

FINANCIAL AUDIT

# CANADIAN COUNTY

For the fiscal year ended June 30, 2016



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, 2016**

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# 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, 2016. 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 fluid and cursive, with the first name "Gary" being the most prominent.

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

**CANADIAN COUNTY, OKLAHOMA  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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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.....	10
Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis—County Health Department Fund .....	12
Combining Statement of Receipts, Disbursements, and Changes in Cash Balances—Regulatory Basis—Remaining Aggregate Funds .....	13
Notes to Other Supplementary Information .....	14

**CANADIAN COUNTY, OKLAHOMA**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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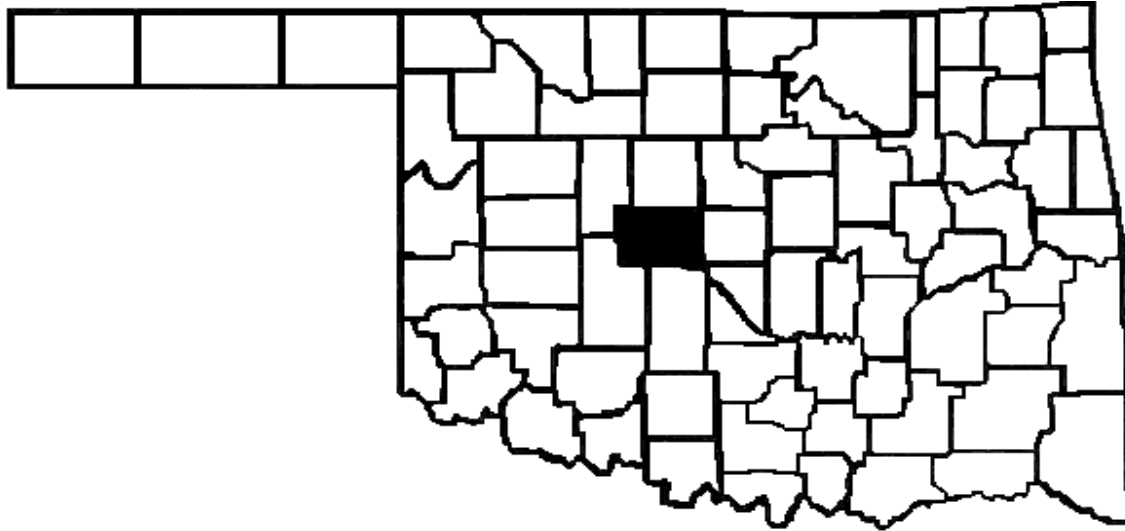
INTERNAL CONTROL AND COMPLIANCE SECTION

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> .....	16
Schedule of Findings and Responses .....	18

**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, 2016**

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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

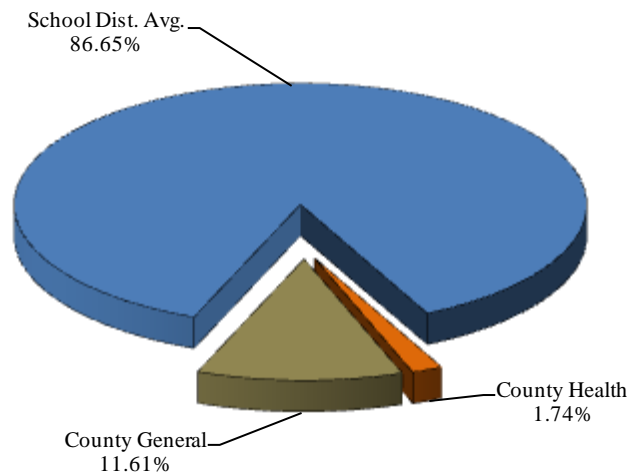
**District Attorney**

Mike Fields



**CANADIAN COUNTY, OKLAHOMA  
AD VALOREM TAX DISTRIBUTION  
SHARE OF THE AVERAGE MILLAGE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

