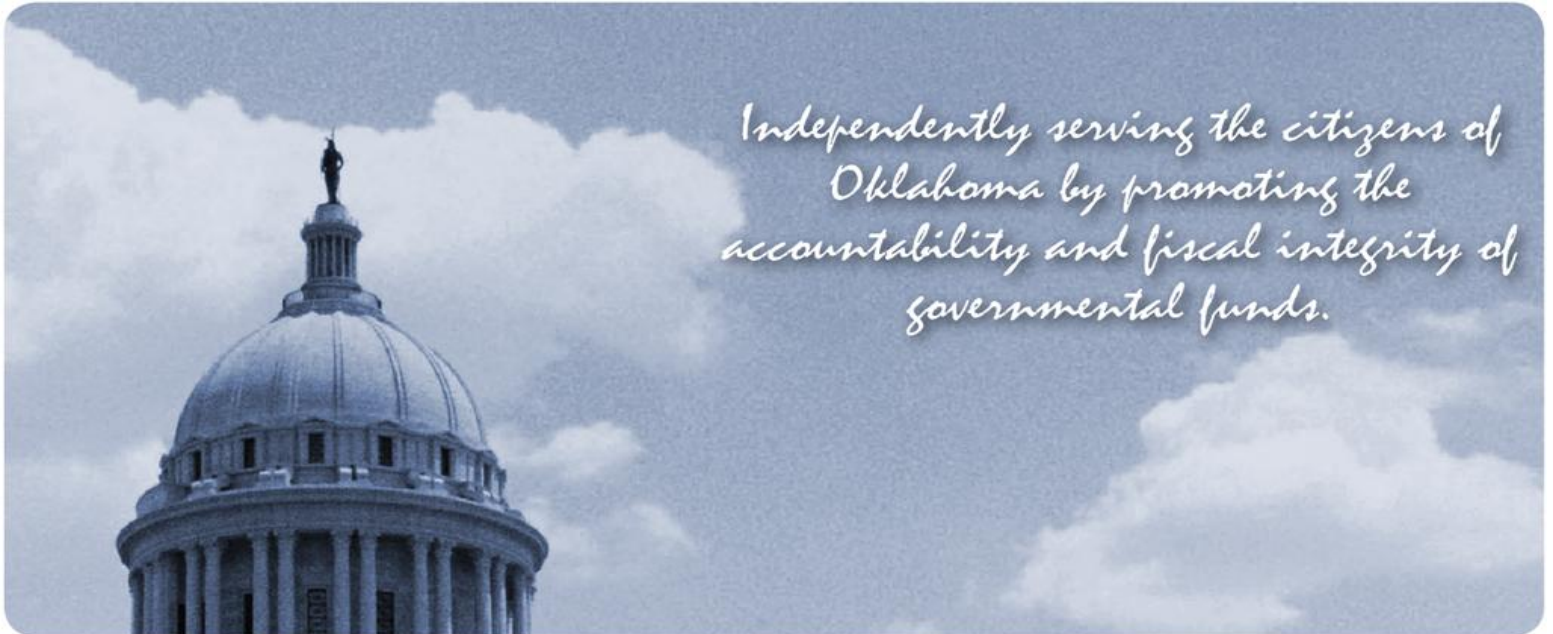


FINANCIAL AUDIT

# CANADIAN COUNTY

For the fiscal year ended June 30, 2014



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



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

**CANADIAN COUNTY, OKLAHOMA  
FINANCIAL STATEMENT  
AND INDEPENDENT AUDITOR'S REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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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

January 7, 2016

TO THE CITIZENS OF  
CANADIAN COUNTY, OKLAHOMA

Transmitted herewith is the audit of Canadian County, Oklahoma for the fiscal year ended June 30, 2014. The audit was conducted in accordance with 19 O.S. § 171.

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

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

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

Sincerely,

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

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

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

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

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INTERNAL CONTROL AND COMPLIANCE SECTION

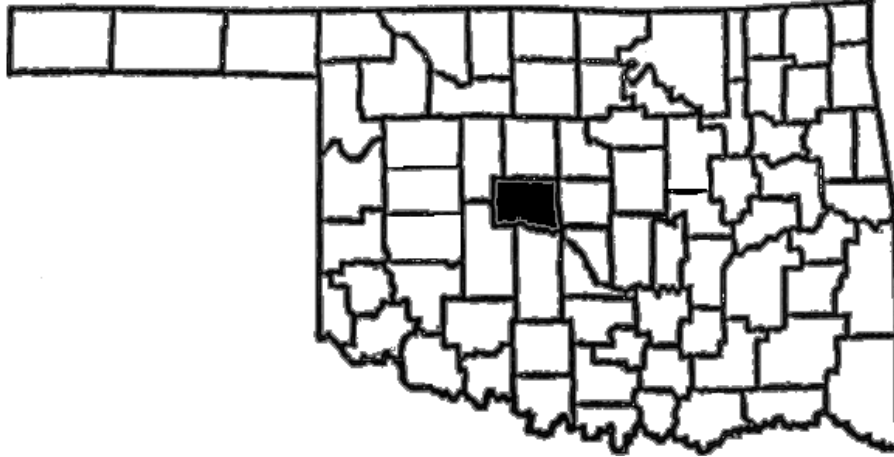
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PRESENTED FOR INFORMATIONAL PURPOSES ONLY**

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

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This county was once part of the Cheyenne and Arapaho reservation, administered by the Darlington Agency. It was opened by the Run of '89 and the Run of '92, but the southwest corner of the county, part of the Caddo Reservation, was opened by lottery in 1901.

Fort Reno, established in 1874 to maintain order on the reservation, later served as a cavalry remount station. During World War II, it served as a prisoner-of-war camp.

The economy of Canadian County is based largely on agriculture, and Yukon served for a number of years as a major regional milling center.

The county seat, El Reno, was an early railroad center, and headquarters of the southern district of the Rock Island Railroad until its demise in 1981. Railroad service is still provided by the Oklahoma, Kansas, and Texas line.

Annual events include '89er Days in April, Fort Reno and Indian Territory Days in Fort Reno, Chisholm Trail Festival (Yukon) in June, and Czech Festival (Yukon) in October. Historical information is available in the History of Canadian County and Family Histories of Canadian County. Both books are available for purchase. For more county information, call the county clerk's office at 405/262-1070, or visit [www.canadiancounty.org](http://www.canadiancounty.org) on the web.

County Seat – El Reno

Area – 905.17 Square Miles

County Population – 122,560  
(2012 est.)

