

FINANCIAL AUDIT

# CANADIAN COUNTY

For the fiscal year ended June 30, 2015



*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, 2015**

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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 Prairie Collection (<http://digitalprairie.ok.gov/cdm/search/collection/audits/>) pursuant to 65 O.S. § 3-114.



# Oklahoma State Auditor & Inspector

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

April 4, 2017

TO THE CITIZENS OF  
CANADIAN COUNTY, OKLAHOMA

Transmitted herewith is the audit of Canadian County, Oklahoma for the fiscal year ended June 30, 2015. The audit was conducted in accordance with 19 O.S. § 171.

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

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

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

Sincerely,

A handwritten signature in blue ink that reads "Gary A. Jones". The signature is written in a cursive style with a large, looping initial "G".

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

**CANADIAN COUNTY, OKLAHOMA  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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**TABLE OF CONTENTS**

INTRODUCTORY SECTION (Unaudited)

Statistical Information.....	iii
County Officials.....	iv
Ad Valorem Tax Distribution .....	v
Assessed Value of Property Trend Analysis.....	vi
County General Fund Analysis.....	vii
County Highway Fund Analysis.....	viii

FINANCIAL SECTION

Report of State Auditor and Inspector .....	1
Financial Statement:	
Statement of Receipts, Disbursements, and Changes in Cash Balances—Regulatory Basis (with Combining Information)—Major Funds.....	4
Notes to the Financial Statement .....	5

OTHER SUPPLEMENTARY INFORMATION

Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis—General Fund.....	11
Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis—County Health Department Fund .....	13
Combining Statement of Receipts, Disbursements, and Changes in Cash Balances—Regulatory Basis—Remaining Aggregate Funds .....	14
Notes to Other Supplementary Information .....	15

**CANADIAN COUNTY, OKLAHOMA  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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INTERNAL CONTROL AND COMPLIANCE SECTION

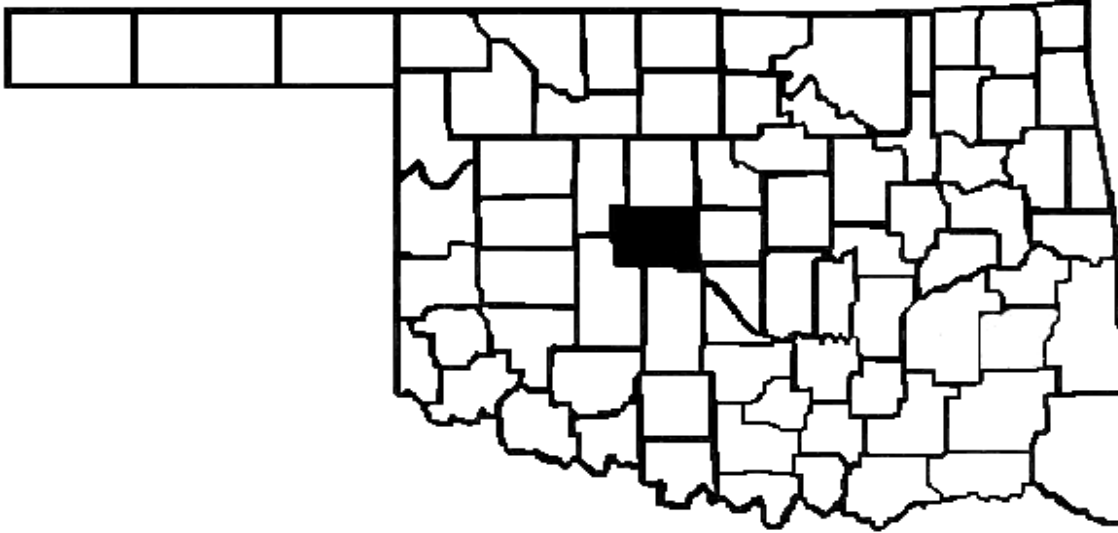
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance With  
*Government Auditing Standards*..... 17

Schedule of Findings and Responses..... 19

**INTRODUCTORY SECTION**  
**UNAUDITED INFORMATION ON PAGES iii - viii**  
**PRESENTED FOR INFORMATIONAL PURPOSES ONLY**

**CANADIAN COUNTY, OKLAHOMA  
STATISTICAL INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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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 1889 and the Run of 1892, 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 – 129,582  
(2014 est.)