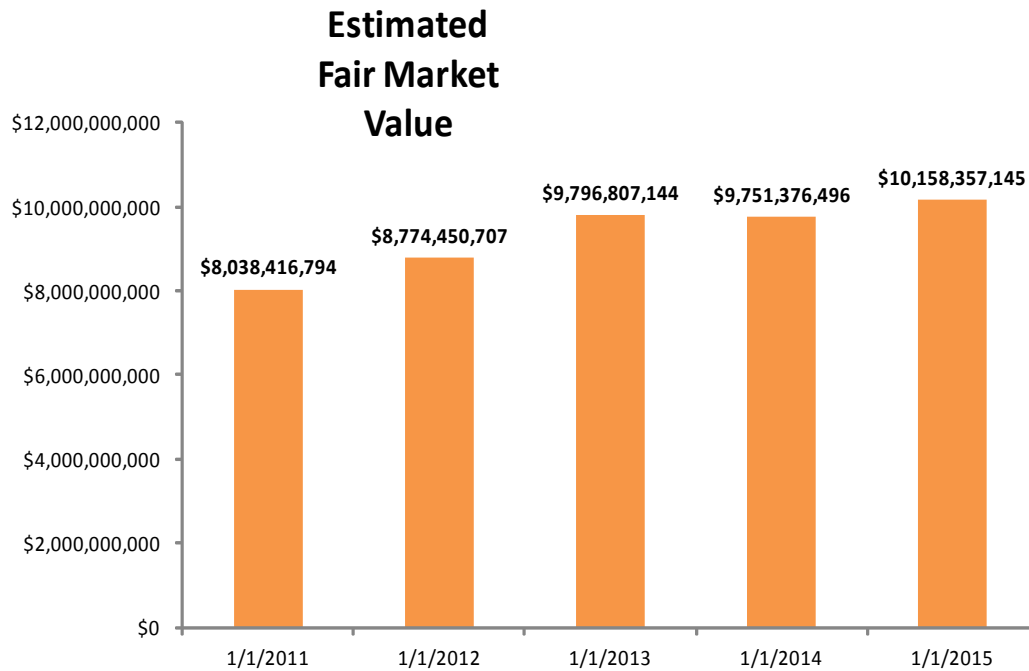
Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of a property is \$1,000.00 and the millage rate is 1.00, then the 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								
County General	10.39			Gen.	Bldg.	Skg.	Career Tech	Common	EMS	Rural Fire Department	City Sinking	Total
County Health	1.56	Minco	JI-2-V6	38.46	5.49	19.39	16.44	4.16	-	-	-	83.94
		Deer Creek	JI-8-V21	35.38	5.05	33.79	15.16	4.16	-	-	-	93.54
		Lookeba-Sickles	JI-12-V2	42.96	6.14	15.65	11.47	4.16	3.08	-	-	83.46
		Piedmont	JI-22-V6	36.75	5.25	28.60	16.44	4.16	-	7.00	-	98.20
		Yukon	I-27-V6	36.53	5.22	29.45	16.44	4.16	-	7.00	5.44	104.24
		Riverside	D-29-V6	36.01	5.14	-	16.44	4.16	-	7.00	5.44	74.19
		Banner	D-31-V6	36.12	5.16	-	16.44	4.16	-	-	5.44	67.32
		El Reno	I-34-V6	36.01	5.14	43.20	16.44	4.16	-	-	-	104.95
		Union City	I-57-V6	36.17	5.17	16.86	16.44	4.16	-	-	-	78.80
		Mustang	I-69-V6	36.31	5.19	26.76	16.44	4.16	-	-	2.35	91.21
		Darlington	D-70-V6	36.65	5.24	-	16.44	4.16	-	-	-	62.49
		Calumet	I-76-V6	36.37	5.20	16.60	16.44	4.16	-	-	-	78.77
		Geary	JI-80	36.24	5.18	5.94	-	4.16	6.22	-	-	57.74
		Cashion	JI-105	37.03	5.29	16.50	12.00	4.16	6.00	-	-	80.98
		Okarche	JI-161-V2	36.19	5.17	17.59	-	4.16	3.08	-	-	66.19
		Hinton	JI-161-V6	36.41	5.20	21.92	11.47	4.16	-	-	-	79.16
		Maple	D-162-V6	36.98	5.28	8.68	16.44	4.16	-	-	-	71.54