Farms – 1,447

Land in Farms – 508,771 Acres

Primary Source: Oklahoma Almanac 2013-2014

**Board of County Commissioners**

District 1 – Phil Carson  
District 2 – David Anderson  
District 3 – Jack Stewart

**County Assessor**

Matt Wehmuller

**County Clerk**

Shelley Dickerson

**County Sheriff**

Randall Edwards

**County Treasurer**

Carolyn Leck

**Court Clerk**

Marie Ramsey-Hirst

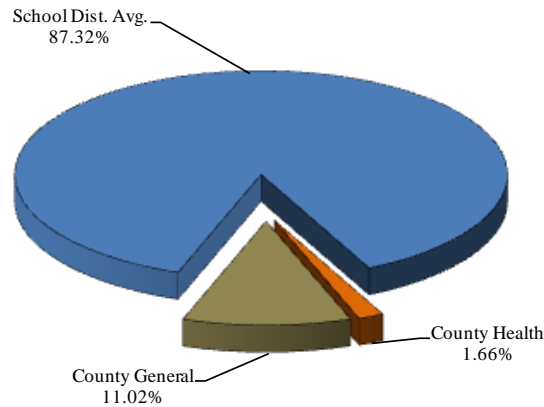
**District Attorney**

Mike Fields



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

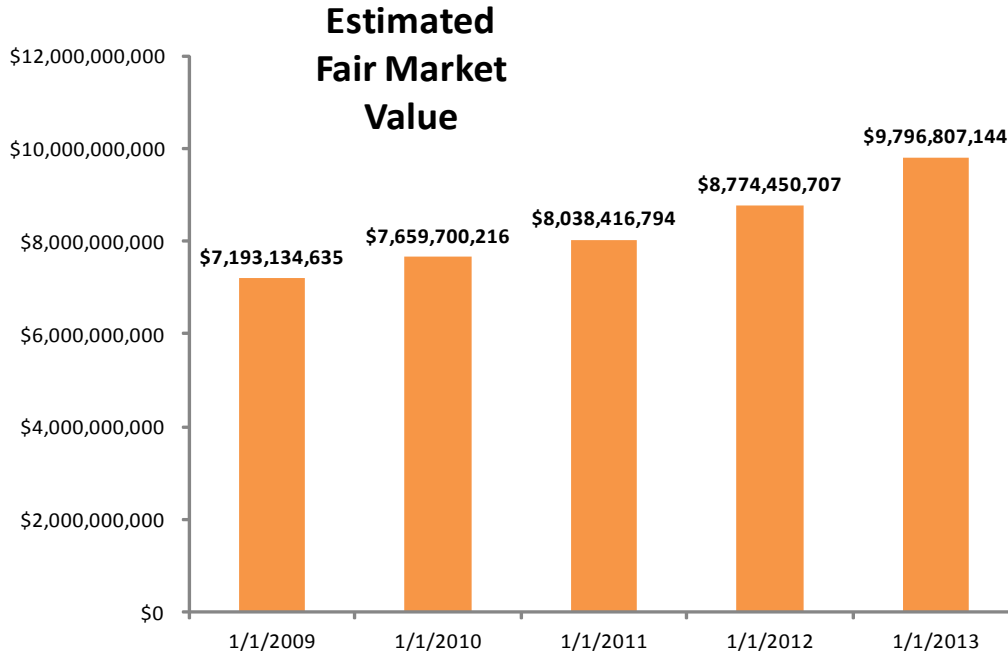
Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of a property is \$1,000.00 and the millage rate is 1.00, then the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



County-Wide Millages		School District Millages										
		Gen.	Bldg.	Skg.	Career Tech	Career Tech Bldg	Common	EMS	Rural Fire Department	City Sinking	Total	
County General	10.39											
County Health	1.56											
	Minco	38.46	5.49	18.64	10.40	5.20	4.16	-	-	-	82.35	
	Deer Creek	35.38	5.05	33.68	10.11	5.05	4.16	-	-	-	93.43	
	Lookeba-Sicikles	42.96	6.14	13.99	10.43	1.04	4.16	3.08	-	-	81.80	
	Piedmont	36.75	5.25	32.08	10.40	5.20	4.16	-	7.00	15.99	116.83	
	Yukon	36.53	5.22	29.04	10.40	5.20	4.16	-	7.00	6.45	104.00	
	Yukon/City	36.53	5.22	29.04	10.40	5.20	4.16	-	-	15.99	106.54	
	Riverside	36.01	5.14	-	10.40	5.20	4.16	-	7.00	6.45	74.36	
	Banner	36.12	5.16	-	10.40	5.20	4.16	-	-	6.45	67.49	
	El Reno	36.01	5.14	30.34	10.40	5.20	4.16	-	-	-	91.25	
	Union City	36.17	5.17	14.77	10.40	5.20	4.16	-	-	15.99	91.86	
	Mustang	36.31	5.19	24.80	10.40	5.20	4.16	-	-	2.72	88.78	
	Darlington	36.65	5.24	-	10.40	5.20	4.16	-	-	-	61.65	
	Calumet	36.37	5.20	9.97	10.40	5.20	4.16	-	-	-	71.30	
	Geary	36.24	5.18	6.39	-	-	4.16	3.11	-	-	55.08	
	Cashion	37.03	5.29	16.67	5.00	2.50	4.16	3.00	-	-	73.65	
	Okarche	36.19	5.17	18.97	-	-	4.16	-	-	-	64.49	
	Hinton	36.41	5.20	25.16	10.43	1.04	4.16	3.08	-	-	85.48	
	Maple	36.98	5.28	8.90	10.40	5.20	4.16	-	-	-	70.92	