Farms – 1,307

Land in Farms – 500,776 Acres

Primary Source: Oklahoma Almanac 2015-2016

**Board of County Commissioners**

District 1 – Marc Hader  
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

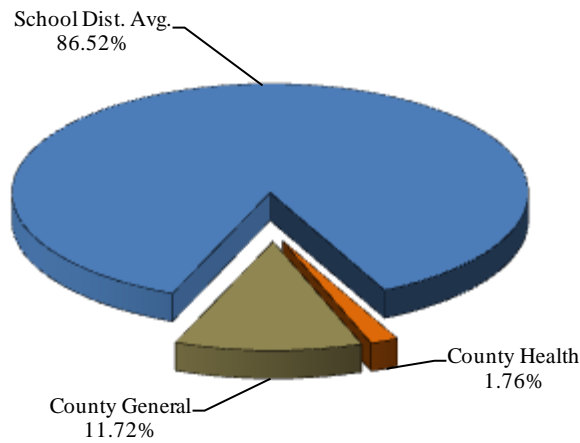
**District Attorney**

Mike Fields



**CANADIAN COUNTY, OKLAHOMA  
AD VALOREM TAX DISTRIBUTION  
SHARE OF THE AVERAGE MILLAGE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

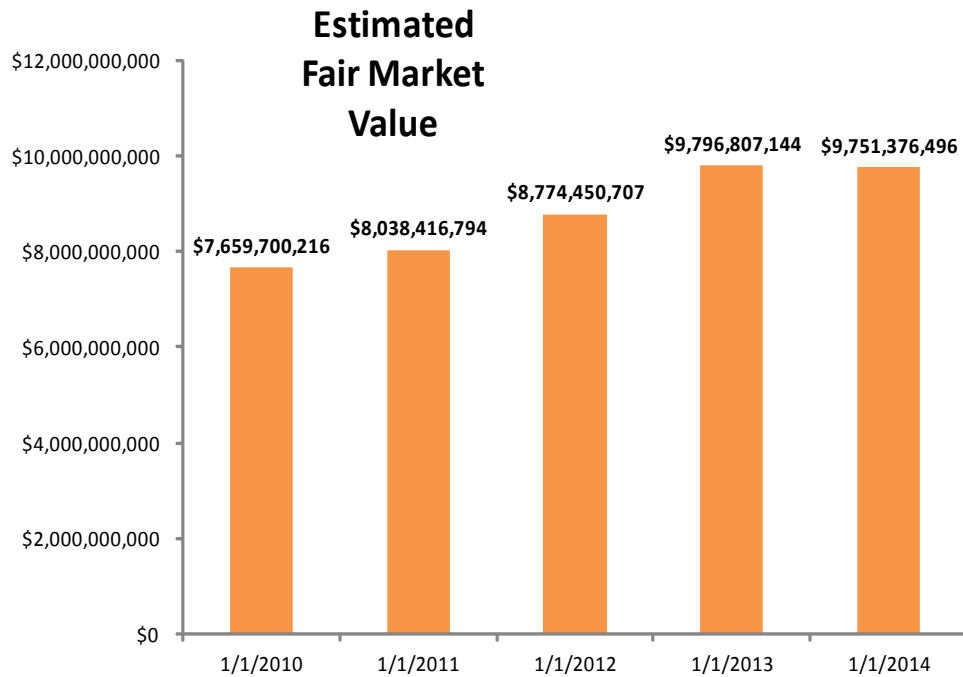
Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of a property is \$1,000.00 and the millage rate is 1.00, then the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



County-Wide Millages		School District Millages										
				Gen.	Bldg.	Skg.	Career Tech	Common	EMS	Rural Fire Department	City Sinking	Total
County General	10.39											
County Health	1.56	Minco	JI-2-V6	38.46	5.49	17.83	16.44	4.16	-	-	-	82.38
		Deer Creek	JI-8-V21	35.38	5.05	35.15	15.16	4.16	-	-	-	94.90
		Lookeba-Sickles	JI-12-V2	42.96	6.14	16.32	11.47	4.16	3.08	-	-	81.05
		Piedmont	JI-22-V6	36.75	5.25	25.04	16.44	4.16	-	7.00	-	94.64
		Yukon	I-27-V6	36.53	5.22	29.59	16.44	4.16	-	7.00	6.34	105.28
		Riverside	D-29-V6	36.01	5.14	-	16.44	4.16	-	7.00	6.34	75.09
		Banner	D-31-V6	36.12	5.16	-	16.44	4.16	-	-	6.34	68.22
		El Reno	I-34-V6	36.01	5.14	40.01	16.44	4.16	-	-	-	101.76
		Union City	I-57-V6	36.17	5.17	17.93	16.44	4.16	-	-	-	79.87
		Mustang	I-69-V6	36.31	5.19	27.27	16.44	4.16	-	-	2.52	91.89
		Darlington	D-70-V6	36.65	5.24	-	16.44	4.16	-	-	-	62.49
		Calumet	I-76-V6	36.37	5.20	8.04	16.44	4.16	-	-	-	70.21
		Geary	JI-80	36.24	5.18	6.10	-	4.16	3.11	-	-	51.68
		Cashion	JI-89-V21	37.03	5.29	16.47	12.00	4.16	3.00	-	-	74.95
		Okarche	JI-105	36.19	5.17	16.36	-	4.16	-	-	-	61.88
		Hinton	JI-161-V2	36.41	5.2	21.99	11.47	4.16	3.08	-	-	79.23
		Maple	D-162-V6	36.98	5.28	8.01	16.44	4.16	-	-	-	70.87