**CANADIAN COUNTY, OKLAHOMA  
ASSESSED VALUE OF PROPERTY  
TREND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2015	\$293,088,338	\$57,307,639	\$895,818,604	\$36,820,519	\$1,209,394,062	\$10,158,357,145
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

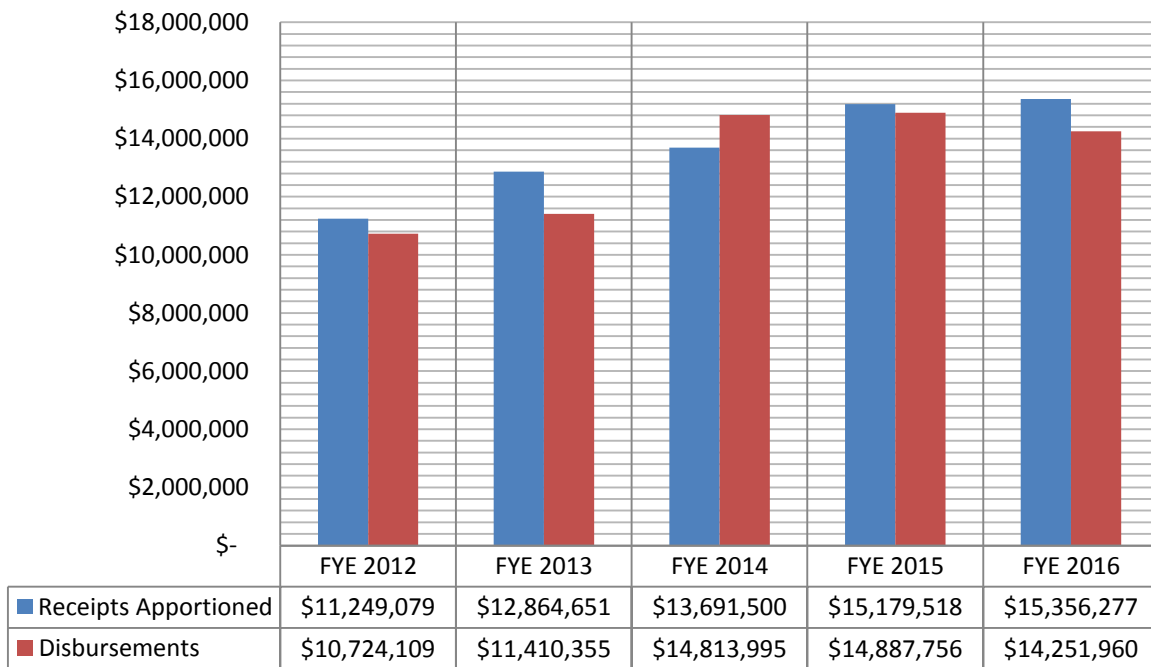


**CANADIAN COUNTY, OKLAHOMA  
COUNTY GENERAL FUND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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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.