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

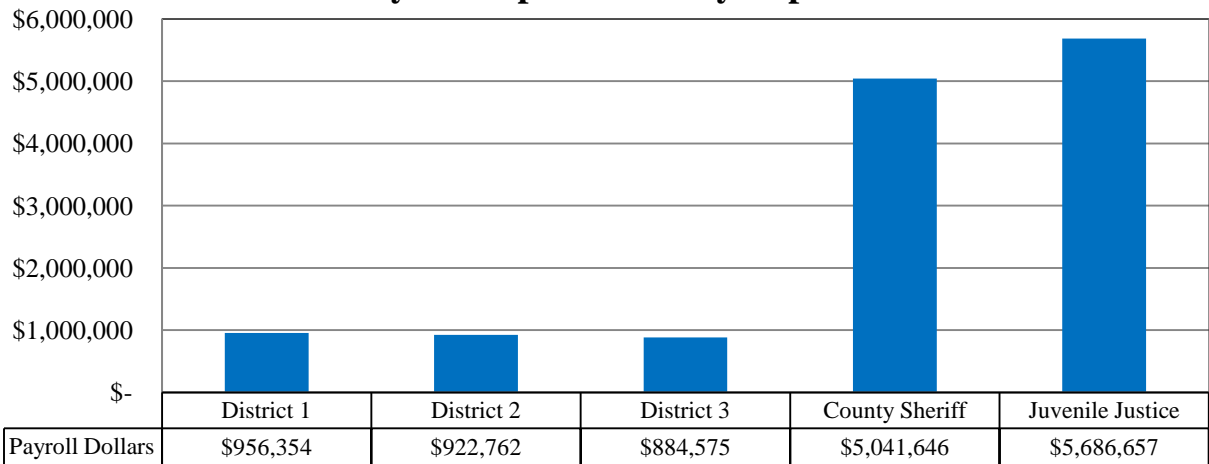
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2013	\$256,496,944	\$56,209,124	\$794,092,745	\$34,354,592	\$1,072,444,221	\$9,796,807,144
1/1/2012	\$194,816,780	\$57,160,660	\$742,855,631	\$33,066,441	\$961,766,630	\$8,774,450,707
1/1/2011	\$148,872,540	\$55,561,049	\$708,606,194	\$32,149,135	\$880,890,648	\$8,038,416,794
1/1/2010	\$138,593,249	\$52,345,091	\$678,774,825	\$31,328,095	\$838,385,070	\$7,659,700,216
1/1/2009	\$136,159,471	\$48,958,391	\$631,516,748	\$25,866,127	\$790,768,483	\$7,193,134,635



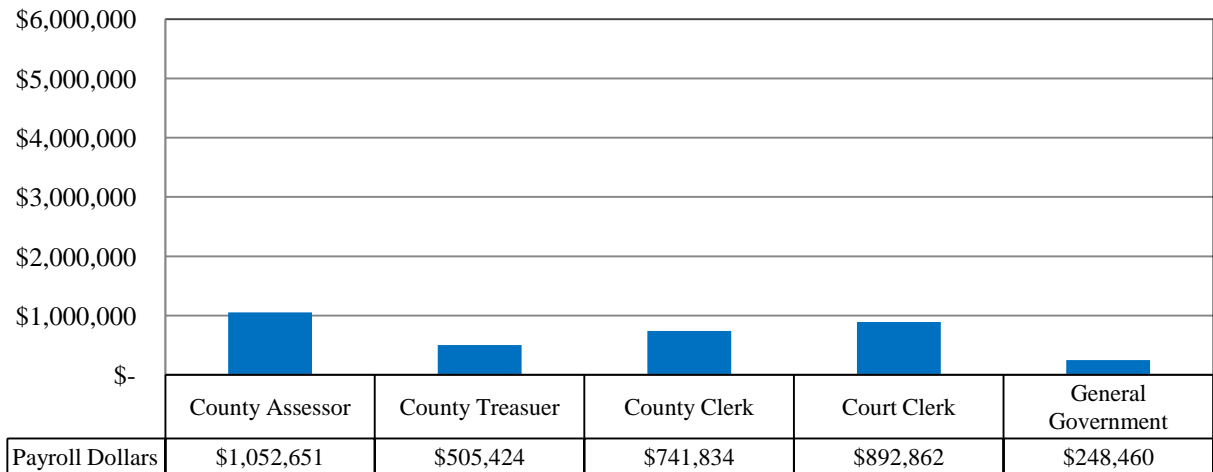
**CANADIAN COUNTY, OKLAHOMA  
COUNTY PAYROLL EXPENDITURES ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

County officers' salaries are based upon the assessed valuation and population of the counties. State statutes provide guidelines for establishing elected officers' salaries. The Board of County Commissioners sets the salaries for all elected county officials within the limits set by the statutes. The designated deputy or assistant's salary cannot exceed the principal officer's salary. Salaries for other deputies or assistants cannot exceed the principal officer's salary. The information presented below is for the fiscal year ended June 30, 2014.