**CANADIAN COUNTY, OKLAHOMA  
 ASSESSED VALUE OF PROPERTY  
 TREND ANALYSIS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2014	\$296,900,098	\$55,226,823	\$844,261,936	\$35,819,604	\$1,160,569,253	\$9,751,376,496
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

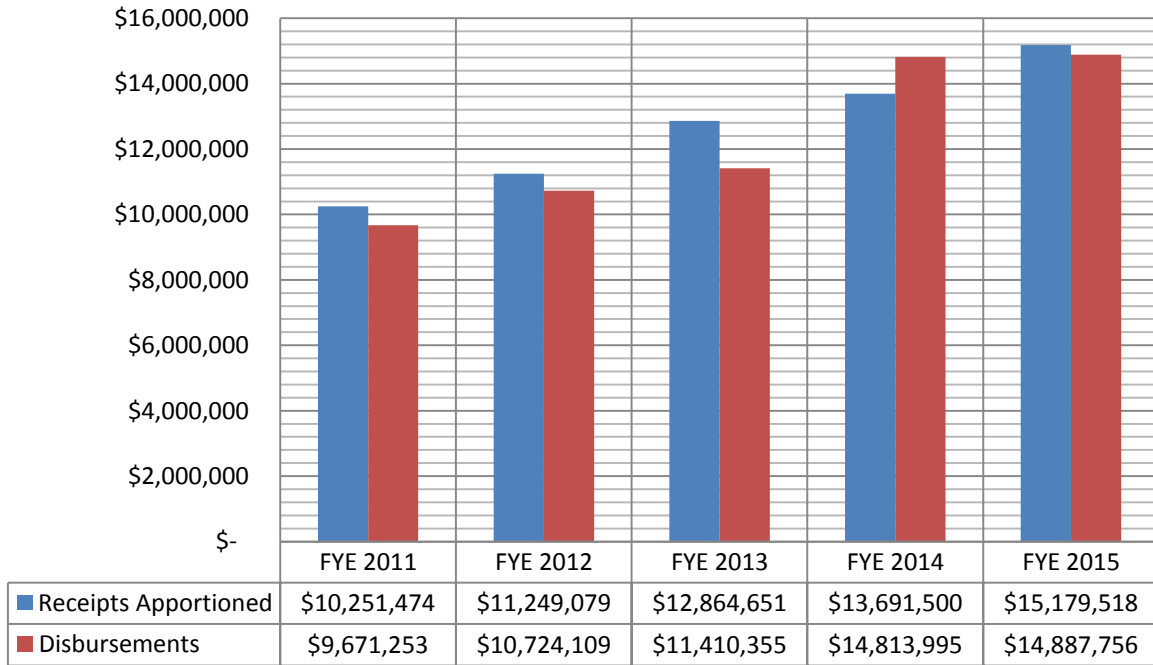


**CANADIAN COUNTY, OKLAHOMA  
COUNTY GENERAL FUND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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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.

