase agreement with a local bank that indebted the County past the current fiscal year without a vote of the people, which is a violation of the Oklahoma Constitution Article X § 26. Additionally, the County did not properly bid the purchase.

**Cause of Condition:** The County did not follow the policies and procedures designed by the Oklahoma Constitution regarding the creation a debt, purchasing, and lease purchase process.

**Effect of Condition:** This condition resulted in the County becoming indebted without a vote of the people and noncompliance with state purchasing and bidding laws.

**Recommendation:** OSAI recommends that items are properly bid when entering into a lease purchase, which requires the vendor to obtain financing for the items. Additionally, no financing should be obtained that would indebt the County past the current fiscal year without approval of three-fifths (3/5) vote of the citizens of Bryan County.

**Management Response:**

**County Commissioner District 1:** Chose not to respond.

**Criteria:** Oklahoma Constitution Article X § 26, states in part, "...no county shall be allowed to become indebted, in any manner, or for any purpose, to an amount exceeding, in any year, the income and revenue provided for such year without the assent of three-fifths of

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the voters thereof, voting at an election, to be held for that purpose, nor, in cases requiring such assent...”

19 O.S. § 1501 prescribes the purchasing agent shall make purchases and rental or lease-purchase agreements only after following the bidding procedures as provided for by law.

19 O.S. § 1505 prescribes established for the requisition, purchase, lease-purchase, rental, and receipt or supplies, materials, and equipment for maintenance, operation, and capital expenditures of county government.

**SECTION 3—Independent Auditor's Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133**

**Finding 2010-20 – Inadequate County-Wide Controls Over Major Programs – CDBG and FEMA**

**PASS THROUGH GRANTOR:** Oklahoma Department of Commerce, Oklahoma Department of Emergency Management

**FEDERAL AGENCY:** Department of Housing and Urban Development, United States Department of Homeland Security

**CFDA NO:** 14.228, 97.036

**FEDERAL PROGRAM NAME:** Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii, Disaster Grants - Public Assistance (Presidentially Declared Disasters)

**FEDERAL AWARD NUMBER:** 13105 CDBG 07, 13241 CDBG 08, 13581 CDBG 08, DR-1876

**FEDERAL AWARD YEAR:** 2010

**CONTROL CATEGORY:** Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Davis Bacon Act; Matching Level of Effort, Earmarking; Period of Availability of Federal Funds; Procurement, Suspension and Debarment; Reporting; and Special Tests and Provisions

**QUESTIONED COSTS:** \$-0-

**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:** 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.

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Examples of risks and procedures to address risk management for federal programs:

<b>Risks</b>	<b>Procedures</b>
Errors and misstatements in reporting	Independent review by another employee
Fraudulent activity	Segregation of duties
Information lost to computer crashes	Daily backups of information
Noncompliance with laws and grant requirements	Attend workshops, ensure employees receive current compliance supplements
New employee errors	Training, attending workshops, monitoring

Examples of activities and procedures to address monitoring of federal programs:

<b>Monitoring</b>	<b>Procedures</b>
Communication between officers	Discussion in BOCC meetings to monitor progress of grant and compliance with grant requirements.
Schedule of Expenditures of Federal Awards (SEFA)	Review the SEFA of the County for accuracy and to determine all federal awards are presented.
Audit findings	Determine audit findings are timely corrected.
Financial status	Periodically review budgeted amounts to actual amounts and resolve unexplained variances.
Compliance with grant requirements	Ensure employees understand grant requirements for federal program and are provided with the latest version of the compliance supplement.

**Management Response:**

**Chairman, Board of County Commissioners:** I will address control issues regarding risk management and monitoring to avoid errors.

**County Clerk:** I will put something in writing on procedures recommended for my office.

**County Treasurer:** I concur with the finding. My involvement in this process is to correctly receipt funds so that each receipt readily identifies origin of funds, type of grant, CFDA number (if applicable), in order to allow funds to be easily traceable through the receipt process. In order to implement, I need to request and receive copy of grant award, and be made aware of the general process of either lump sum deposit, or reimbursement by official who is receiving the grant.

**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.

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

Monitoring is a component of internal control which should assess the quality of performance over time and ensure that the findings of audits and other reviews are promptly resolved. Ongoing monitoring occurs during normal operations and includes regular management and supervisory activities, comparisons, reconciliations, and other actions people take in performing their duties. It includes ensuring that management know their responsibilities for internal control and the need to make control monitoring part of their regular operating process.