**Payroll Expenditures by Department**



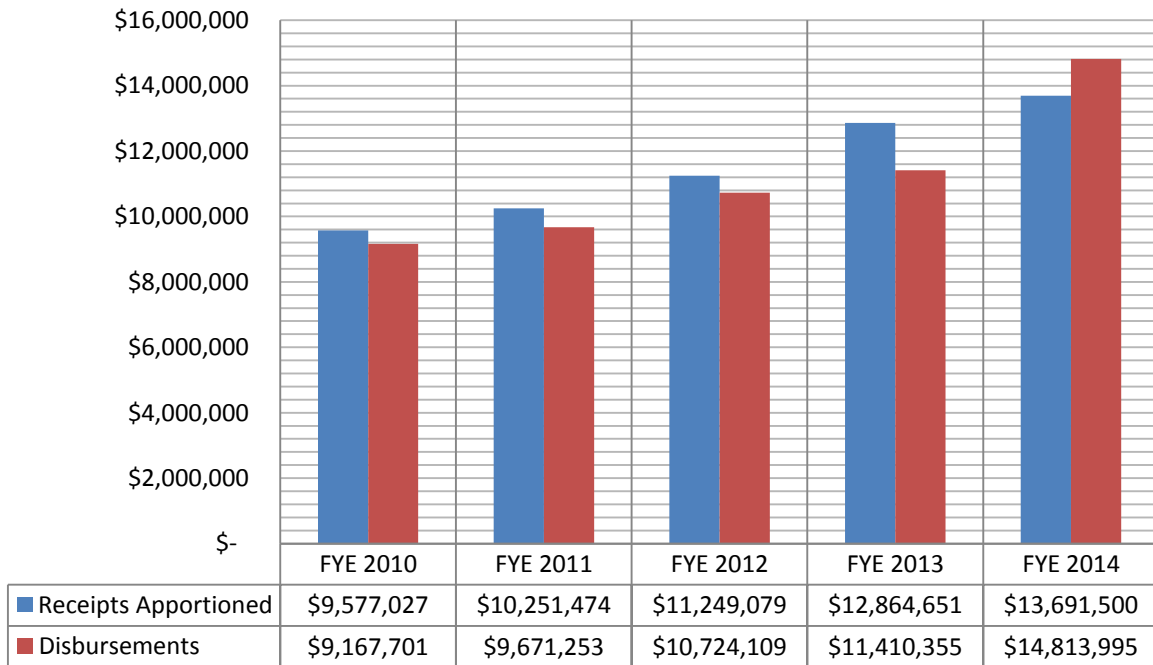
**Payroll Expenditures by Department**



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

## County General Fund

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

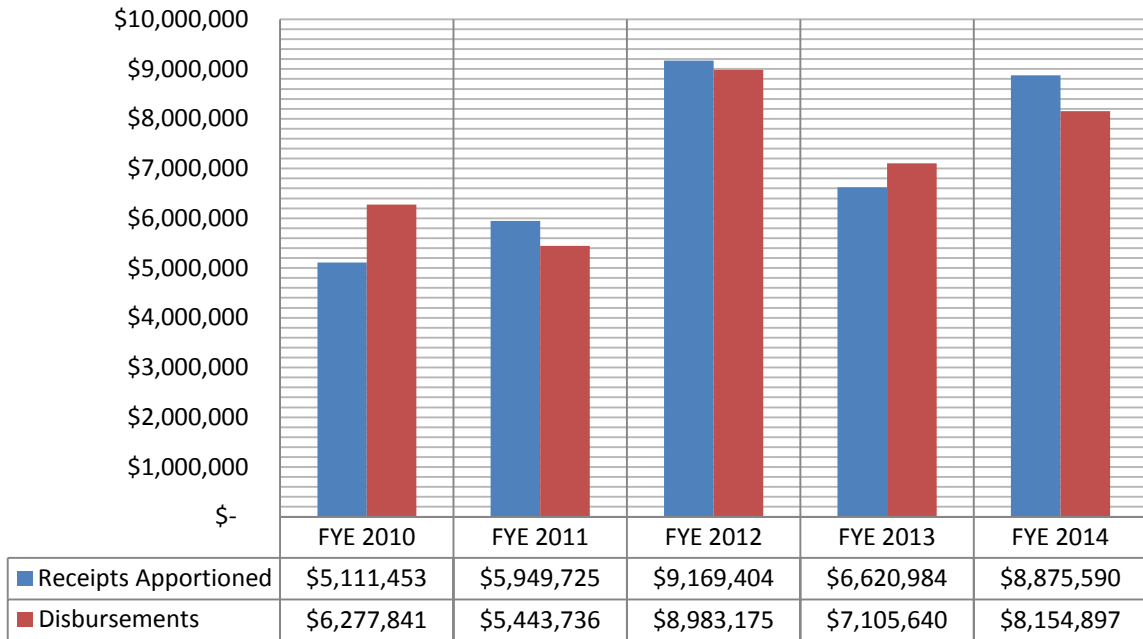


**CANADIAN COUNTY, OKLAHOMA  
COUNTY HIGHWAY FUND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

---

## County Highway Fund

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



## **FINANCIAL SECTION**



# Oklahoma State Auditor & Inspector

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

## **Independent Auditor's Report**

TO THE OFFICERS OF  
CANADIAN COUNTY, OKLAHOMA

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

We have audited the combined total—all county funds on the accompanying regulatory basis Statement of Receipts, Disbursements, and Changes in Cash Balances of Canadian County, Oklahoma, as of and for the year ended June 30, 2014, listed in the table of contents as the financial statement.

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

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

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

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

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

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

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

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

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

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Canadian County as of June 30, 2014, or changes in its financial position for the year then ended.

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

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined total of receipts, disbursements, and changes in cash balances for all county funds of Canadian County, for the year ended June 30, 2014, on the basis of accounting described in Note 1.

***Other Matters***

***Other Information***

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 7, 2016, on our consideration of Canadian County’s internal control over financial reporting and on our tests



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

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

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

January 7, 2016

**REGULATORY BASIS FINANCIAL STATEMENT**

**CANADIAN COUNTY, OKLAHOMA  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH BALANCES—REGULATORY BASIS  
(WITH COMBINING INFORMATION)—MAJOR FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	Beginning Cash Balances July 1, 2013	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2014
Combining Information:						
Major Funds:						
County General Fund	\$ 5,926,227	\$ 13,691,500	\$ 87,649	\$ -	\$ 14,813,995	\$ 4,891,381
Juvenile Justice Detention Facility	2,178,418	11,786,710	-	2,196,971	8,189,580	3,578,577
County Highway Cash	3,410,102	8,875,590	451,007	-	8,154,897	4,581,802
County Health Department	2,154,741	1,841,329	-	-	1,880,530	2,115,540
Sheriff Service Fee	742,977	1,611,387	-	-	1,612,989	741,375
JD Reserves	-	1,034,817	-	-	-	1,034,817
Resale Property	859,204	431,200	45,615	262,948	209,212	863,859
CBRI 105	808,888	404,308	-	451,007	-	762,189
County Sales Tax MMA	-	12,231	2,196,971	-	-	2,209,202
County Sales Tax	28,224	-	-	-	28,224	-
Remaining Aggregate Funds	820,818	621,141	-	-	513,073	928,886
<b>Combined Total - All County Funds</b>	<b>\$ 16,929,599</b>	<b>\$ 40,310,213</b>	<b>\$ 2,781,242</b>	<b>\$ 2,910,926</b>	<b>\$ 35,402,500</b>	<b>\$ 21,707,628</b>

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

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

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**1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

Canadian 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.

Juvenile Justice Detention Facility – accounts for the receipt and disbursement of funds for the purpose of construction and operations of the Canadian County Juvenile Justice Detention Facility.

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

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

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

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

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JD Reserves – accounts for the current collection of sales tax dollars received beyond the amount budgeted.

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

CBRI 105 – The County Bridge and Road Improvement (CBRI) fund accounts for state receipts and disbursements for the purpose of improving county roads and bridges.

County Sales Tax MMA – accounts for the sales tax revenue held in reserve for future use.

County Sales Tax – accounts for the supplemental payment of sales tax revenue and the disbursement of funds as restricted by the sales tax resolution.

**C. Basis of Accounting**

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

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

**D. Budget**

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

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

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**E. Cash and Investments**

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

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

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

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

**2. Ad Valorem Tax**

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

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

**3. Other 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

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

---

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.

The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in management's opinion, the resolution of these matters will not have a material adverse effect on the financial condition of the County.

**D. Sales Tax**

On August 27, 1996, a 0.35% sales tax was passed by voters to extend for an unlimited period to provide revenues for financing, construction and equipment, and operations of a Juvenile Delinquent Detention Facility and Juvenile Justice Facility in Canadian County. For the fiscal year ended June 30, 2014, the County apportioned \$6,675,701 total with \$5,640,884 apportioned to the Juvenile Justice Detention Facility fund and \$1,034,817 apportioned to the JD Reserves fund.