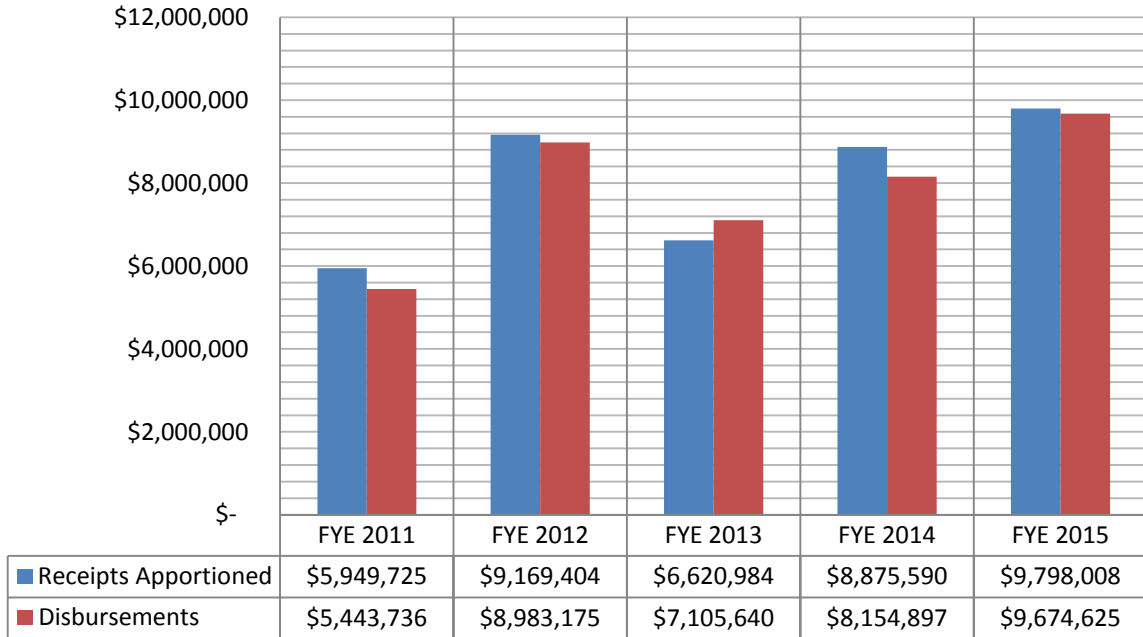


**CANADIAN COUNTY, OKLAHOMA  
COUNTY HIGHWAY FUND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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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  
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, 2015, and the related notes to the financial statement, which collectively comprise the County's basic financial statement as listed in the table of contents.

### *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, 2015, 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, 2015, in accordance with 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 March 27, 2017, 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 that reads "Gary A. Jones". The signature is written in a cursive style with a long horizontal stroke at the end.

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

March 27, 2017



**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, 2015**

	Beginning Cash Balances July 1, 2014	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2015
Combining Information:						
Major Funds:						
County General Fund	\$ 4,891,381	\$ 15,179,518	\$ 1,267,121	\$ 1,150,000	\$ 14,887,756	\$ 5,300,264
County Highway Cash	4,581,802	9,798,008	86,200	-	9,674,625	4,791,385
Juvenile Sales Tax Revolving	-	4,866,249	2,224,418	86	3,353,963	3,736,618
County Health Department	2,115,540	2,091,337	-	-	1,711,776	2,495,101
Juvenile Contracts	-	1,712,299	238,570	-	1,222,632	728,237
Sheriff Service Fee	741,375	1,627,185	-	-	1,688,942	679,618
Juvenile Justice Detention Facility	3,578,577	1,106,382	22,924	2,465,338	2,242,545	-
JD Reserves (Sales Tax)	1,034,817	635,527	-	22,838	-	1,647,506
Resale Property	863,859	618,732	800,000	1,151,363	288,268	842,960
CBRI 105	762,189	379,470	350,000	436,200	544,747	510,712
County Sales Tax MMA	2,209,202	2,201	-	-	-	2,211,403
Remaining Aggregate Funds	1,151,360	1,350,059	2,450	-	1,042,671	1,461,198
<b>Combined Total -</b>						
<b>All County Funds, as Restated</b>	<b>\$ 21,930,102</b>	<b>\$ 39,366,967</b>	<b>\$ 4,991,683</b>	<b>\$ 5,225,825</b>	<b>\$ 36,657,925</b>	<b>\$ 24,405,002</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, 2015**

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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 general operations of the government.

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

Juvenile Sales Tax Revolving – accounts for the collections of sales tax revenue and the disbursement of funds as restricted by the sales tax resolution.

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

Juvenile Contracts – accounts for the collection and disbursement of contract and other miscellaneous revenue in the operations of the Canadian County Juvenile Justice Detention Facility.

**CANADIAN COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

Juvenile Justice Detention Facility – accounts for the collection and disbursement of sales tax funds and for the purpose of construction and operations of the Canadian County Juvenile Justice Detention Facility and contracts for juvenile services. This fund was closed during this fiscal year, in order to separately account for county sales tax collections.

JD Reserves (Sales Tax) – accounts for the current collection of sales tax revenue in excess of the amount allocated for the operation of the Canadian County Juvenile Justice Detention Facility. Funds are transferred to Juvenile Sales Tax Revolving fund as necessary to meet operational needs.

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

CBRI 105 – 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 interest earned on sales tax revenue not immediately needed for juvenile detention facility operations and held in reserve for future use.

**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.

**CANADIAN COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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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."

**CANADIAN COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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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. The County Treasurer, according to the law, shall give notice of delinquent taxes and special assessments by publication once a week for two consecutive weeks at any time after April 1, but prior to the end of September following the year the taxes were first due and payable. Unpaid real property taxes become a lien upon said property after the treasurer has perfected the lien by public notice.

