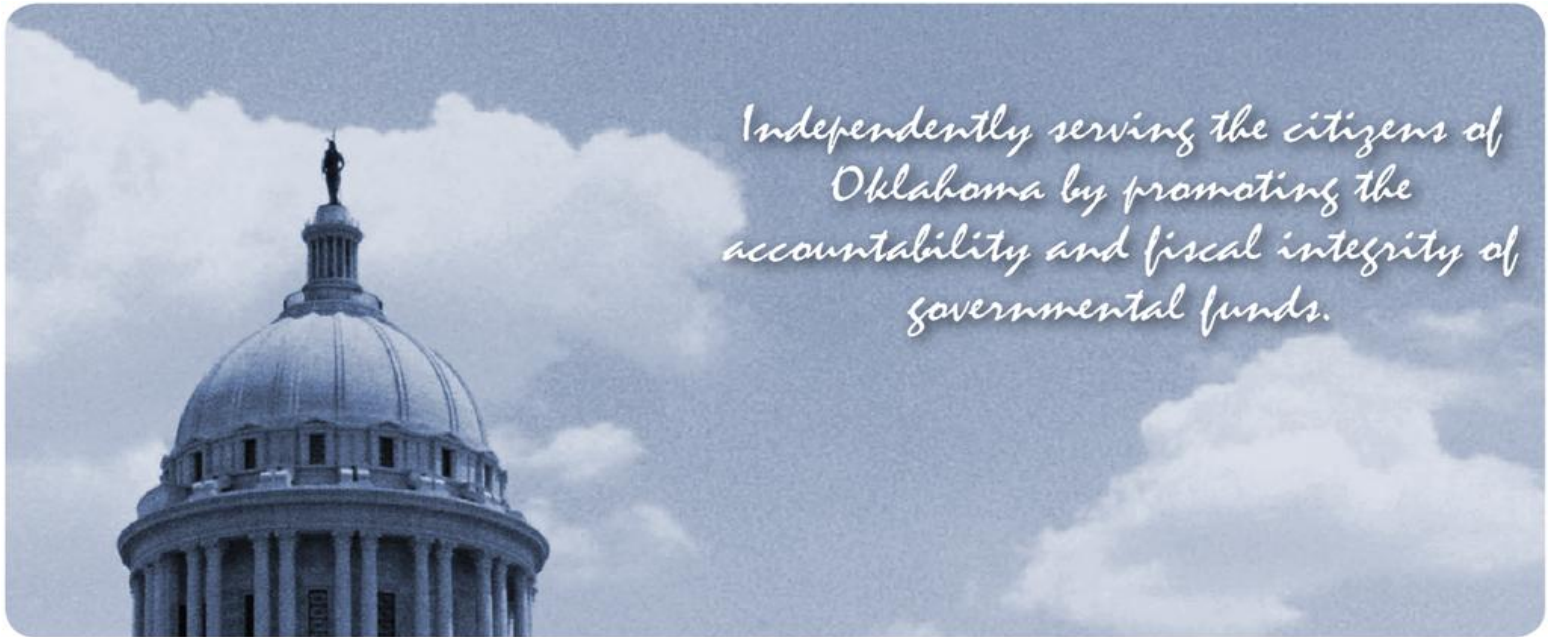


OPERATIONAL AUDIT

# CHOCTAW COUNTY

For the fiscal year ended June 30, 2012



*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

**CHOCTAW COUNTY OPERATIONAL AUDIT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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



# Oklahoma State Auditor & Inspector

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

February 29, 2016

**TO THE CITIZENS OF  
CHOCTAW COUNTY, OKLAHOMA**

Transmitted herewith is the audit report of Choctaw County for the fiscal year ended June 30, 2012.

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

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

Sincerely,

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

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

**CHOCTAW COUNTY, OKLAHOMA  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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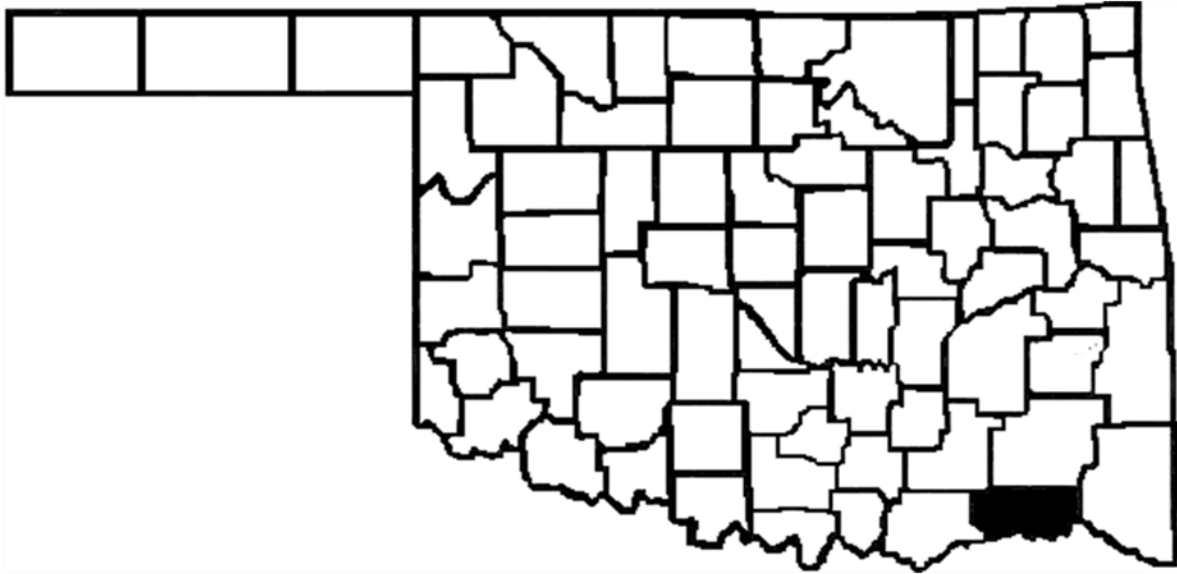
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**PRESENTED FOR INFORMATIONAL PURPOSES ONLY**

**CHOCTAW COUNTY, OKLAHOMA  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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Choctaw County was created at the time of statehood and named for the Choctaw Nation of Indians whose tribal name is Chahta.

Early industry in the area was limited to patch farming, but agriculture became more established with the advent of the railroad and resulting increase of immigrants to the area.

Hugo, the county seat, is the winter quarters for the Carson and Barnes Circus, the largest truck-drawn circus under the big top in the United States. The Kiamichi Area Vocational-Technical School, and the Western Farmers Electric Cooperative are also located in Hugo.

The PRCA Professional Rodeo and Grant's Bluegrass Festival are held annually in June and August, respectively. Hugo Lake and Lake Raymond Gary State Park provide additional recreational outlets for the county.