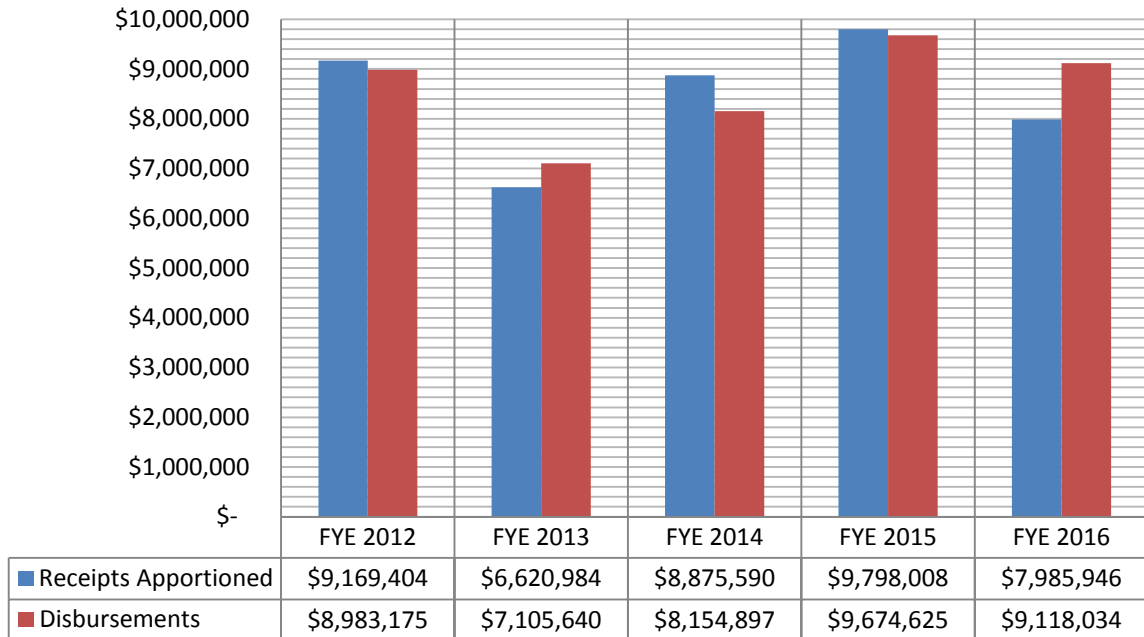


**CANADIAN COUNTY, OKLAHOMA  
COUNTY HIGHWAY FUND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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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 123 • 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, 2016, 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 misstatements 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, 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, 2016, or changes in financial position for the year then ended.

### ***Unmodified 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, 2016, in accordance with the basis of accounting described in Note 1.

### ***Other Matters***

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, reading "Gary A. Jones". The signature is fluid and cursive, with the first name "Gary" being more prominent and the last name "Jones" following in a similar style.

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, 2016**

	Beginning Cash Balances July 1, 2015	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2016
Combining Information:						
Major Funds:						
County General Fund	\$ 5,300,264	\$ 15,356,277	\$ 79,463	\$ -	\$ 14,251,960	\$ 6,484,044
County Highway Cash	4,791,385	7,985,946	-	-	9,118,034	3,659,297
Juvenile Sales Tax Revolving	3,736,618	6,487,365	-	-	6,250,820	3,973,163
County Health Department	2,495,101	2,202,407	-	-	1,431,502	3,266,006
Sheriff Service Fee	679,618	1,885,927	-	-	1,974,477	591,068
Juvenile Contracts	728,237	1,049,628	-	-	1,298,615	479,250
JD Reserves (Sales Tax)	1,647,506	576,612	-	-	-	2,224,118
Resale Property	842,960	482,738	194,512	238,388	269,354	1,012,468
CBRI 105	510,712	276,856	-	-	22,956	764,612
County Sales Tax MMA	2,211,403	2,216	-	-	-	2,213,619
Remaining Aggregate Funds	1,461,198	899,374	-	-	868,559	1,492,013
<b>Combined Total - All County Funds</b>	<b>\$ 24,405,002</b>	<b>\$ 37,205,346</b>	<b>\$ 273,975</b>	<b>\$ 238,388</b>	<b>\$ 35,486,277</b>	<b>\$ 26,159,658</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, 2016**

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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 collection and disbursement of sales tax funds for the purpose of operations of the Canadian County Juvenile Justice Detention Facility.

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.

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, 2016**

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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.

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.

**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

**CANADIAN COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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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."

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.

**CANADIAN COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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**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.