**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.

**CANADIAN COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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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 establish 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, 2015, the County apportioned \$6,458,567 in total with \$958,303 apportioned to the Juvenile Justice Detention Facility fund, \$4,865,966 to the Juvenile Sales Tax Revolving Fund and \$634,298 apportioned to the JD Reserves (Sales Tax) fund.

**E. Operating Transfers**

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

- \$351,363 was transferred from the Resale Property fund to distribute surplus funds per Title 68 O.S. § 3137 as follows: County General Fund - \$117,121, Schools - \$117,121, and Cities and Towns - \$117,121. Schools and Cities and Towns are trust and agency funds; therefore, they are not accounted for on the County's financial statement.
- \$86,200 was transferred from the CBRI 105 fund to reimburse the County Highway Cash fund for expenditures on bridge and road project in Canadian County.
- \$800,000 from the Resale Property fund and \$350,000 from the CBRI 105 fund was transferred to the County General Fund to meet requirements of appropriations in accordance with 68 O.S. § 3131.
- \$1,150,000 was transferred from the County General Fund to return \$800,000 to the Resale Property fund and \$350,000 to CBRI 105 fund in accordance with 68 O.S. § 3021.
- To complete the separation of the Canadian County Children's Justice Center Sales Tax from the other sources of revenue, funds were transferred as follows:
  - \$22,838 from the JD Reserves (Sales Tax) fund to Juvenile Justice Detention Facility fund.
  - \$2,450 from the Juvenile Justice Detention Facility fund to Juvenile Deferral Fee Revolving fund.
  - \$2,462,888 from the Juvenile Justice Detention Facility fund to:
    - \$2,224,418 the Juvenile Sales Tax Revolving fund.
    - \$238,570 the Juvenile Contracts fund.
- \$86 was transferred from Juvenile Sales Tax Revolving to Juvenile Detention Facility for the reissuance of a warrant.

**CANADIAN COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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**F. Restatement**

Due to the reclassification of funds for the fiscal year ended June 30, 2014, the ending balance of the schedule included in the prior year audit report is different than the July 1, 2014, beginning balance. The difference is due to moving the Court Fund Payroll and Adult Drug Court from non-county funds to county funds. This change resulted in an increase in the beginning cash balance as follows:

Prior Year Ending Balance, as Reported	\$21,707,628
Reclassified:	
Court Fund Payroll	161,759
Adult Drug Court	<u>60,715</u>
Total	<u>\$ 222,474</u>
Prior Year Ending Balance, as Restated	<u>\$21,930,102</u>



**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, 2015**

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 4,891,381	\$ 4,891,381	\$ -
Less: Prior Year Outstanding Warrants	(90,504)	(90,504)	-
Less: Prior Year Encumbrances	(790,066)	(730,843)	59,223
Beginning Cash Balances, Budgetary Basis	<u>4,010,811</u>	<u>4,070,034</u>	<u>59,223</u>
Receipts:			
Ad Valorem Taxes	10,951,684	11,153,396	201,712
Charges for Services	787,335	1,022,979	235,644
Intergovernmental Revenues	1,197,492	2,490,905	1,293,413
Miscellaneous Revenues	368,207	512,238	144,031
Total Receipts, Budgetary Basis	<u>13,304,718</u>	<u>15,179,518</u>	<u>1,874,800</u>
Expenditures:			
District Attorney	30,352	24,236	6,116
County Sheriff	6,275,184	6,247,117	28,067
County Treasurer	495,019	437,368	57,651
County Commissioners	500,548	425,080	75,468
OSU Extention	314,340	270,865	43,475
County Clerk	1,009,323	977,291	32,032
Court Clerk	1,177,049	1,105,191	71,858
County Assessor	911,209	802,717	108,492
Revaluation of Real Property	794,466	726,552	67,914
General Government	3,699,668	1,887,242	1,812,426
Excise-Equalization Board	12,250	10,429	1,821
County Election Board	395,288	341,655	53,633
Charity	2,000	930	1,070
Emergency Management	128,091	125,689	2,402
Highway Budget Account	397,328	397,280	48
Use Tax	833,130	833,130	-
County Audit Budget Account	150,000	87,182	62,818
Free Fair Budget Account	187,784	186,134	1,650
Provision for Interest on Warrants	2,500	668	1,832
Total Expenditures, Budgetary Basis	<u>17,315,529</u>	<u>14,886,756</u>	<u>2,428,773</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, 2015**

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	General Fund		
	Budget	Actual	Variance
Continued from previous page			
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	4,362,796	\$ 4,362,796
Operating Transfers:			
Transfers In		1,267,121	
Transfers Out		(1,150,000)	
Net Transfers		117,121	
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Outstanding Warrants		128,792	
Add: Current Year Encumbrances		691,555	
Ending Cash Balance		\$ 5,300,264	