Additional county information can be obtained from the Choctaw County Historical Society. *Smoke Signals* is a history book about the county. For more information, call the county clerk's office at 580/326-3778.

County Seat – Hugo

Area – 800.68 Square Miles

County Population – 14,872  
(2009 est.)

Farms – 1,134

Land in Farms – 326,300 Acres

Primary Source: Oklahoma Almanac 2011-2012

**CHOCTAW COUNTY OFFICIALS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

---

**Board of County Commissioners**

District 1 – Ronnie Thompson  
District 2 – Randy Robertson  
District 3 – Roger Vandever

**County Assessor**

Becky Harris

**County Clerk**

Emily VanWorth

**County Sheriff**

Lewis Collins

**County Treasurer**

Arlene Minchey

**Court Clerk**

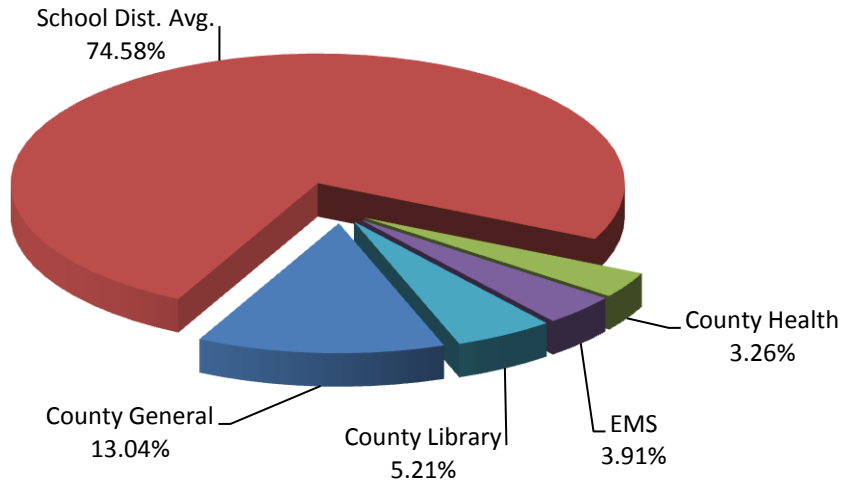
Jimmy L. Walker

**District Attorney**

Mark Matloff

**CHOCTAW COUNTY, OKLAHOMA  
AD VALOREM TAX DISTRIBUTION  
SHARE OF THE AVERAGE MILLAGE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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



County-Wide Millages		School District Millages							
				Gen.	Bldg.	Skg.	Career Tech.	Common	Total
County General	10.00								
County Health	2.50	Boswell	I-1	35.00	5.00	-	12.00	4.00	56.00
EMS	3.00	Ft. Towson	I-2	35.00	5.00	-	12.00	4.00	56.00
County Library	4.00	Grant	I-3	35.00	5.00	-	12.00	4.00	56.00
		Soper	I-4	35.00	5.00	7.28	12.00	4.00	63.28
		Hugo	I-39	35.00	5.00	-	12.00	4.00	56.00
		Swink	D-21	35.00	5.00	-	12.00	4.00	56.00



**CHOCTAW COUNTY, OKLAHOMA  
SALES TAX DISTRIBUTION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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## **Sales Tax**

### **Sales Tax of November 4, 2008**

The voters of Choctaw County approved a continuation of a one-quarter percent (0.25%) sales tax on November 4, 2008. This sales tax was established for the purpose of providing funding for the fire departments in the following communities:

1. Bluff
2. Boswell
3. Fort Towson
4. Grant
5. Hugo
6. Messer
7. Nelson
8. Sawyer
9. Soper
10. Speer
11. Spencerville
12. Swink

These funds are accounted for in the Presentation of Apportionments, Disbursements, and Cash Balances of County Funds in the VFD Cash fund.

### **Sales Tax of December 8, 2008**

The voters of Choctaw County also approved a three-quarter of one percent (0.75%) sales tax on December 8, 2008 to become effective April 1, 2009. This sales tax was established to provide funds for the purpose of furnishing, equipping, repairing, renovating, and maintaining the Choctaw County Memorial Hospital, including indebtedness.

These funds are accounted for in the Presentation of Apportionments, Disbursements, and Cash Balances of County Funds in the Hospital Cash fund.

### **Sales Tax of May 11, 2010**

The voters of Choctaw County approved a continuation of a one percent (1%) sales tax on May 11, 2010 to become effective on June 1, 2010 and to expire June 1, 2015. This sales tax was established to provide revenue to the County for the following areas:

**CHOCTAW COUNTY, OKLAHOMA  
SALES TAX DISTRIBUTION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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- County Ambulance Authority 18%
- County Road Improvement 36%
- County Law Enforcement 15%
- County General 18%
- County Economic Development 8%
- County Extension Service 4%
- County Libraries (Maintenance and Operation) 1%

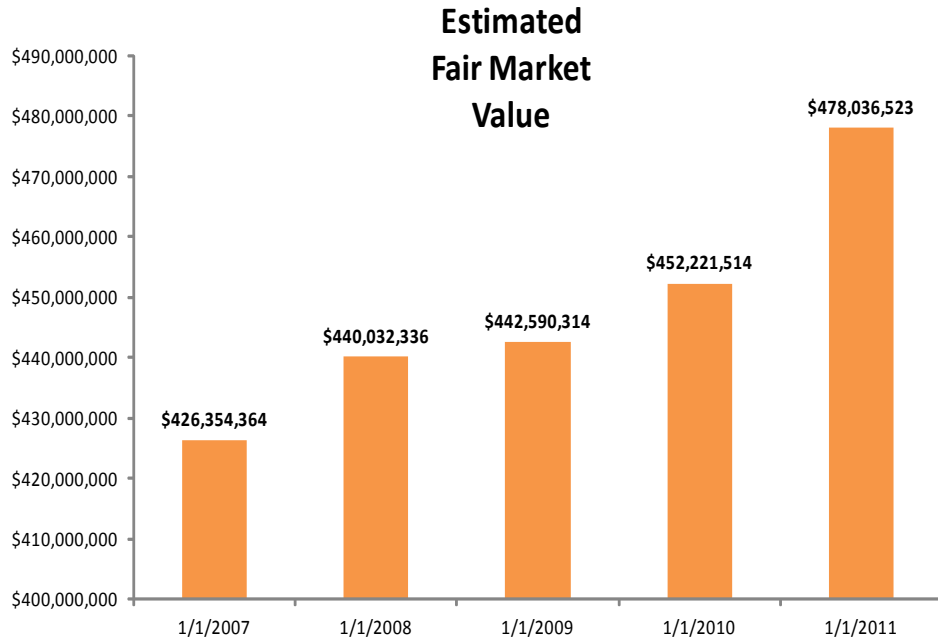
These funds are accounted for in the Presentation of Apportionments, Disbursements, and Cash Balances of County Funds in the 1 Cent Ambulance Cash, 1 Cent Road Improvement Cash, 1 Cent Law Enforcement Cash, 1 Cent County General Cash, 1 Cent Economics Cash, 1 Cent County Extension Cash, and 1 Cent County Library Cash funds.