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, 2016, the County apportioned \$6,705,910 in total with \$6,067,525

**CANADIAN COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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apportioned to the Juvenile Justice Detention Facility fund and \$638,385 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:

- \$238,389 was transferred from the Resale Property fund to distribute surplus funds per Title 68 O.S. § 3137 as follows: County General Fund - \$79,463, Schools - \$79,463, and Cities and Towns - \$79,462. Schools and Cities and Towns are trust and agency funds; therefore, they are not accounted for on the County's financial statement.
- \$194,512 was transferred from the Excess Resale fund to the Resale Property fund 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, 2016**

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 5,300,264	\$ 5,300,264	\$ -
Less: Prior Year Outstanding Warrants	(128,777)	(128,777)	-
Less: Prior Year Encumbrances	(691,555)	(646,600)	44,955
Beginning Cash Balances, Budgetary Basis	4,479,932	4,524,887	44,955
Receipts:			
Ad Valorem Taxes	11,423,277	12,423,358	1,000,081
Charges for Services	857,075	1,104,152	247,077
Intergovernmental Revenues	781,016	1,609,291	828,275
Miscellaneous Revenues	57,850	219,476	161,626
Total Receipts, Budgetary Basis	13,119,218	15,356,277	2,237,059
Expenditures:			
District Attorney	32,047	23,847	8,200
County Sheriff	6,634,475	6,593,547	40,928
County Treasurer	496,624	439,614	57,010
County Commissioners	512,018	467,514	44,504
OSU Extension	318,744	290,243	28,501
County Clerk	1,036,599	995,184	41,415
Court Clerk	1,279,676	1,213,076	66,600
County Assessor	919,550	853,365	66,185
Revaluation of Real Property	848,134	719,679	128,455
General Government	4,041,250	2,189,854	1,851,396
Excise-Equalization Board	12,500	10,245	2,255
County Election Board	407,206	311,457	95,749
Charity	2,000	1,725	275
Emergency Management	172,650	162,931	9,719
Highway Budget Account	410,623	409,364	1,259
County Audit Budget Account	211,798	29,490	182,308
Free Fair Budget Account	260,756	257,108	3,648
Provision for Interest on Warrants	2,500	2,233	267
Total Expenditures, Budgetary Basis	17,599,150	14,970,476	2,628,674

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, 2016**

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	General Fund		
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Continued from previous page			
Excess of Receipts and Beginning Cash			
Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	4,910,688	<u>\$ 4,910,688</u>
Operating Transfer:			
Transfer In		79,463	
Transfer Out		<u>-</u>	
Net Transfer		79,463	
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Outstanding Warrants		49,854	
Add: Current Year Encumbrances		<u>1,444,039</u>	
Ending Cash Balance		<u>\$ 6,484,044</u>	

**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, 2016**

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	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 2,495,101	\$ 2,495,101	\$ -
Less: Prior Year Outstanding Warrants	(6,069)	(6,069)	-
Less: Prior Year Encumbrances	(132,664)	(102,603)	30,061
Beginning Cash Balances, Budgetary Basis	2,356,368	2,386,429	30,061
Receipts:			
Ad Valorem Taxes	1,715,141	1,865,297	150,156
Charges for Services	336,434	336,434	-
Intergovernmental Revenues	-	3	3
Miscellaneous Revenues	-	673	673
Total Receipts, Budgetary Basis	2,051,575	2,202,407	150,832
Expenditures:			
Health and Welfare	4,407,943	1,627,329	2,780,614
Total Expenditures, Budgetary Basis	4,407,943	1,627,329	2,780,614
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	2,961,507	\$ 2,961,507
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		281,471	
Add: Current Year Outstanding Warrants		23,028	
Ending Cash Balance		\$ 3,266,006	

**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, 2016**

	Beginning Cash Balances July 1, 2015	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2016
Remaining Aggregate Funds:				
Sheriff Prisoner Care	\$ 187,775	\$ 208,171	\$ 303,757	\$ 92,189
County Clerk Records Preservation Fee	282,135	180,480	129,536	333,079
Court Fund Payroll	128,968	100,000	91,563	137,405
County Clerk Lien Fee	107,913	127,147	48,277	186,783
Sheriff Commissary	109,345	74,562	86,472	97,435
Sheriff Federal Equitable	71,438	44,733	51,000	65,171
Treasurer Mortgage Tax Certification Fee	100,598	35,865	63,169	73,294
Emergency Management	56,954	32,000	12,045	76,909
Assessor Revolving	79,977	10,684	-	90,661
Flood Plain	44,804	7,250	10,299	41,755
Sheriff Benefit	3,135	5,800	-	8,935
Sheriff Reward Fund/Trash Cop	1,289	419	735	973
Assessor Visual Inspection Investment	84,132	148	-	84,280
Juvenile Deferral Fee Revolving	3,650	-	-	3,650
Sheriff Training	2,849	-	-	2,849
Grant Cash Voucher Fund	6,637	-	1,091	5,546
Emergency Management Shelter A	33,151	-	27,500	5,651
County Bridge Improvement	77,593	-	628	76,965
Adult Drug Court	78,855	72,115	42,487	108,483
<b>Combined Total - Remaining Aggregate Funds</b>	<b>\$ 1,461,198</b>	<b>\$ 899,374</b>	<b>\$ 868,559</b>	<b>\$ 1,492,013</b>