**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, 2015**

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	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 2,115,540	\$ 2,115,540	\$ -
Less: Prior Year Outstanding Warrants	(16,727)	(16,727)	-
Less: Prior Year Encumbrances	(18,351)	(13,775)	4,576
Beginning Cash Balances, Budgetary Basis	2,080,462	2,085,038	4,576
Receipts:			
Ad Valorem Taxes	1,520,921	1,674,619	153,698
Charges for Services	290,724	290,724	-
Intergovernmental Revenues	-	125,994	125,994
Total Receipts, Budgetary Basis	1,811,645	2,091,337	279,692
Expenditures:			
Health and Welfare	3,892,107	1,820,007	2,072,100
Total Expenditures, Budgetary Basis	3,892,107	1,820,007	2,072,100
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	2,356,368	\$ 2,356,368
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		132,664	
Add: Current Year Outstanding Warrants		6,069	
Ending Cash Balance		\$ 2,495,101	

**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, 2015**

	Beginning Cash Balances July 1, 2014	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2015
Remaining Aggregate Funds:						
Sheriff Prisoner Care	\$ 145,017	\$ 230,859	\$ -	\$ -	\$ 188,101	\$ 187,775
County Clerk Records Preservation Fee	144,908	173,130	-	-	35,903	282,135
Court Fund Payroll	161,759	125,000	-	-	157,791	128,968
County Clerk Lien Fee	83,584	92,536	-	-	68,207	107,913
Sheriff Commissary	57,561	51,784	-	-	-	109,345
Treasurer Mortgage Tax Certification Fee	79,444	34,865	-	-	13,711	100,598
Emergency Management	37,998	30,000	-	-	11,044	56,954
Flood Plain	40,071	13,200	-	-	8,467	44,804
Sheriff Federal Equitable	65,002	11,261	-	-	4,825	71,438
Assessor Revolving	71,521	8,456	-	-	-	79,977
Juvenile Deferral Fee Revolving	-	1,200	2,450	-	-	3,650
Grant Cash Voucher Fund	9,736	1,055	-	-	4,154	6,637
Sheriff Benefit	22,213	500	-	-	19,578	3,135
Sheriff Reward Fund/Trash Cop	918	371	-	-	-	1,289
Assessor Visual Inspection Investment	83,984	148	-	-	-	84,132
Sheriff Training	2,849	-	-	-	-	2,849
County Bridge Improvement	84,080	-	-	-	6,487	77,593
Emergency Management Shelter A	-	520,000	-	-	486,849	33,151
Adult Drug Court	60,715	55,694	-	-	37,554	78,855
<b>Combined Total - Remaining Aggregate Funds</b>	<b>\$ 1,151,360</b>	<b>\$ 1,350,059</b>	<b>\$ 2,450</b>	<b>\$ -</b>	<b>\$ 1,042,671</b>	<b>\$ 1,461,198</b>

**CANADIAN COUNTY, OKLAHOMA  
NOTES TO OTHER SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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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:

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

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

Court Fund Payroll – accounts for funds deposited from the Court Fund to be disbursed for payroll for the Court Clerk's office.

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

Sheriff Commissary – accounts for the profit derived from the sale of items to inmates and disbursements to purchase commissary goods from the vendor and for the maintenance and operation of the jail.

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.

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

**CANADIAN COUNTY, OKLAHOMA  
NOTES TO OTHER SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

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

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

Juvenile Deferral Fee Revolving – accounts for monies received from clients for probation and graduation sanction fees. Disbursements are for the operation of those programs within the Juvenile Justice Detention Facility.

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

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

Sheriff Reward Fund/Trash Cop – accounts for fines collected by the Court Clerk and disbursed for the purpose of trash patrol.

Assessor Visual Inspection Investment – accounts for the collection and disbursement of monies by the Assessor and disbursed as restricted for the purchase of equipment for the visual inspection program.

Sheriff Training – accounts for the collection of forfeitures of seized property and disbursements are for the purchase of equipment, materials, or supplies that may be used in crime prevention, education, training, or programming.

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

Emergency Management Shelter A – accounts for funds received through state and local grants and disbursed to citizens for reimbursement of storm shelter expenses.

Adult Drug Court – accounts for funds received through the Department of Mental Health and disbursements are for the operation of the adult drug court programs.

**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, 2015, and the related notes to the financial statement, which collectively comprises Canadian County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated March 27, 2017.

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, 2015, 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 deficiency described in the accompanying schedule of findings and responses to be a material weaknesses: 2015-3.