During the fiscal year the County collected \$2,180,785 in total sales tax.

Sales Tax Revenue	Total Collection
County Memorial Hospital	\$ 817,794
County Road Improvement	392,541
County Fire Departments	272,598
County Ambulance Authority	196,271
County General	196,271
County Law Enforcement	163,559
County Economic Development	87,231
County Extension	43,616
County Libraries	<u>10,904</u>
Total Collected	<u>\$2,180,785</u>

**CHOCTAW COUNTY, OKLAHOMA  
 ASSESSED VALUE OF PROPERTY  
 TREND ANALYSIS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

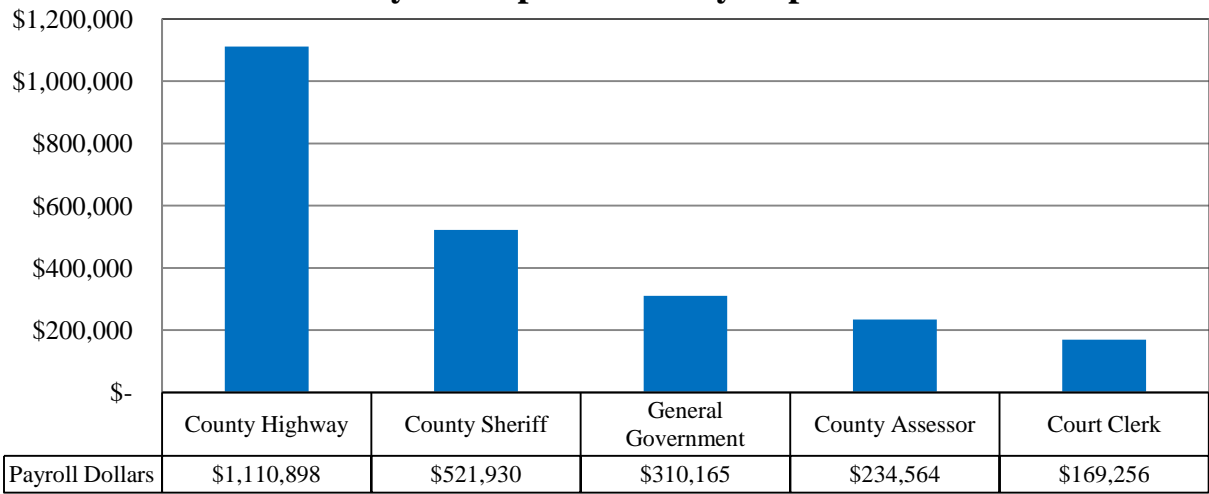
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2011	\$8,766,933	\$10,745,683	\$38,444,243	\$3,965,299	\$53,991,560	\$478,036,523
1/1/2010	\$7,466,943	\$9,180,645	\$37,687,101	\$4,028,436	\$50,306,253	\$452,221,514
1/1/2009	\$7,577,567	\$8,886,515	\$36,664,110	\$4,114,354	\$49,013,838	\$442,590,314
1/1/2008	\$7,682,887	\$8,852,274	\$36,294,533	\$4,111,764	\$48,717,930	\$440,032,336
1/1/2007	\$7,269,346	\$9,480,618	\$34,889,325	\$4,243,218	\$47,396,071	\$426,354,364



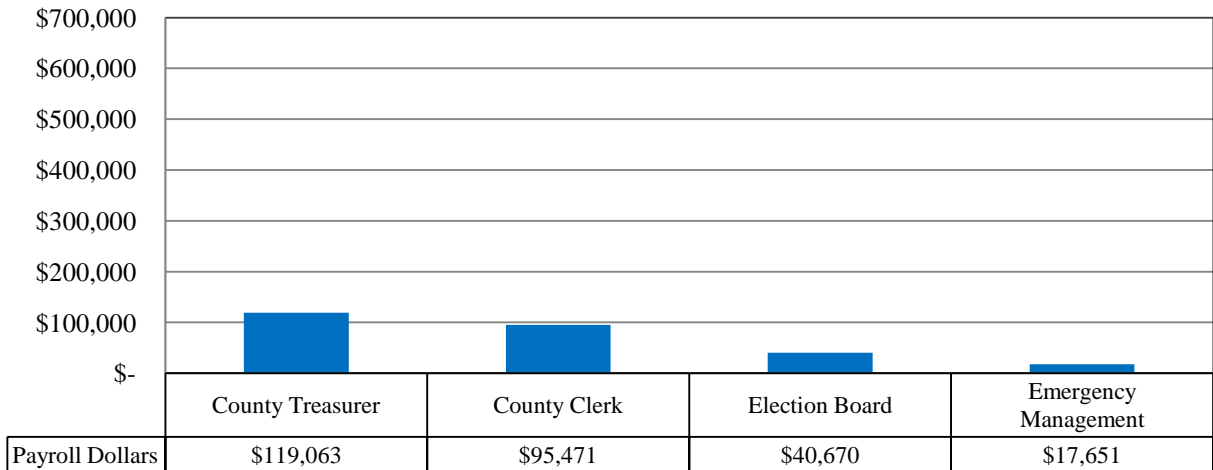
**CHOCTAW COUNTY, OKLAHOMA  
COUNTY PAYROLL EXPENDITURES ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

County officers' salaries are based upon the assessed valuation and population of the counties. State statutes provide guidelines for establishing elected officers' salaries. The Board of County Commissioners sets the salaries for all elected county officials within the limits set by the statutes. The designated deputy or assistant's salary cannot exceed the principal officer's salary. Salaries for other deputies or assistants cannot exceed the principal officer's salary. The information presented below is for the fiscal year ended June 30, 2012.