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

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**E. Operating Transfers**

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

- \$262,948 was transferred from the Resale Property fund to distribute surplus funds to the County General Fund \$87,649, Schools \$87,650, and Cities and Towns \$87,649, per Title 68 O.S. § 3137. Schools and Cities and Towns are trust and agency funds; therefore, they are not accounted for on the County's financial statement.
- \$451,007 was transferred to the County Highway Cash fund from the CBRI 105 for projects completed.
- \$2,196,971 was transferred to the County Sales Tax MMA from the Juvenile Justice Detention Facility fund for investment purposes.
- \$45,615 was transferred to the Resale Property fund from the Excess Resale per Title 68 O.S. § 3131. Excess Resale is a trust and agency fund; therefore, it is not accounted for on the County's financial statement.



**OTHER SUPPLEMENTARY INFORMATION**

**CANADIAN COUNTY, OKLAHOMA**  
**COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND**  
**CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—**  
**GENERAL FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 5,926,227	\$ 5,926,227	\$ -
Less: Prior Year Outstanding Warrants	(36,769)	(36,769)	-
Less: Prior Year Encumbrances	(784,229)	(720,188)	64,041
Beginning Cash Balances, Budgetary Basis	<u>5,105,229</u>	<u>5,169,270</u>	<u>64,041</u>
Receipts:			
Ad Valorem Taxes	10,129,723	10,285,523	155,800
Charges for Services	796,896	961,375	164,479
Intergovernmental Revenues	639,777	1,760,660	1,120,883
Miscellaneous Revenues	441,047	683,942	242,895
Total Receipts, Budgetary Basis	<u>12,007,443</u>	<u>13,691,500</u>	<u>1,684,057</u>
Expenditures:			
District Attorney - State	23,350	14,695	8,655
District Attorney - County	3,690	2,363	1,327
County Sheriff	5,767,119	5,729,710	37,409
County Treasurer	469,901	455,983	13,918
County Commissioners	475,540	459,347	16,193
OSU Extension	308,908	282,731	26,177
County Clerk	962,221	920,090	42,131
Court Clerk	1,008,797	981,129	27,668
County Assessor	859,947	769,756	90,191
Revaluation of Real Property	750,716	701,360	49,356
General Government	5,014,451	3,520,771	1,493,680
Excise-Equalization Board	12,250	10,320	1,930
County Election Board	391,099	295,780	95,319
Charity	2,000	1,225	775
Solid Waste	110,444	101,167	9,277
Highway Budget Account	384,326	384,217	109
County Audit Budget Account	351,176	97,054	254,122
Free Fair Budget Account	201,518	196,900	4,618
Library Budget Account	15,219	13,035	2,184
Total Expenditures, Budgetary Basis	<u>17,112,672</u>	<u>14,937,633</u>	<u>2,175,039</u>

continued on next page

**CANADIAN COUNTY, OKLAHOMA  
 COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND  
 CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—  
 GENERAL FUND - CONTINUED  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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	General Fund		
	Budget	Actual	Variance
continued from previous page			
Excess of Receipts and Beginning Cash			
Balances Over Expenditures, Budgetary Basis	\$ -	3,923,137	\$ 3,923,137
Operating Transfer:			
Transfer In		87,649	
Transfer Out		-	
Net Transfer		87,649	
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Cancelled Warrants		25	
Add: Current Year Outstanding Warrants		90,504	
Add: Current Year Encumbrances		790,066	
Ending Cash Balance		\$ 4,891,381	

**CANADIAN COUNTY, OKLAHOMA  
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND  
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—  
COUNTY HEALTH DEPARTMENT FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 2,154,741	\$ 2,154,741	\$ -
Less: Prior Year Outstanding Warrants	(14,950)	(14,950)	-
Less: Prior Year Encumbrances	(760,838)	(639,427)	121,411
Beginning Cash Balances, Budgetary Basis	1,378,953	1,500,364	121,411
Receipts:			
Ad Valorem Taxes	1,520,921	1,557,473	36,552
Charges of Services	-	94,012	94,012
Intergovernmental Revenues	-	187,685	187,685
Miscellaneous Revenues	266,379	2,159	(264,220)
Total Receipts, Budgetary Basis	1,787,300	1,841,329	54,029
Expenditures:			
Health and Welfare	3,166,253	1,261,231	1,905,022
Total Expenditures, Budgetary Basis	3,166,253	1,261,231	1,905,022
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	2,080,462	\$ 2,080,462
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		18,351	
Add: Current Year Outstanding Warrants		16,727	
Ending Cash Balance		\$ 2,115,540	

**CANADIAN COUNTY, OKLAHOMA  
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH BALANCES—REGULATORY BASIS—  
REMAINING AGGREGATE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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	Beginning Cash Balances July 1, 2013	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2014
<b>Remaining Aggregate Funds:</b>				
Assessor Visual Inspection Investment	\$ 83,836	\$ 148	\$ -	\$ 83,984
Assessor Revolving	67,973	6,416	2,868	71,521
Sheriff Commissary	26,117	31,444	-	57,561
Sheriff Prisoner Care	153,316	242,303	250,602	145,017
Sheriff Benefit	18,713	3,500	-	22,213
Sheriff Training	3,399	-	550	2,849
Sheriff Federal Equitable	33,277	31,725	-	65,002
Sheriff Reward Fund/Trash Cop	951	54	87	918
Grant Cash Voucher Fund	10,699	-	963	9,736
Treasurer Mortgage Tax Certification Fee	90,297	34,697	45,550	79,444
County Clerk Lien Fee	73,633	72,591	62,640	83,584
County Clerk Records Preservation Fee	105,040	163,464	123,596	144,908
Emergency Management	28,494	27,749	18,245	37,998
Flood Plain	40,993	7,050	7,972	40,071
County Bridge Improvement	84,080	-	-	84,080
<b>Combined Total - Remaining Aggregate Funds</b>	<b>\$ 820,818</b>	<b>\$ 621,141</b>	<b>\$ 513,073</b>	<b>\$ 928,886</b>

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

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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:

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

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

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

Sheriff Prisoner Care – accounts for state receipts and disbursements are for the purpose of housing and feeding Department of Correction inmates.

Sheriff Benefit – accounts for donations to be used for any lawful expenditures of the office.

Sheriff Training – accounts for the collection of forfeitures and disbursed for training and equipment.