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 deficiency described in the accompanying schedule of findings and responses to be a significant deficiency: 2015-6.

### **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. 2015-03.

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.

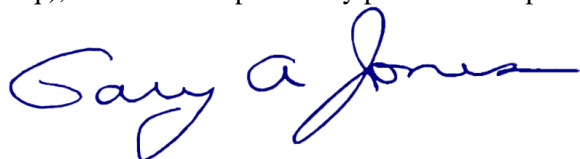
### **Canadian County's Responses to Findings**

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.

A handwritten signature in blue ink that reads "Gary A. Jones". The signature is fluid and cursive, with the first name "Gary" being the most prominent.

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

March 27, 2017

**CANADIAN COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**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 2015-3 – Inadequate Internal Controls and Noncompliance Over the Disbursement Process (Repeat Finding)**

**Condition:** Upon inquiry, observation, and testwork of disbursements, the following was noted:

- 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 payroll claims. The second batch is for all County General Fund and other Cash Fund payroll claims. Each payroll clerk is responsible for one batch. The payroll clerks are also responsible for logging onto the financial institution website and initiating the direct deposits.
- A test of forty-one (41) purchase orders, reflected the following weaknesses:
  - There were four (4) instances noted where the purchase orders were not properly encumbered.

Fund	Account	Purpose	Purchase Order Number	Amount
County General Fund	Emergency Management	Fuel	6989	\$89.22
County Highway Cash	District 1	Crusher Run	5355	\$33,061.70
County Highway Cash	District 3	Hauling	6905	\$15,669.50
Resale Property	County Treasurer	Advertisement	1607	\$13,534.30

- There was one (1) instance in which the receiving report was not attached to the purchase order to support the disbursement.

Fund	Account	Purpose	Purchase Order Number	Amount
County General Fund	County Clerk	Service	8656	\$1,105.44

**Cause of Condition:** Policies and procedures have not been fully implemented with regard to the disbursement process to strengthen internal controls and ensure compliance with state statutes.

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

**CANADIAN COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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**Recommendation:** The Oklahoma State Auditor & Inspector's Office (OSAI) recommends the County follow proper purchasing procedures. All purchases should be properly encumbered, and have proper supporting documentation attached.

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

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

Furthermore, 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:**

**District 1:** District 1 funds were encumbered on January 13, 2015 for the purchase of road rock with Purchase Order Number 2015-5335. Rock was purchased as early as January 12, 2015 on this purchase order. District 1 will timely requisition for materials to follow proper purchasing procedures.

**District 2:** As the Chairman of the Board of County Commissioners, I will work with the County Clerk to provide adequate funding and space to allow for additional staff to enable segregation of duties in the payroll department which will enhance our checks and balances for accuracy. Canadian County is currently considering creating a Human Resources position that might reduce the workload of current employees in the payroll department and provide a second source for employee data collection.

State law requires counties to encumber funds before any materials or services are provided. The responsibility to comply with this requirement applies to all employees involved in the disbursement process. Language will be included in our county-wide internal control policy that addresses that responsibility and training will be provided to all employees involved.

**District 3:** Purchase orders will be initiated at the beginning of the day and not at the end of the day. Also, blanket purchase orders will be used to the maximum extent possible.

**County Clerk:** The payroll process will continue to be reviewed to ensure proper segregation of duties. The payroll batch process will be rotated more frequently. The payroll software provider is creating 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 reviews the payroll records of the payroll clerks. Also, the county has budgeted for a Human Resources Director position. The HR Director will maintain independent employee data records that can provide a cross-check of employee salaries, new hires and terminations.

**CANADIAN COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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Purchasing policies and procedures have been designed and were previously communicated to all county officers in a summary format in March, 2015. The Purchasing Agent will provide the purchasing procedures summary to all county offices at the beginning of each fiscal year as a reminder of the procedures and to facilitate implementation of the procedures.

**County Treasurer:** More detailed guidelines for Treasurer's office individual duties are being written to ensure encumbering funds in a timely manner.

**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.

Additionally, effective internal controls require that management properly implement procedures to ensure that purchases are made in compliance with 19 O.S. § 1505E, and § 1505C.

**Finding 2015-6 – Inadequate Internal Controls Over the County Treasurer’s Bank Accounts (Repeat Finding)**

**Condition:** Upon inquiry of the County Treasurer's staff, observation, and review of documentation and confirmation of bank accounts, the following was noted:

- Personnel that are no longer employed by the County, remain as authorized signers on the County’s bank accounts.
- The Official Depository bank reconciliation contained invalid reconciling items.
- The Online Payments bank account did not appear to be reconciled.