**Payroll Expenditures by Department**



**Payroll Expenditures by Department**

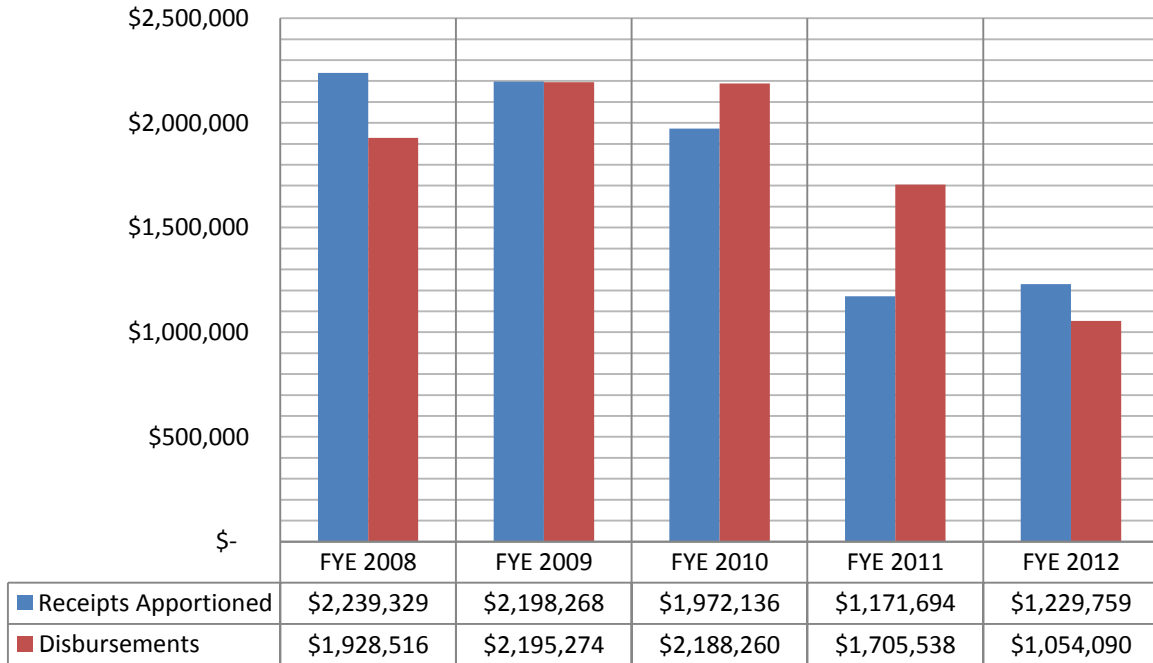


**CHOCTAW COUNTY, OKLAHOMA  
COUNTY GENERAL FUND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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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.

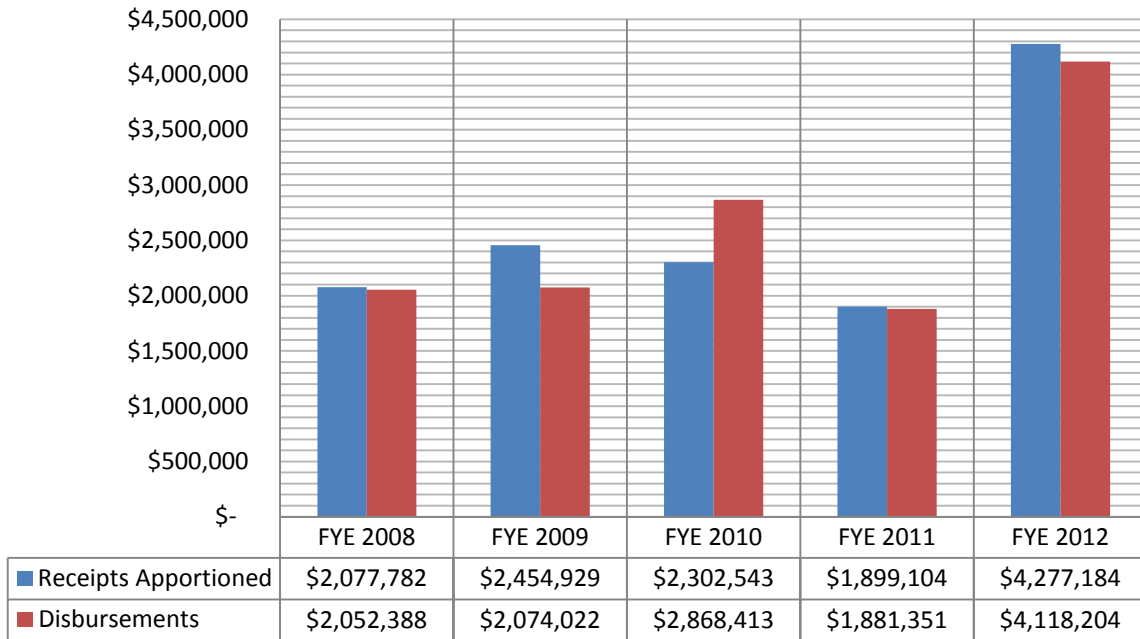


**CHOCTAW COUNTY, OKLAHOMA  
COUNTY HIGHWAY FUND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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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.



**CHOCTAW COUNTY  
OPERATIONAL AUDIT**

**Presentation of Apportionments, Disbursements, and Cash Balances of County Funds for Fiscal Year Ending June 30, 2012**

	Beginning Cash Balances July 1, 2011	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2012
Combing Information:						
County Funds:						
County General	\$ 384,891	\$ 1,229,759	\$ 12	\$ -	\$ 1,054,090	\$ 560,572
1 Cent County General Cash	139,248	196,540	-	-	189,359	146,429
County Sinking	12	-	-	12	-	-
County Highway	489,373	4,277,184	95,834	-	4,118,204	744,187
County Highway Restricted	155,084	136,149	-	-	180,965	110,268
1 Cent Road Improvement Cash	170,134	392,836	-	-	432,735	130,235
CBRI 105	1,152,890	327,583	-	93,285	42,026	1,345,162
CBRI 103	24,968	-	-	2,549	10,132	12,287
REAP	23,772	117,209	-	-	65,823	75,158
CDBG - EC	81,717	97	-	-	55,272	26,542
CDBG - General	8,016	13,769	-	-	21,785	-
County Health Department	212,979	142,939	-	-	98,812	257,106
Hospital Cash	601,575	817,794	-	-	765,334	654,035
Sheriff Service Fee	356,102	104,814	-	-	156,169	304,747
Sheriff Commissary	105,480	65,000	-	-	32,287	138,193
Drug Enforcement Revolving	57,470	110	-	-	-	57,580
1 Cent Law Enforcement Cash	55,636	163,642	-	-	119,306	99,972
Sheriff Lake Patrol	841	-	-	-	-	841
Department of Corrections Boarding	1,305,347	152,256	-	-	398,311	1,059,292
Emergency Management	2,400	37,653	-	-	15,000	25,053
1 Cent Ambulance Cash	37,949	196,271	-	-	202,836	31,384
Treasurer Mortgage Tax Certification Fee	5,977	2,705	-	-	1,324	7,358
County Treasurer Fee	679	197	-	-	84	792
County Treasurer Resale	101,500	122,339	-	-	79,295	144,544
County Assessor	32,398	1,278	-	-	-	33,676
Fair Board Cash Account	8,458	6,440	-	-	2,714	12,184
County Clerk Lien Fee	7,522	5,907	-	-	6,817	6,612
County Clerk Preservation	36,694	14,674	-	-	3,473	47,895
VFD Cash	335,278	272,598	-	-	177,707	430,169
Insurance Recovery	104,766	20,797	-	-	106,030	19,533
DHS Advocacy	357	-	-	-	-	357
Choctaw County E-911	744,374	117,947	-	-	70,306	792,015
Reward	-	100	-	-	-	100
1 Cent County Library Cash	1,701	10,904	-	-	8,065	4,540
1 Cent Economics Cash	76,557	87,404	-	-	68,860	95,101
1 Cent County Extension Cash	10,580	43,616	-	-	47,127	7,069
<b>Combined Total - All County Funds</b>	<b>\$ 6,832,725</b>	<b>\$ 9,078,511</b>	<b>\$ 95,846</b>	<b>\$ 95,846</b>	<b>\$ 8,530,248</b>	<b>\$ 7,380,988</b>