Sheriff Federal Equitable – accounts for monies received from federal grants and disbursed for law enforcement purposes.

Sheriff Reward Fund/Trash Cop – accounts for federal funds collected and disbursed for the purpose of trash patrol.

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

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Grant Cash Voucher Fund – accounts for monies received from state or federal grants to be expended as outlined by grant agreements.

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

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

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

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

Flood Plain – accounts for the collection of monies from flood plain permits. Disbursements are for computer software in relation to flood mapping.

County Bridge Improvement – accounts for state, local, and miscellaneous receipts and disbursements for the purpose of constructing and maintaining county bridges.

**INTERNAL CONTROL AND COMPLIANCE SECTION**





# Oklahoma State Auditor & Inspector

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

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

TO THE OFFICERS OF  
CANADIAN COUNTY, OKLAHOMA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined total—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Canadian County, Oklahoma, as of and for the year ended June 30, 2014, which comprises Canadian County's financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated January 7, 2016.

Our report included an adverse opinion on the financial statement because the statement is prepared using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. However, our report also included our opinion that the financial statement does present fairly, in all material respects, the receipts, disbursements, and changes in cash balances – regulatory basis of the County for the year ended June 30, 2014, on the basis of accounting prescribed by Oklahoma state law, described in Note 1.

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

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

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

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

consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses: 2014-1 and 2014-5.

A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies: 2014-2 and 2014-6.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Canadian County's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2014-6.

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

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

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

### **Purpose of this Report**

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

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



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

January 7, 2016

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

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

**Finding 2014-1 – Inadequate County-Wide Internal Controls (Repeat Finding)**

**Condition:** The County has not addressed all of the components of an Internal Control Framework which consists of the control environment, risk assessment, control activities, information and communication, and monitoring.

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

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

**Recommendation:** The Oklahoma State Auditor & Inspector's Office (OSAI) recommends that the County design procedures to document their Internal Control Framework. This documentation should outline the importance of internal controls, the risk that the County has identified, the control activities established to address the risk, the steps to take to properly communicate pertinent information in a timely manner, and the methodology to monitor the quality of performance over time.

**Management Response:**

**District 1 Commissioner:** I recommend, upon reviewing the Standards for Internal Control, to put into writing all or parts of the document to clarify our procedures of identifying and addressing risks. This will also be a tool to state how we as a county, will monitor procedures to assess the quality of our performance over time. Upon reviewing the above mentioned resource, I recommend seeking a collaboration of our officers to prepare and define our internal controls. Once it's prepared, it will be voted on and approved through the BOCC before put into written policy.

**District 2 Commissioner:** As a result of the fiscal year 2011 and fiscal year 2012 audit, the officers of Canadian County began to develop their independent Disaster Recovery Plans. This was the first step toward compliance with our responsibility related to the internal control weakness of our offices. Further steps including a written policy of policies and procedures identifying how each officer will address the areas of internal control are being implemented. This written policy will be a guide to facilitate a smooth transition when new officers are elected. Many of the safeguards that will be contained in this policy are currently being conducted but are not documented; therefore, documentation will be a part of our county policy.

**District 3 Commissioner:** I will become familiar with the GAO's Standards for Internal Control in the Federal Government (The Green Book) and I will also recommend our Chief of Staff take the lead in seeing that it is implemented and communicated to others.

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

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**County Clerk:** The County Clerk must defer to the Board of County Commissioners the responsibility for assessing, designing and documenting a county-wide internal control system. However, the County Clerk will conduct an assessment of the functions and operations of the County Clerk's office to design internal controls and procedures. The internal controls and procedures will be documented in a written internal controls manual. The assessment, design and documentation of an internal control framework for the County Clerk's office will be completed by June 30, 2016.

**County Treasurer:** I am willing to participate in any meetings the commissioners call concerning this issue.

**County Assessor:** Canadian County Assessor's Office continues to address control issues as they relate to our office by becoming familiar with GAO standards. At this time, the specific areas of disaster recovery and physical environment safeguards have been addressed.

Lastly, the Assessor's office looks forward to participating in any meetings regarding this matter scheduled by County Commissioners to address these findings.

**County Sheriff:** We will work with other County Officers to develop County-Wide Controls.

**Court Clerk:** I currently have a Disaster Recovery Plan in place and we can and will expand on it to include other risks. I have manuals in place throughout the office for any person that needs to step into a position and complete the task at hand. If the commissioners will proceed to have meetings, I will continue to participate in meetings with the other officers of the County regarding County-Wide Controls.

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

**Finding 2014-2 – Inadequate Internal Controls Over the Collection Process (Repeat Finding)**

**Condition:** The following weaknesses were noted regarding the collection process in the County Treasurer's office:

- The duties of issuing receipts, voiding receipts, accepting cash, reconciling the cash drawer, and preparing the deposit were not adequately segregated within the County Treasurer's office which is the office primarily responsible for safeguarding collections.
- Voiding receipts can be performed by any cashier and there are no policies for the review and approval of voided receipts within the County Treasurer's office.

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

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**Cause of Condition:** Policies and procedures have not been designed and implemented with regard to adequate internal controls over all aspects of the collection process.

**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 misappropriations of funds not being detected in a timely manner.

**Recommendation:** OSAI recommends management be aware of these conditions and realize that a concentration of duties and responsibility in a limited number of individuals is not desired from a control point of view. The most effective procedures lie in managements oversight of office operations and a periodic review of operations. OSAI recommends management provide segregation of duties so that one employee is unable to perform all accounting functions. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating procedures to mitigate the risks involved with a concentration of duties. Compensating procedures would include separating key processes and/or critical functions of the office, and having management review and approval of accounting functions. Additionally, independent reviews of the voided receipts should be performed.

**Management Response:**

**County Treasurer:** Procedures have been implemented to mitigate the risk associated with the lack of segregation of duties. Voiding receipts now requires approval of a supervisor through the software.

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

**Finding 2014-5 – Inadequate Internal Controls Over the Disbursement Process (Repeat Finding)**

**Condition:** We noted the following weakness regarding the disbursement process:

- Unauthorized County personnel are allowed to make purchases.
- The duties of processing payroll are not adequately segregated. There were two (2) employees performing the duties of the Payroll Clerk. The Payroll Clerks enroll new hires, make payroll changes, maintain personnel files, and prepare end of month payroll reports. The payroll process is divided into two batches. One batch is for the Unrestricted Highway and Canadian County Children's Justice Center payrolls. The second batch is for all County General Fund and other Cash Fund payrolls. Each payroll clerk is responsible for one batch. The batches are rotated each year between the two clerks. The Payroll Clerks are also responsible for logging onto the financial institution website and initiating the direct deposits.