**Finding 2010-21 – Inadequate Internal Controls Over Major Federal Program – CDBG and FEMA**

**PASS THROUGH GRANTOR:** Oklahoma Department of Commerce, Oklahoma Department of Emergency Management

**FEDERAL AGENCY:** Department of Housing and Urban Development, United States Department of Homeland Security

**CFDA NO:** 14.228, 97.036

**FEDERAL PROGRAM NAME:** Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii, Disaster Grants - Public Assistance (Presidentially Declared Disasters)

**FEDERAL AWARD NUMBER:** 13105 CDBG 07, 13241 CDBG 08, 13581 CDBG 08, 1876

**FEDERAL AWARD YEAR:** 2010

**CONTROL CATEGORY:** Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Davis Bacon Act; Matching Level of Effort, Earmarking; Period of Availability of Federal Funds; Procurement, Suspension and Debarment; Reporting; and Special Tests and Provisions

**QUESTIONED COSTS:** \$-0-

**Condition:** During the process of documenting the County's internal controls regarding federal disbursements, we noted that the County has not established internal controls to ensure compliance with the following compliance requirements: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Davis Bacon Act; Matching Level of Effort, Earmarking; Period of Availability of Federal Funds; Procurement, Suspension and Debarment; Reporting; and Special Test and Provisions.

**Cause of Condition:** Procedures have not been designed to ensure the County is in compliance with grant requirements.

**Effect of Condition:** This condition could result in noncompliance with grant requirements.

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**Recommendation:** OSAI recommends that the County implement a system of internal controls to ensure compliance with grant requirements.

**Management Response:**

**Chairman, Board of County Commissioners:** Chose not to respond.

**County Clerk:** Chose not to respond.

**County Treasurer:** I concur with the finding. My involvement in this process is to correctly receipt funds so that each receipt readily identifies origin of funds, type of grant, CFDA number (if applicable), in order to allow funds to be easily traceable through the receipt process. In order to implement, I need to request and receive copy of grant award, and be made aware of the general process of either lump sum deposit, or reimbursement by official who is receiving the grant.

**Criteria:** *OMB Circular A-133 Subpart C §\_\_.300* reads as follows:

Subpart C-Auditees

§\_\_.300 Auditee responsibilities

The auditee shall:

(b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

Further, accountability and stewardship should be overall goals in management's accounting of federal funds. Internal controls should be designed to monitor compliance with laws and regulations pertaining to grant contracts.

**SECTION 4—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 2010-13 – Inadequate Internal Controls and Noncompliance Over the Inmate Trust and Sheriff Commissary Funds (Repeat Finding)**

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

- One employee issues receipts, prepares and makes deposits and performs all daily activities for the Inmate Trust Fund.
- The Inmate Trust Fund account balance is not reconciled to the total of the inmates' balances and profit held in account.
- Bank reconciliations are not performed.

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- Deposits are not made daily.
- The Sheriff's office does not file an annual report for the Commissary Fund with the Board of County Commissioners by January 15th, of each year.
- Two signatures on checks are only required when check exceeds one hundred dollars.

After performing testwork regarding Inmate Trust Fund account expenditures, the following noncompliance was noted regarding the one hundred sixty-one disbursements/checks tested:

- Seven vouchers were issued to a vendor for commissary items.

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

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

**Recommendation:** OSAI recommends the following:

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

**Management Response:**

**County Sheriff:** I took office in January 2013 and cannot answer for the practices of the previous administration. However, I will continue to work with the Jail Administrator to implement new policies in an effort to conform to the proper procedures set forth by the auditor's recommendations and the state statutes.

**Criteria:** Effective accounting procedures and internal controls are necessary to ensure stewardship and accountability of public funds. Safeguarding controls are an aspect of internal controls. Safeguarding controls relate to the prevention or timely detection of unauthorized transaction and unauthorized access to assets. Failure to perform tasks that are part of internal controls, such as reconciliations not performed



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or not timely prepared, are deficiencies in internal control. Further, reconciliations should be performed on a monthly basis.

Effective internal controls should provide for procedures wherein receipts for the monies collected are maintained and available for inspection and deposits are made in a timely manner.

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

19 O.S. § 531 A. states in part, “The county sheriff may establish a checking account, to be designated the “Inmate Trust Checking Account”. The county sheriff shall deposit all monies collected from inmates incarcerated in the county jail into this checking account and may write checks to the Sheriff’s Commissary Account for purchases made by the inmate during his or her incarceration and to the inmate from unencumbered balances due the inmate upon his or her discharge.” In addition, Title 19 O.S. § 531 C. states, “Banking fees on the account may be paid out of the Sheriff Commissary Account or the county Sheriff’s Service Cash Fund”.