Source: County Treasurer's Monthly Reports (presented for informational purposes)

**CHOCTAW COUNTY  
DESCRIPTION OF COUNTY FUNDS  
OPERATIONAL AUDIT  
FOR THE FISCAL YEAR JUNE 30, 2012**

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**Description of County Funds**

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 within the Presentation of Apportionments, Disbursements, and Cash Balances of County Funds:

County General – accounts for ad valorem, officers’ fees, interest earnings, and miscellaneous collections of the County. Disbursements are for the general operations of the County.

1 Cent County General Cash – accounts for the sales tax revenue collected, and the disbursement thereof, as restricted by sales tax, to be used for general county purposes.

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

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

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

1 Cent Road Improvement Cash – accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the sales tax resolution to be used for county roads and bridges.

CBRI 105 – accounts for funds received from the Oklahoma Department of Transportation, and disbursements are restricted by state statutes for the purpose of reimbursement for constructing and maintaining county roads and bridges.

CBRI 103 – accounts for funds received from the Oklahoma Department of Transportation, and disbursements are restricted by state statutes for the purpose of reimbursement for constructing and maintaining bridges.

REAP – accounts for state grant funds received for various projects.

CDBG - EC – accounts for payments from incubator companies on a revolving loan fund established with federal funds from the Department of Commerce for the economic development of Choctaw County.



**CHOCTAW COUNTY  
DESCRIPTION OF COUNTY FUNDS  
OPERATIONAL AUDIT  
FOR THE FISCAL YEAR JUNE 30, 2012**

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CDBG - General – accounts for the federal funds passed through the Oklahoma Department of Commerce for grants to be used for the repair of county owned buildings.

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

Hospital Cash – accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the sales tax resolution.

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

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

Drug Enforcement Revolving – accounts for monies collected from the disposition of property seized during drug abuse cases, and disbursement for the intervention and prevention of narcotic use.

1 Cent Law Enforcement Cash – accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the sales tax resolution to be used for the Sheriff's office.

Sheriff Lake Patrol – accounts for contract services with the Corps of Engineers for patrolling lake areas.

Department of Corrections Boarding – accounts for monies received from the State of Oklahoma for the boarding and feeding of Department of Corrections' prisoners. Disbursements of funds are for jail operating expenses.

Emergency Management – accounts for the receipt and disbursement of funds from state and local governments for civil defense purposes.

1 Cent Ambulance Cash – accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the sales tax resolution to be used for ambulance related services.

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

County Treasurer Fee – accounts for the collection of fees by the County Treasurer for copy fees, research fees, and insufficient check fees to be used for the operation of the County Treasurer's office.

**CHOCTAW COUNTY  
DESCRIPTION OF COUNTY FUNDS  
OPERATIONAL AUDIT  
FOR THE FISCAL YEAR JUNE 30, 2012**

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

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

Fair Board Cash Account – accounts for funds collected from Fair Board activities to be used for County fair expenses.

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

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

VFD Cash – accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the sales tax resolution.

Insurance Recovery – accounts for monies received from insurance companies for damages to county property.

DHS Advocacy – accounts for the state funds for the protection of minor children sponsored by Department of Human Services (DHS).

Choctaw County E-911 – accounts for monies received from private telephone companies for the operation of emergency 911 services.

Reward – accounts for state funds used to offset the cost of programs used to control illegal dumping, as restricted by state statute.

1 Cent County Library Cash – accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the sales tax resolution to be used for the maintenance and operation of the county library.

1 Cent Economics Cash – accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the sales tax resolution to be used by the county economic development office.

1 Cent County Extension Cash – accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the sales tax resolution to be used by the county extension office.

**CHOCTAW COUNTY, OKLAHOMA**  
**COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND**  
**CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—**  
**COUNTY GENERAL FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 384,891	\$ 384,891	\$ -
Less: Prior Year Outstanding Warrants	(121,655)	(121,655)	-
Less: Prior Year Encumbrances	(5,443)	(5,776)	(333)
Beginning Cash Balances, Budgetary Basis	<u>257,793</u>	<u>257,460</u>	<u>(333)</u>
Receipts:			
Ad Valorem Taxes	490,832	566,901	76,069
Charges for Services	41,800	46,963	5,163
Intergovernmental Revenues	387,850	602,209	214,359
Miscellaneous Revenues	8,000	13,686	5,686
Total Receipts, Budgetary Basis	<u>928,482</u>	<u>1,229,759</u>	<u>301,277</u>
Expenditures:			
District Attorney - County	8,000	8,000	-
County Sheriff	117,512	117,511	1
County Treasurer	80,730	79,679	1,051
County Commissioners OSU Extension	6,300	6,208	92
County Clerk	96,780	95,653	1,127
Court Clerk	101,130	97,645	3,485
County Assessor	52,130	52,110	20
Revaluation	216,115	207,970	8,145
General Government	379,502	286,347	93,155
Excise Equalization	5,250	5,250	-
County Election Expense	54,842	47,525	7,317
Xerox	3,000	2,996	4
Civil Defense	36,080	18,871	17,209
Sales Tax - 8% Co Dev	937	937	-
Sales Tax - 36% Road	17	17	-
Sales Tax - 18% Gen Gov	182	182	-
County Audit Budget Account	20,268	20,238	30
Free Fair Budget Account	7,500	7,492	8
Total Expenditures, Budgetary Basis	<u>1,186,275</u>	<u>1,054,631</u>	<u>131,644</u>

Continued on next page

*Source: County Estimate of Needs (presented for informational purposes)*

**CHOCTAW COUNTY, OKLAHOMA**  
**COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND**  
**CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—**  
**COUNTY GENERAL FUND - CONTINUED**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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	General Fund		
	Budget	Actual	Variance
Continued from previous page			
Excess of Receipts and Beginning Cash			
Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	432,588	<u>\$ 432,588</u>
Interfund Transfers:			
Interfund Transfer In		<u>12</u>	
Net Interfund Transfers		<u>12</u>	
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Outstanding Warrants		125,472	
Add: Current Year Encumbrances		<u>2,500</u>	
Ending Cash Balance		<u>\$ 560,572</u>	