Further, the confirmation of bank accounts reflected five bank accounts at one bank which were identified with the County’s employee identification number (EIN), however, they were not accounts that are under the control of the County Treasurer and they were not on the general ledger. These accounts are as follows:

- Home Finance Authority Account
- Fair Exhibitor Account
- Juvenile Detention Account (under the Public Facilities Authority)
- Canadian County Public Facilities Authority Account
- Canadian County Public Facilities Authority Project Fund Account

**Cause of Condition:** Policies and procedures have not been designed and implemented to review the authorized persons on the County’s bank accounts, to verify all reconciling items used on bank reconciliations are valid, or to identify bank accounts under the control of the County.

**CANADIAN COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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**Effect of Condition:** These conditions resulted in three employees who have not been employed by the County for the past one to six years being authorized personnel on multiple accounts. Further, this condition could result in unrecorded transactions, misstated financial reports, or misappropriation of funds.

**Recommendation:** OSAI recommends that the County Treasurer implement a system of internal controls to provide reasonable assurance that only authorized employees of the County are listed on the County's bank accounts and that bank reconciliations only contain valid reconciling items. Further, we recommend accounts under the County's employee identification number (EIN) should be investigated with regard to the control of these accounts.

**Management Response:**

**County Treasurer:** All offices with an Official Depository account were contacted and the official designee was verified. There are some bank accounts that are not maintained by elected officials. We will have a written guideline on notification procedures when there are changes in personnel within these entities.

New guidelines within the Treasurer's office replacing the long standing practice of verbally requesting names being removed from account signature cards are to require financial institutions to reissue new signature cards on ANY change not just to add authorized signers.

The May and June 2015 (along with July and August 2015) Official Depository reconciliation, performed by a newly assigned employee, has been reviewed again and all invalid items identified and corrected.

The appearance of the Online Payment account not being reconciled in June 2015 is due to Echecks and Credit Card transactions not posting to the bank account the same day that an office that accepts these types of payments receipts their payment. This occasionally crosses month end and is an item over which we have no control.

The five accounts of entities under the BOCC but not the County General or General Ledger have corrected their banking EIN numbers to those issued to them at the time of their creation as an entity. While these were set up prior to all current officials by prior BOCC, the County-Wide Controls document that is in progress will help prevent this in the future.

As banking regulations and automated methods of payment evolve, our guidelines will require updates and modifications that are in writing for all employees to have in handbook.

**Criteria:** Accountability and stewardship are overall goals of management in the accounting of funds. An important aspect of internal controls is the safeguarding of assets. Internal controls over safeguarding of assets constitute a process, affected by an entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions, and safeguarding assets from misappropriation.

**CANADIAN COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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**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 2015-8 – Inadequate Internal Controls Over Court Clerk Processes (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 disbursement process over the Court Clerk Revolving Fund claims and Court Fund claims:

Disbursement 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:** Policies and procedures have not been designed to adequately segregate the duties over the disbursement process and to ensure adequate internal controls over the disbursement process have been implemented.

**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 disbursement process.

The following accounting functions of the disbursement 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:** I have two bookkeepers who will alternate these responsibilities and in the event that one is gone my Chief Deputy or I will assume the other’s role to comply. We have developed a check list with a place for initials on each claim for each bookkeeper, Court Clerk, or Chief Deputy as they alternate each step so that one person is not completing all tasks involved with generating and paying a claim.

**CANADIAN COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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I have two bookkeepers who will alternate these responsibilities and in the event that one is gone my Chief Deputy or I will assume the other's role to comply. We only generate the Revolving Fund Claim and the County Clerk performs all following procedures to finish this task.

Preparation of claims: The Bookkeepers alternate.

Initiation of Payment: The Court Clerk and District Judge and Associate District Judge review and are the only ones who can sign claims.

Printing and signing of vouchers: Bookkeepers alternate printing of vouchers.

The Court Clerk signs vouchers. The Chief Deputy signs when Court Clerk is not present.

Monthly reconciliation with the County Treasurer: The Bookkeepers, Court Clerk and Chief Deputy alternate. A check list has been implemented for each claim.

**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 2015-9 – Inadequate Internal Controls 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:

- 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.

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

**Effect of Condition:** 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 the Sheriff's office develop policies and procedures for the review and approval of voided receipts and the issuance and voiding of checks.

**Management Response:**

**County Sheriff:** The jail employees have been directed to ensure two signatures are on all checks, and two signatures are on the voided receipts and checks.

**Criteria:** Effective internal controls require that key functions within a process be adequately segregated to allow for prevention and detection of errors and possible misappropriation of funds including the review and approval of voided receipts and checks and the oversight of issuing checks by jailers.





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