**CANADIAN COUNTY, OKLAHOMA  
NOTES TO OTHER SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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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.

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

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

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.

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

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.

**CANADIAN COUNTY, OKLAHOMA  
NOTES TO OTHER SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

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

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

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.

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.

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.

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

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

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

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, 2016, 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, 2016, 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: 2016-3.

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: 2016-6.

### **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 Standard*. 2016-3.

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.

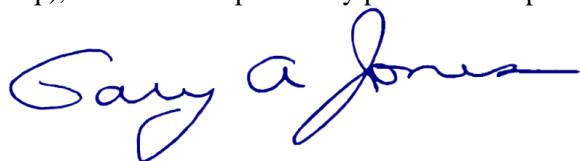
### **Canadian County's Responses to Findings**

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, reading "Gary A. Jones". The signature is fluid and cursive, with the first name "Gary" being the most prominent part.

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, 2016**

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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 2016-3—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 ten (10) instances noted where the purchase orders were not properly encumbered.

<b>Fund</b>	<b>Account</b>	<b>Purpose</b>	<b>Purchase Order Number</b>	<b>Amount</b>
County General Fund	Excise Board	Travel	7929	\$39.93
County General Fund	OSU Extension	Desks	9237	\$2,601.90
Sheriff Service Fee	Sheriff	Paint & Labor	3787	\$3,690.00
County Highway Cash	District 3	Road Rock	399	\$10,053.59
County General Fund	Building Repairs	Service	8588	\$40,037.20
Juvenile Contracts	Juvenile	Reimbursement	8685	\$71,501.96
Juvenile Contracts	Juvenile	Reimbursement	1576	\$103,742.14
County Highway Cash	District 1	Debris Removal	5603	\$258,229.33
CBRI – 105	District 2	Services	4791	\$11,733.25
County Highway Cash	District 3	Payment	5851	\$500,000.00

**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 the state statute.

**Effect of Condition:** These conditions resulted in noncompliance with the state statute 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, 2016**

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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.

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

- County funds should be encumbered prior to the receipt of goods and/or services.

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:** D1 funds were encumbered on January 25, 2016 for the debris removal/disposal with Purchase Order Number 2016-5595, based on figures quoted by the Emergency Manager to pay by the cubic yard (with advice from the Emergency Manager that work would be in D1 on that date). A blanket purchase order [PO32016-5603] to cover expenses for the following month was issued the same date, becoming effective the following Monday 02/01/16. Billing was received by the Emergency Manager and provided to D1 on May 2, 2016. Invoices were for the entire county project and split between the districts by the Emergency Manager. Districts were billed as a total amount due rather than by cubic yard breakdown. At which point PO#2016-5595 was voided and PO#2016-5603 was received for payment to be submitted. Invoices from work dates beginning as early as January 22, 2016 for the entire county. Tickets were not provided to D1 of when work began in this district. District 1 will timely requisition for services to follow proper purchasing procedures.

**District 2:** As the chairman of the board of commissioners, I will work with the 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 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

**CANADIAN COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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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.

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 offices have not known that travel expenses should be estimated and encumbered prior to the travel event. The Purchasing Agent will notify all county offices to begin encumbering purchase orders prior to travel events pursuant to the Audit Standards SA&I Ruling 05-25-16.