**CHOCTAW 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, 2012**

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	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 212,979	\$ 212,979	\$ -
Less: Prior Year Outstanding Warrants	(9,586)	(9,586)	-
Less: Prior Year Encumbrances	(575)	(232)	343
Beginning Cash Balances, Budgetary Basis	202,818	203,161	343
Receipts:			
Ad Valorem Taxes	122,019	141,730	19,711
Miscellaneous Revenues	1,209	1,209	-
Total Receipts, Budgetary Basis	123,228	142,939	19,711
Expenditures:			
County Health Budget Account	326,046	120,367	205,679
Total Expenditures, Budgetary Basis	326,046	120,367	205,679
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	225,733	\$ 225,733
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Cancelled Warrants		80	
Add: Current Year Encumbrances		14,674	
Add: Current Year Outstanding Warrants		16,619	
Ending Cash Balance		\$ 257,106	

*Source: County Estimate of Needs (presented for informational purposes)*

**CHOCTAW COUNTY  
OPERATIONAL AUDIT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**PURPOSE, SCOPE, AND SAMPLE METHODOLOGY**

This audit was conducted in response to 19 O.S. § 171, which requires the State Auditor and Inspector's Office to audit the books and accounts of county officers.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

In planning and conducting our audit, we focused on the major financial related areas of operations based on assessment of materiality and risk for the fiscal year ended June 30, 2012. Our audit procedures included:

- Inquiries of appropriate personnel,
- Inspections of documents and records,
- Observations of the County's operations,
- Reconciling total apportionments, disbursements, and balances presented on the County's Presentation of Apportionments, Disbursements, and Cash Balances of County Funds for the fiscal year to the County Treasurer's and County Clerk's financial ledgers,
- Confirming third party confirmations to the financial ledgers, and
- Selecting representative samples to determine disbursements were made in accordance with state statutes, approved ballots, and county purchasing procedures.
- Gaining an understanding of the County's internal controls as it relates to each audit objective.

To ensure the samples were representative of the population and provided sufficient, appropriate evidence, both random sample and judgmental sample methodologies were used. We identified specific attributes for testing each of the samples and when appropriate, we projected our results to the population.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, errors or fraud may occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that conditions may change or compliance with policies and procedures may deteriorate.

This report is 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.

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**Objective 1:** To determine the receipts apportioned, disbursements, and cash balances are accurately presented on the County Treasurer's monthly reports for FY 2012.

**Conclusion:** With respect to the items reconciled and reviewed; the receipts apportioned, disbursements, and cash balances were accurately presented on the County Treasurer's monthly reports; however, we noted some deficiencies in internal controls regarding the financial reporting process.

**FINDINGS AND RECOMMENDATIONS**

**Finding 2012-4 – Inadequate Internal Controls Over the County Treasurer's Monthly Reports and Lack of Segregation of Duties in the County Treasurer's Office (Repeat Finding)**

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

- The monthly reports are not being reviewed for accuracy by someone other than the preparer.
- There was no documentation the County Clerk reconciles all funds with the County Treasurer.
- Bank reconciliations were not reviewed and approved by someone other than the preparer.
- Reconciling items were not adequately documented with the bank reconciliations.

**Cause of Condition:** Policies and procedures have not been designed and implemented to review apportionments, disbursements, and cash balances to verify that these amounts are accurately presented on the monthly reports, and ensure a reconciliation of the County Clerk's appropriation ledger to the County Treasurer's general ledger was performed. Additionally, policies and procedures have not been designed and implemented to ensure all bank accounts are reconciled and approved and that all reconciling items are documented and investigated.

**Effect of Condition:** These conditions could result in unrecorded transactions, misstated financial reports, undetected errors, or misappropriation of funds.

**Recommendation:** The Oklahoma State Auditor & Inspector's Office (OSAI) recommends that the County Treasurer implement a system of internal controls to provide reasonable assurance that receipts apportioned, disbursements, and cash balances are accurately presented on the County Treasurer's monthly reports. To improve controls over the County Treasurer's monthly reports, we recommend the following:

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- Monthly reports should be reviewed by someone other than the preparer.
- The funds presented on the County Clerk's appropriation ledger and the County Treasurer's general ledger should be reconciled monthly. Documentation of this reconciliation should be reviewed and approved by someone other than the preparer.
- Bank reconciliations should be reviewed by someone other than the preparer.
- Reconciling items should be documented with the bank statements.

**Management Response:**

**County Treasurer:** Some of these were done, but it is now mandatory these be reviewed and signed off by someone other than the preparer.

**County Clerk:** I have been reconciling with the County Treasurer, but not every month. However, I am correcting that.

**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. To help ensure a proper accounting of funds, the duties of receiving, receipting, recording, depositing cash and checks, reconciliations, and transaction authorization should be segregated.

**Objective 2:** To determine the County's financial operations complied with 68 O.S. § 1370E, which requires the sales tax collections to be deposited in the general revenue or Sales Tax Revolving Fund of the County and be used only for the purpose for which such sales tax was designated.

**Conclusion:** With respect to the items tested, the County complied with 68 O.S. § 1370E, which requires the sales tax collections to be deposited in the general revenue or Sales Tax Revolving Fund of the County and be used only for the purpose for which such sales tax was designated; however, internal controls over the apportionment of the sales tax should be strengthened.

**FINDINGS AND RECOMMENDATIONS**

**Finding 2012-5 – Inadequate Internal Controls Over the Sales Tax Apportionments (Repeat Finding)**

**Condition:** Upon inquiry and observation of the recordkeeping process of apportioning sales tax collections and disbursing of sales tax fund, the following was noted:



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- The calculation of sales tax collections performed and apportioned by the County Treasurer are not reviewed or approved, by someone other than the preparer.

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure collections are properly apportioned and appropriated to designated funds.

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

**Recommendation:** OSAI recommends that procedures be designed and implemented to review the calculation of the sales tax apportionment and appropriation to ensure collections are distributed in accordance with the sales tax ballot.

**Management Response:**

**County Treasurer:** The apportionment is now being reviewed and approved by someone other than the preparer.

**Criteria:** Accountability and stewardship are overall goals in evaluating management's accounting of funds. Internal controls should be designed and implemented to analyze and check accuracy and completeness. To help ensure proper accounting of funds, a recalculation of the sales tax apportionment should be independently performed and documented.

Title 68 O.S. § 1370 E states, "Any sales tax which may be levied by a county shall be designated for a particular purpose...The county shall identify the purpose of the sales tax when it is presented to the voters pursuant to the provisions of subsection A of this section...the proceeds of any sales tax levied by a county shall be deposited in the general revenue or sales tax revolving fund of the county and shall be used only for the purpose for which such sales tax was designated...."

**Objective 3:** To determine the County's financial operations complied with 68 O.S. § 2923, which requires the ad valorem tax collections to be apportioned and distributed monthly among the different funds to which they belong.