**Cause of Condition:** Policies and procedures with regard to segregation of duties over the purchasing and payroll processes have not been designed and implemented that allows the county to operate in an effective and efficient manner.

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

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

**Recommendation:** OSAI recommends that only authorized personnel be able to make purchases. OSAI recommends the following key accounting functions of the payroll process be adequately segregated:

- Posting new hires and/or making payroll changes to the payroll system,
- Maintaining personnel files,
- Performing direct deposits, and
- Preparing end of month payroll reports.

**Management Response:**

**County Clerk:** The County Clerk was informed by the State Auditor's office that some receiving agents were ordering goods and services and then documenting the receipt of those goods and services. It is understood by the County Clerk that if the county Purchasing Agent does not directly order the goods and services for any office or department, then the requisitioning officer should order the goods and services. The County Clerk has sent a memo to the offices and departments (Memo 15-02) to advise them of the proper procedure for ordering goods and services. Also, the County Clerk and County Purchasing Agent will continue to review the current ordering process and make changes as needed to comply with the purchasing laws.

The payroll process will be reviewed to ensure a proper segregation of duties. The payroll software provider will be requested to create a report that will show all payroll changes that have occurred in the payroll system (i.e., salaries and deductions). The payroll clerks will be required to verify any payroll changes made by the other clerk. The County Clerk will review the payroll records of the payroll clerks.

**Criteria:** Accountability and stewardship are overall goals of management in the accounting of funds. Internal controls should be designed to analyze and check accuracy, completeness, and authorization of disbursements and/or transactions. To help ensure a proper accounting of funds, the duties of processing, authorization, and distribution should be segregated.

**Finding 2014-6 – Inadequate Internal Controls and Noncompliance Over Discrete Presentation of Sales Tax Activity (Repeat Finding)**

**Condition:** Upon inquiry and observation of the recordkeeping process of collecting and expending sales tax, the following was noted:

- The County sales tax was not deposited into dedicated Sales Tax Revolving Fund or into the County General Fund.
- We were unable to determine if the sales tax money was expended for the purposes specified by the ballot because the sales tax collections were co-mingled with other sources of revenue.

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

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**Cause of Condition:** Policies and procedures with regard to accounting for sales tax collections and disbursements have not been designed and implemented.

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

**Recommendation:** OSAI recommends the County establish procedures that would allow for the sales tax balances and activity to be distinguished from other revenue sources activity within the County General Fund or account for sales tax activity in the Sales Tax Revolving Fund.

**Management Response:**

**District 1:** This finding has been corrected. Canadian County is now in compliance by clearly distinguishing the sales tax balances and activity from other revenue sources.

**District 2:** The practice of depositing the County sales tax in the Public Facilities Authority bank account began when the sales tax was authorized in 1997. As a result of the Oklahoma State Auditor and Inspectors audit for fiscal years 2011 and 2012, this discrepancy was detected and corrected in the fall of 2014. Since then, all sales tax revenue has been deposited in a revolving cash fund with the Treasurer of the County.

**District 3:** This condition has been corrected as per policy established September 8, 2014.

**County Clerk:** On September 8, 2014 the Children's Justice Center and the Board of County Commissioners approved a policy to establish separate Sales Tax and Contract Revenue cash funds. (CMF 14-479). This policy also provided for a transfer of balances to the new cash funds and a procedure for the receipt, disbursement and reimbursement of the sales tax funds.

**County Treasurer:** This issue has been resolved as outlined in the policy established September 8, 2014.

**Gary E. Miller Children's Justice Center:** Since the previous audit of our sales tax activity, we have established a dedicated Sales Tax Revolving Fund. All funds from county sales tax are deposited into this account. All other funding is deposited in contract accounts.

This was completed with the help of the State Auditor's office and in cooperation with the County Clerk and District 2 Commissioner. This took an extended period of time. We finally had to get permission from the State Auditor to estimate the percentages of sales tax and contract labor due to the many variables in the division of labor. We appreciate the help of the State Auditor in this process.

**Criteria:** Title 68 O.S. § 1370E requires the sales tax collections be deposited in the general revenue or sales tax revolving fund of the County and be used only for the purpose for which such sales tax was designated.

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

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Further, AG opinion 2005 OK AG 23 dated 07/13/2005 states:

3. Proceeds of a county sales tax voted for a specific purpose but placed in the county's general fund must be accounted for as a discrete fund, and any surplus not needed for the stated purpose during one fiscal year must be transferred to the county budget for the next fiscal year, for the same specified purpose."

AG opinion 2014 OK AG 15 dated 10/31/2014 states:

4. C. As the fiscal agent responsible for superintending the funds of Canadian County, the board of county commissioners is responsible to ensure that the sales tax proceeds are not intermingled and are used exclusively for the purpose expressed in the ballot measure and resolution. The board can direct that the funds be deposited in a dedicated revolving fund and not intermingled with other revenues. Okla. Const. art. X, § 19; 68 O.S. 2011, § 1370; 19 O.S. Supp. 2013, § 339; 19 O.S. 2011, § 345; *Cavin v. Bd. of County Comm'rs*, 1934 OK 245 ¶ 11, 33 P.2d 477, 479.

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

**Finding 2014-7 – Inadequate Segregation of Duties and Noncompliance Over Court Clerk Receipts and Expenditures (Repeat Finding)**

**Condition:** Upon inquiry of the Court Clerk employees, and observation and test of records, we noted the following weaknesses with regard to internal controls related to the receipting process of the Court Clerk and the expenditure process over the Court Clerk Revolving Fund claims and Court Fund claims:

Receipting Process:

- All employees operate from the same cash drawer.

Expenditure Process:

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

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



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

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**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, undetected errors, or misappropriation of funds not being detected in a timely manner.

**Recommendation:** OSAI recommends that the Court Clerk design and implement procedures to ensure a proper segregation of duties over the receipting and expenditures processes and establish a system of controls to adequately protect the collections of the Court Clerk's office.

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

- Separate cash drawers should be utilized.

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

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

**Management Response:**

**Court Clerk:** We believe that we have mitigating controls over the one cash drawer that allow us to pinpoint any errors that may occur, as to who made the error, and when it occurred.

Control activities over the voiding process have been strengthened since this audit period by limiting the number of employees who have permission to void receipts. Also, each void requires a form to be completed by the person needing it voided and then signed off on by two supervisors to complete the void. This form is then handed to another person to perform the void.