**Canadian County Children Justice Center:** These purchase orders were not encumbered in the correct month. The accounting department has been informed on the correct manner to requisition purchase orders for encumbrance prior to the purchase of goods and services.

**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. § 1505C.

**Finding 2016-6 – 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, it was noted that personnel that are no longer employed by the County, remain as authorized signers on the County’s bank accounts.

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

**CANADIAN COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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**Cause of Condition:** Policies and procedures have not been designed and implemented to review the authorized persons on the County's bank accounts or to identify bank accounts under the control of the County.

**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. 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:** 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.

**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 2016-8 – 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:

**CANADIAN COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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**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 receipting and the disbursement process and to ensure adequate internal controls over receipting and 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 others 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 task involved with generating and paying a claim.

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 others 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.

**CANADIAN COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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**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 2016-9 – 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 controls are in place with regards to Inmate Trust Fund Checking Account financial operations.

**Effect of Condition:** This condition 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 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.

**Finding 2016-10 – Inadequate Internal Controls and Noncompliance Over Fixed Assets**

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

**County Assessor:**

- A test of five (5) inventory items for the County Assessor indicated one (1) item did not have an inventory number affixed to the item.

**Children's Justice Center:**

- Evidence of a physical inventory verification for fiscal year 2015-2016 was not retained.

**CANADIAN COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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- A test of five (5) inventory items for the Children's Justice Center indicated two (2) items did not have an inventory number affixed to the item.

**County Sheriff:**

- A test of fifteen (15) inventory items for the County Sheriff indicated nine (9) items did not have an inventory number affixed to the item.

**District 2 County Commissioner:**

- A test of fifteen (15) inventory items for District 2 indicated three (3) items did not have an inventory number affixed to the item.

**District 3 County Commissioner:**

- A test of fifteen (15) inventory items for District 3 indicated four (4) items were not properly identified as "Property of Canadian County."

**General Government:**

- A test of five (5) inventory items for General Government indicated two (2) items did not have an inventory number affixed to the item.

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

**Effect of Condition:** When fixed assets are not monitored, opportunities for misuse or loss of equipment can occur.

**Recommendation:** OSAI recommends management implement internal controls to ensure compliance with 19 O.S. § 178.1, 19 O.S. § 1502 (A) (1), 19 O.S. § 1502 (B) (1) and 69 O.S. § 645, by maintaining inventory records and marking assets with county identification numbers and "Property of." OSAI recommends the performing and documenting a periodic inventory of fixed assets. Additionally, the key functions of receiving duties and inventory control duties should be performed by separate employees in order to effectively segregate those duties.

**Management Response:**

**County Assessor:** Inventory audits are conducted on all items over \$500, and are reconciled to the Canadian County Clerk's inventory listing. Last year some inventory items were given to other county departments by way of transfer utilizing the appropriate transfer paperwork. Remaining surplus inventory items were disposed of based low value estimates, and broken items were evaluated and junked if they were cost-prohibitive to repair. Traditionally all fixed asset inventory items were required to have a county ID number affixed for tracking purposes. However, this practice was not applied to inventory vehicles based on previous direction. This has since been corrected and county ID numbers are now affixed to the inside glove box of all county vehicles. Inventory audits are conducted every six months (January and July), and the audit is conducted by someone other than the record keeper.



**CANADIAN COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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**Children's Justice Center:** Evidence of Fiscal Year 2015-2016 inventory was kept in our Bookkeeping files but was not filed with the County Clerk. All departments were emailed a copy of the inventory list given by the County Clerk's office and were asked to record their verification of items in their area. Afterwards these lists were sent to Bookkeeping where they were maintained in a separate inventory folder until all information was received. These copies should have been given to the County Clerk's office with the summary pages. Proper procedures will be followed for the future inventories. The two items not having visible inventory numbers have been corrected and labels have been placed on the outside of the Axis rack and the Power Edge R730 Server. Inventory will be taken periodically throughout the year to ensure that proper labeling of equipment has not been overlooked, removed, or fallen off due to use and/or weather, and future inventory control duties will be taken by appropriate personnel to ensure compliance with the state statute regarding fixed assets.