**Conclusion:** With respect to the items tested, the County complied with 68 O.S. § 2923, which requires the ad valorem tax collections to be apportioned and distributed monthly among the different funds to which they belong; however, internal controls over the apportionment of ad valorem tax should be strengthened.

**FINDINGS AND RECOMMENDATIONS**

**Finding 2012-6 – Inadequate Internal Controls Over the Ad Valorem Tax Apportionments (Repeat Finding)**

**Condition:** Upon inquiry and observation of the recordkeeping process of apportioning ad valorem collections, the following was noted:

- The County Treasurer’s office did not maintain documentation that certified levies were reviewed for accuracy when entered into the ad valorem tax system.

**Cause of Condition:** Policies and procedures have not been designed and implemented to document and retain evidence of procedures performed to ensure ad valorem tax levies are accurately entered into the ad valorem system.

**Effect of Condition:** This condition could result in ad valorem tax collections being incorrectly apportioned and remitted.

**Recommendation:** OSAI recommends that the County Treasurer implement a system of internal control to provide reasonable assurance that the tax levies are entered into the County Treasurer’s system accurately and to maintain evidence of these controls.

**Management Response:**

**County Treasurer:** Due to this finding, the printouts of these levies will henceforth be reviewed and initialed by another office employee.

**Criteria:** Accountability and stewardship are overall goals in evaluating management’s accounting of funds. Internal controls should be designed to analyze and check accuracy and completeness. To help ensure proper accounting of funds, the duties of allocating, and apportioning ad valorem tax should be segregated or reviewed by an independent party.

**Objective 4:** To determine whether the County’s internal controls provide reasonable assurance that expenditures (including payroll) were accurately reported in the accounting records and financial operations complied with significant laws and regulations.

**Conclusion:** The County’s internal controls do not provide reasonable assurance that expenditures, including payroll, were accurately reported in the accounting records.

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The County's financial operations did not comply with 19 O.S. § 1505, which requires that disbursements be timely encumbered and supported with adequate documentation

<b>FINDINGS AND RECOMMENDATIONS</b>
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**Finding 2012-7 – Inadequate Internal Controls and Noncompliance Over the Disbursement Process (Repeat Finding)**

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

- The Board of County Commissioners' secretary has physical control of County Commissioner District 1, District 2, and District 3's signature stamps, which are retained in an unsecured location.

The test of forty (40) purchase orders revealed the following exceptions:

- Two (2) were not signed by an approved requisitioning county officer.
- Four (4) were not encumbered prior to ordering or receiving the goods.
- Eight (8) did not have a completed receiving report.
- Four (4) payroll claims were not approved by the Board of County Commissioners.
- One (1) was not made for the appropriate amount, which was for an excessive travel claim. This was reimbursement to the manager of the Choctaw County Economic Development and Choctaw County Industrial Authority for travel expenses for him and his wife to attend a gun and ammunition show in Las Vegas, Nevada, January 17-20, 2012. The total receipts attached to the purchase order \$2,466.44 of which the \$1,198.73 was reimbursed from the 1 Cent Economic Cash fund, \$1,198.75 from Choctaw County Industrial Authority and the remaining \$68.96 was not included in reimbursement. Additionally, reimbursement included expenses for lodging and food for three days after the show had ended, which totaled \$568.23.

**Cause of Condition:** Policies and procedures designed by state statutes have not been adequately implemented regarding the payroll and purchasing processes. Also, procedures to control the use of the signature stamps have not been designed and implemented due to officials being unaware of the risk involved with someone other than themselves having access to their signature stamps.

**Effect of Condition:** These conditions resulted in noncompliance with state statutes and could result in unrecorded transactions, undetected errors, inaccurate records, incomplete information, and misappropriation of funds. In addition, unauthorized use of the signature stamps could result in improper authorizations and checks being fraudulently issued.

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**Recommendation:** OSAI recommends the County implement internal control procedures to ensure compliance with purchasing statutes. In addition, OSAI recommends signature stamps be adequately safeguarded from unauthorized use and be used only by the official.

**Management Response:**

**County Clerk:** These issues will be addressed.

**County Commissioner District 1:** These issues will be addressed.

**County Commissioner District 2:** These issues will be addressed.

**County Commissioner District 3:** These issues will be addressed.

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

Effective internal controls require that management properly implement procedures to ensure that purchases comply with 19 O.S. § 1505.

**Finding 2012-8 – Inadequate Segregation of Duties for Payroll (Repeat Finding)**

**Condition:** The Payroll Clerk enrolls new employees, inputs payroll information into the system, maintains personnel files, and prepares the OPERS reports and state and federal tax reports. In addition, the Payroll Clerk processes payroll claims, prints and reviews payroll verification reports for errors, prints payroll warrants, and distributes payroll warrants.

**Cause of Condition:** Policies and procedures have not been designed and implemented with regards to segregation of duties and/or compensating controls of the payroll process.

**Effect of Condition:** This condition could result in unrecorded transactions, misstated financial reports, undetected errors, and misappropriation of funds.

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

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**Management Response:**

**County Clerk:** This issue has been corrected. These duties have been assigned to ensure segregation of duties for the payroll process.

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

**All Objectives:**

The following findings are not specific to any objective, but are considered significant to all of the audit objectives.

**Finding 2012-1 – Inadequate County-Wide Controls (Repeat Finding)**

**Condition:** County-wide controls regarding Risk Management and Monitoring have not been designed.

**Cause of Condition:** Policies and procedures have not been designed and implemented to address risks of the County.

**Effect of Condition:** These conditions could result in unrecorded transactions, undetected errors, or misappropriation of funds.

**Recommendation:** OSAI recommends that the County design procedures to identify and address risks. OSAI also recommends that the County design monitoring procedures to assess the quality of performance over time. These procedures should be written policies and procedures and could be included in the County's policies and procedures handbook.

**Management Response:**

**Chairman Board of County Commissioners:** We will review and take measures to address the risk of the County.

**County Treasurer:** We will review and take measures to address the risk of the County.

**County Clerk:** We will review and take measures to address the risk of the County.

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

**Finding 2012-2 – Information System Internal Controls Assessment**

**Condition:** Upon review of the computer systems within the County Clerk's office and County Treasurer's office, it was noted that there does not appear to be adequate internal controls in place to safeguard data from unauthorized modification, loss, or disclosure. The specifics of the condition has been sanitized to protect the County pursuant to the provision of 51 O.S. § 24A.28.

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

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

**Recommendation:** OSAI recommends the County comply with best practice presented in the criteria. The specifics of the recommendation has been sanitized to protect the County pursuant to the provision of 51 O.S. § 24A.28.