Since this audit period, I have increased the segregation of duties in the Court Fund and Court Clerk Revolving Fund processes.

**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 2014-8 – Inadequate Internal Controls and Noncompliance Over Inmate Trust Fund Checking Account (Repeat Finding)**

**Condition:** Upon inquiry of County officials and employees in the Sheriff's office, and observation of records in regard to the Inmate Trust Fund Checking Account the following weaknesses were noted:

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- Subsequent to the end of the fiscal year, the County Sheriff elected to make a change to a different Commissary vendor. When this change was made, the County Sheriff lost the ability to access the software of the former vendor. The County Sheriff's office did not print the monthly account balances. Therefore, we were unable to reconcile inmate account balances to the Inmate Trust Fund Checking Account bank balance.
- All jailers can issue and void receipts upon booking-in of new inmates with little or no oversight.
- All jailers can print checks, sign checks, and void checks with little or no oversight.

The test of forty-nine (49) Inmate Trust Fund Checking Account disbursements reflected the following weaknesses:

- One (1) check totaling \$180.03 had one signature, although the Sheriff's policy requires two signatures.
- One (1) check totaling \$50.00 was for a purpose not authorized by state statute.

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure that controls are in place with regards to Inmate Trust Fund Checking Account financial operations. The County Sheriff's office changed commissary providers and does not have access to the software for the previous provider.

**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 Checking Account, there is an increased risk of misappropriation of funds.

**Recommendation:** OSAI recommends the inmates' trust fund balances be reconciled to the bank statements each month, segregation of duties with regard to inmates' trust funds be addressed, and no operating expenditures should be made from this fund.

**Management Response:**

**County Sheriff:** We will require two signatures for voided receipts and voided checks. We will reinforce the policies of two signatures on checks. We will also discuss with the District Attorney what we need to do about the Inmate Trust Fund Checking Account bank balance.

**Criteria:** Title 19 O.S. § 180.43 provides guidance in accounting for inmate trust monies deposited and expended from the Inmate Trust Fund Checking Account.

**Finding 2014-10 – Noncompliance Over Fixed Assets Inventory**

**Condition:** Upon inquiry of County officials and employees, and observation of records in regards to the fixed assets, the following was noted:

**County Sheriff:**

- A test of fifteen (15) inventory items for the County Sheriff's office indicated:

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- Two (2) items did not have an inventory number affixed.

**District 2:**

- A test of fifteen (15) inventory items for District 2 indicated:
  - Seven (7) items were not properly identified as “Property of Canadian County.”
  - One (1) item was marked with the incorrect inventory number.

**District 3:**

- A test of fifteen (15) inventory items for District 3 indicated:
  - Six (6) items were not properly identified as “Property of Canadian County.”
  - One (1) item did not have an inventory number affixed.

**Canadian County Children’s Justice Center:**

- A test of fifteen (15) inventory items for the Canadian County Juvenile Justice Center indicated:
  - Three (3) items did not have an inventory number affixed.

**Cause of Condition:** Policies and procedures have not been designed and implemented regarding the accurate identification of fixed assets.

**Effect of Condition:** These conditions resulted in noncompliance with state statute. When fixed assets are not monitored and equipment is not properly marked with identification numbers and “Property of Canadian County;” opportunities for misuse or loss of equipment can occur.

**Recommendation:** OSAI recommends that management design and implement internal controls to ensure compliance with the state statutes.

**Management Response:**

**District 2:** In order to comply with Title 69 section 645, the verification of correct vehicle identification and correct inventory numbering will be a duty of the person assigned in the written policy and procedure implemented at District 2.

**District 3:** These issues have been resolved.

**County Sheriff:** These issues have already been resolved and we will work toward making sure all inventory is marked.

**Gary E. Miller Children’s Justice Center:** The three items that did not have inventory numbers had all been labeled prior to the auditor’s visit. However, since they are all outside equipment, the labels had washed off. We will seek to find labels that will remain in place regardless of weather.

The three items that did not previously have inventory numbers affixed have been properly identified with labels containing their inventory number.

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**Criteria:** Title 19 O.S. § 178.1 states in part, "... The board of County Commissioners in each county of this state shall take, or cause to be taken, an inventory of all working tools, apparatus, machinery and equipment belonging to the county or lease or otherwise let to it or to any department thereof, other than that which is affixed to and made a part of lands and buildings, the cost of which as to each complete working unit thereof is more than Five Hundred Dollars (\$500.00), and thereafter maintain or cause to be maintained a continuous inventory record... annually thereafter, or oftener..."

Title 69 O.S. § 645 states in part, "...equipment shall be conspicuously and legibly marked PROPERTY OF (name of county) COUNTY..."

**Finding 2014-11 – Inadequate Internal Controls and Noncompliance Over Consumable Inventories**

**Condition:** The observation and test of consumable inventories for Districts 2 and 3 indicated the following:

**District 2 Commissioner:**

- A periodic review of consumable inventories is not performed.
- Three (3) out of the five (5) consumable inventories selected could not be physically verified to the number of items on hand.

**District 3 Commissioner:**

- A periodic review of consumable inventories is not performed.
- Four (4) out of the five (5) consumable inventories selected could not be physically verified to the number of items on hand.

**Cause of Condition:** Policies and procedures have not been designed and implemented by County Commissioners to perform monthly consumable inventory counts to ensure compliance with state statutes.

**Effect of Condition:** When consumable inventories are not adequately monitored and inadequate segregation of duties exist, the opportunity for the misappropriation and undetected errors could result.

**Recommendation:** OSAI recommends that management design and implement internal controls to ensure compliance with the state statute.

**Management Response:**

**District 2:** Keeping an accurate record of consumable items requires not only the inspection of quantities but also the daily documentation of materials as they are used. As Commissioner for District 2, I will develop and implement a written policy of documenting the activity and availability of our consumable items. The policy will specify daily adjustments to our inventory record by the receiving agent and monthly inspections performed by the foreman to verify the accuracy of that record.

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**District 3:** I will make sure consumable inventory is reviewed once per month and we will keep documentation of this review signed and dated at the shop.

**Criteria:** Title 19 O.S. § 1504.A states, “A receiving officer shall receive all purchased, lease-purchased or rented items procured for the department and shall identify such items received in a manner prescribed by the county road and bridge inventory officer or board of county commissioners or designee. The receiving officer shall also maintain a record of all such items received, disbursed, stored and consumed by the department.”



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