**Finding 2010-15 – Inadequate Internal Controls and Noncompliance Over Fixed Assets (Repeat Finding)**

**Condition:** Upon inquiry and observation, the following weaknesses over fixed asset inventories were noted:

- The County has not designed internal controls to provide for adequate segregation of duties over the fixed assets inventory process.
- The County has not designed procedures to perform and document an annual physical inventory of all fixed assets.
- The County Sheriff and the County Election Board inventory records were incomplete and were not on file with the County Clerk’s office.

**Cause of Condition:** Policies and procedures have not been designed to ensure compliance with state statute regarding the identification and accounting of fixed assets.

**Effect of Condition:** These conditions resulted in noncompliance with statute.

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**Recommendation:** OSAI recommends the County comply with 19 O.S. § 178.1 by performing and documenting a periodic inventory of fixed assets. The verification should be performed by an individual independent of the fixed asset recordkeeping process.

**Management Response:**

County Election Board: We will work to ensure we are on file with the County Clerk’s office.

**Chairman, Board of County Commissioners:** We will try to comply with the laws concerning segregation of duties over the fixed asset inventory process. We will emphasize the need for each entity to document physical inventories of fixed assets both periodic and annually.

**County Sheriff:** I took office in January 2013 and cannot answer for the practices of the previous administration. However, I will continue to work with the Jail Administrator to implement new policies in an effort to conform to the proper procedures set forth by the auditor’s recommendations and the state statutes.

**Criteria:** An important aspect of internal controls is the safeguarding of assets. Internal controls 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 acquisition, use or disposition of fixed assets, and safeguarding items from loss, damage, or misappropriation.

**Finding 2010-16 – Inadequate Internal Controls and Noncompliance Over Consumable Inventories (Repeat Finding)**

**Condition:** Upon inquiry of County personnel, observation, and review of documents regarding consumable inventories, the following was noted:

- The consumable inventory process is not adequately segregated. District 1, 2, and 3 each have one person that is in charge of consumable inventories and that person performs all key processes including recording, maintaining, and verifying consumable inventories.
- District 1, 2, and 3 did not retain documentation for the physical count of consumable inventories.
- In addition, fuel tanks were measured at each county barn and compared to balance recorded on fuel logs. District 1, 2, and 3 fuel logs did not agree to actual fuel on hand.

Office	Type of Fuel	Actual Fuel on Hand	Fuel Log	Variance
District 1	Diesel	1,765.16	946.70	818.46 Long
District 1	Gasoline	549.70	676.10	126.40 Short
District 1 Satellite Tank	Diesel	348.00	289 .00	59.00 Long
District 2	Gasoline	228.32	184.00	44.32 Long
District 2	Diesel	1,092.81	1,053.00	39.81 Long
District 2 Satellite Tanks	Diesel	91.98	No fuel log	91.98 Long

**BRYAN COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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Office	Type of Fuel	Actual Fuel on Hand	Fuel Log	Variance
District 3	Gasoline	784.00	788.50	4.50 Short
District 3	Diesel	1,136.00	1,096.60	39.40 Long

\* Note: Fuel recorded in gallons.

**Cause of Condition:** Procedures have not been implemented for the accurate reporting of consumable inventories.

**Effect of Condition:** These conditions could result in inaccurate records, unauthorized use of consumable inventories, or loss of consumable inventories.

**Recommendation:** OSAI recommends management implement internal controls to ensure compliance with 19 O.S. § 1504A. These controls would include:

- Performing and documenting a periodic physical count of inventory.
- Separating the key functions of receiving, maintaining, and verifying consumable inventories.
- Maintaining a fuel log with all pertinent information and with a current balance.
- Reconciling fuel log periodically to fuel on hand and explain any variance or adjustments.

**Management Response:**

**County Commissioner District 1:** I will retain consumable inventory reports on a quarterly time frame and document the reports. The reports will be documented by the District 1 secretary, and inventory will be conducted by the Commissioner and secretary from District 1. Fuel tanks will be measured weekly and compared to the balance recorded on the fuel log. If a variance is found, minor corrections will be made to reconcile the fuel logs and any major variance will be immediately investigated to determine the cause of the variance.

**County Commissioner District 2:** The secretary will be the one to log the fuel; the drivers will no longer personally write on the fuel logs. We will start keeping logs on the satellite tanks. We will also begin sticking the tanks and reconciling the logs.

**County Commissioner District 3:** We will try to keep more accurate records as we log daily fuel use, calculate the fuel use, and measure the tanks. We will reconcile periodically and we will note the date and amount of adjustments made.

**Criteria:** Effective internal controls include designing and implementing procedures to ensure that all supplies, materials, and equipment received, disbursed, stored and consumed by their department comply with 19 O.S. § 1504A.



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