**Management Response:**

**County Clerk:** These issues are being addressed.

**County Treasurer:** This finding is being discussed to determine a workable resolution.

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

**REPORT ON STATUTORY COMPLIANCE – OTHER MATTERS**



# Oklahoma State Auditor & Inspector

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Choctaw County  
Board of County Commissioners  
Choctaw County Courthouse  
Hugo, Oklahoma 74743

Dear Chairman:

For the purpose of complying with 19 O.S. § 171 and 20 O.S. § 1312, we have performed statutory procedures regarding the following offices and departments for the fiscal year ended June 30, 2012:

- All County Offices - Fixed Assets procedures (19 O.S. § 178.1 and 69 O.S. § 645).
- All County Offices - Consumable Inventories procedures (19 O.S. § 1502 and 19 O.S. § 1504).
- Court Clerk procedures (20 O.S. § 1304 and 19 O.S. § 220).
- Inmate Trust Fund procedures (19 O.S. § 531 and 19 O.S. § 180.43).

Our statutory compliance engagement was limited to the procedures related to the statutes above and was less in scope than an audit performed in accordance with generally accepted auditing standards. Accordingly, we do not express an opinion on any basic financial statement of Choctaw County.

Based on our procedures performed, we have presented our findings in the accompanying schedule.

This report is intended for the information and use of the management of the County. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

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

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

February 19, 2016



**CHOCTAW COUNTY, OKLAHOMA  
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**SCHEDULE OF FINDINGS AND RESPONSES**

**Finding: 2012-13 – Inadequate Internal Controls and Noncompliance Over Fixed Assets (Repeat Finding)**

**Condition:** While gaining an understanding of controls over fixed assets, we noted the following:

- The County has not set forth procedures to perform and document an annual physical inventory to ensure compliance with 19 O.S. § 178.1 for the following offices: County Clerk, County Treasurer, Election Board, Health Department, County Sheriff, and the following fire departments: Ft. Towson, Bluff, Grant, Boswell, Messer, Speer, Nelson, Spencerville, Hugo, and Soper.

**Cause of Condition:** Policies and procedures have not been designed and implemented with regard to effective internal controls over safeguarding of fixed assets by performing an annual physical inventory count, and creating and maintaining of a fixed assets inventory record.

**Effect of Condition:** These conditions resulted in noncompliance with state statute and could result in unrecorded transactions and misappropriation of assets.

**Recommendation:** OSAI recommends the County comply with 19 O.S. § 178.1 by performing and documenting an annual inventory of fixed assets. Documentation of annual inventory verification should be filed with the County Clerk.

**Management Response:**

**Chairman Board of County Commissioner:** Inventory procedures will be implemented by completing an annual physical inventory count for each office and fire department, and maintaining fixed asset inventory records. Choctaw County wants to be in compliance with state statutes.

**County Commissioner District 1:** Inventory procedures will be implemented by completing an annual physical inventory count for each office and fire department, and maintaining fixed assets inventory records. Choctaw County wants to be in compliance with state statutes.

**County Commissioner District 2:** We will work on compliance.

**County Clerk:** We are working with the fire departments regarding inventory. We are currently correcting issues related to the offices' inventories.

**County Treasurer:** We are in the process of correcting all audit findings.

**County Election Board:** We will work to be in compliance.

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**County Health Department:** The County Health Department is working on inventory compliance by completing an asset inventory control book, and by completing policy and procedures for all county purchased assets in conjunction with state inventory tracking program.

**County Sheriff:** We will work to be in compliance.

**Criteria:** Internal controls over safeguarding of assets constitute a process, affected by an entity's governing body, management, and other personnel designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from misappropriation. Effective internal controls include management design procedures to insure that all fixed assets records be maintained to comply with 19 § 178.1.

**Finding 2012-14 – Inadequate Internal Controls and Noncompliance Over Consumable Inventory (Repeat Finding)**

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

- District 3 did not reconcile fuel used to amount on hand.

**Cause of Condition:** Policies and procedures have not been designed and implemented with regard to effective internal controls over safeguarding of consumable inventory.

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

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

- Reconciling fuel log to fuel on hand on a weekly basis and explain any variance or adjustments.

**Management Response:**

**County Commissioner District 3:** My office does stick the tank periodically and balance fuel consumption however; we will start documenting when this reconciliation is performed.

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

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**Finding 2012-9 – Inadequate Segregation of Duties Over the Collection Process Court Clerk (Repeat Finding)**

**Condition:** Upon inquiry of the Court Clerk employees, and observation, we noted the following weaknesses with regard to internal controls related to the receipting process of the Court Clerk.

- All employees issue cash receipts and use the same cash drawer.
- One employee issues receipts, prepares deposits, takes the deposit to the County Treasurer, and reconciles daily receipts.

**Cause of Condition:** Policies and procedures have not been designed and implemented with regards to adequately segregating the duties over all aspects of the collection process.

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

**Recommendation:** OSAI recommends that management be aware of these conditions and realize that concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. Regarding the receipting process, OSAI recommends that one employee should not be performing all of the duties regarding issuing receipts, preparing the deposit, and reconciling the daily receipts.

**Management Response:**

**Court Clerk:** The segregation of duties has been corrected. Duties have been assigned to ensure segregation of duties for the receipting process.

**Criteria:** Accountability and stewardship are over all 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: 2012-12 – Inadequate Controls and Noncompliance Over the Inmate Trust and Commissary Funds (Repeat Finding)**

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

- The Inmate Trust Fund depository account balance is not reconciled to the inmate account balances.
- Disbursements are not being issued in accordance with state statutes.

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- Vouchers were issued with the County Treasurer and County Treasurer's deputy as authorizing signatures; vouchers were not signed by the Sheriff or his designee.
- The Sheriff's office does not file an annual report for the Commissary Fund with the Board of County Commissioners by January 15<sup>th</sup>, of each year.

**Cause of Condition:** In order to expedite the payment of bills and court costs, the Sheriff paid amounts from the Inmate Trust Fund depository account instead of transferring the proceeds from the inmate sales to the Sheriff Commissary fund. Procedures have not been designed and implemented to adequately segregate the duties regarding the collecting, depositing, disbursing, and recording of inmate trust funds.

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

**Recommendation:** OSAI recommends the following:

- Disbursements from the Inmate Trust Fund account be made payable to either the Sheriff's Commissary Fund account or paid directly to the inmate upon release.
- Reconciling the Inmate Trust Fund to the total of the inmate's balances.
- Vouchers issued are properly approved by the Sheriff's office.
- The Sheriff should file a report of the commissary with the Board of County Commissioners by January 15<sup>th</sup>, of each year.

**Management Response:**

**County Sheriff:** We will strive to adhere to state statutes on reconciling these accounts. In the future, we will fill out an annual report and file with the Board of County Commissioners.

**Criteria:** Effective internal controls include management properly implementing procedures to ensure that expenditures of inmate funds comply with 19 O.S. § 531A and that internal control procedure be implemented to ensure the safeguarding of inmate trust funds.

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



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