**County Sheriff:** The office will ensure all inventory over \$500.00 are appropriately labeled with inventory numbers. We will continue to use two people for this process, one to assigning the number and the other to mark the equipment.

**District 2 County Commissioner:** I will develop an internal control policy for District 2 that addresses the periodic inspection of our vehicles to ensure the inventory number has not been damaged or removed. All employees of the district will be made aware of the need to perform this inspection and inform the district foreman when a replacement number needs to be applied. The computer servers in the courthouse will be assigned and affixed with an inventory number as well.

**District 3 County Commissioner:** In checking on the four particular pieces of equipment that the county SAI stated were not marked, it was found that all four are now labeled and marked as "Property of Canadian County. Thus, the response is that the requirements of Title 19 are noted and we will continue to maintain inventory records and mark assets.

**Criteria:** An important aspect of internal controls is the safeguarding of assets. Internal controls constitute a process affected by an entity's governing body, management and other personnel designed to provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of fixed assets inventory.

Title 19 O.S. § 178.1 requires the board of county commissioners in each county of this state to take or cause to be taken, an inventory of all working tools, apparatus, machinery and equipment.

Title 19 O.S. § 1502(A)(1) requires a prescribed uniform identification system for all supplies, materials, and equipment of a county used for maintenance for roads and bridges.

Title 19 O.S. § 1502(B)(1) requires a prescribed uniform identification system for all supplies, materials, and equipment of a county not used in the construction and maintenance for roads and bridges.

Title 69 O.S. § 645 requires all county owned, rented, or leased road machinery or equipment be clearly and visibly marked "Property Of."

**CANADIAN COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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**Finding 2016-11 – Inadequate Internal Controls and Noncompliance Over Consumable Inventories**

**Condition:** Upon inquiry and observation consumable inventory items, we noted the following:

**District 2 County Commissioner:**

- There was no evidence of District 2 performing monthly physical consumable inventory verifications.
- Of the five (5) items selected for inspection, one (1) did not match the count on the inventory.

**District 3 County Commissioner:**

- There was no evidence of District 3 performing monthly physical consumable inventory verification.
- Of the five (5) items selected for inspection, four (4) did not match the count on the inventory.

**Cause of Condition** Policies and procedures have not been designed and implemented with regard to accounting for and safeguarding of consumable items.

**Effect of Condition:** This condition resulted in noncompliance with the state statute. When consumable inventory items are not adequately safeguarded and accounted for, there is an opportunity for misappropriation and undetected errors.

**Recommendation:** OSAI recommends that the County implement policies and procedures to ensure compliance with Title 19 O.S. § 1504A, which would provide assurance that the consumable items of the County are protected from loss and misuse.

OSAI also recommends the performing and documenting of a monthly consumable inventory count. Counts should be initialed and dated by the employee performing the physical count and retained to show the design and implementation of internal controls by the County Commissioners. Additionally, the key functions of receiving duties and consumable inventory control duties should be performed by separate employees in order to effectively segregate those duties.

**Management Response:**

**District 2 County Commissioner:** I will develop an internal control policy for District 2 establishing the practice of the district foreman examining our consumable materials monthly and verifying the quantities match the records kept in the office of the district receiving agent.

**District 3 County Commissioner:** Of the four items in the yard where the SA&I quantity did not match the County quantity, it appears this issue could be more complex than just a monthly inventory. Not to say regular, monthly inventories are not important; but to really account for exact footages of an item we need to have a solid daily procedure. This could be built into our Daily Work Reports. Then if there is a small difference at the monthly inventory a reconciliation could be determined much easier. Certainly, the monthly inventory process needs to be more strictly enforced and I will add a monthly reminder to myself to follow up that it has been done.

**CANADIAN COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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**Criteria:** An important aspect of internal controls is the safeguarding of assets. Internal controls constitute a process affected by an entity's governing body, management and other personnel designed to provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of consumable inventory.

Title 19 O.S. § 1504A provides guidance with regard to accounting for the consumable items.



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