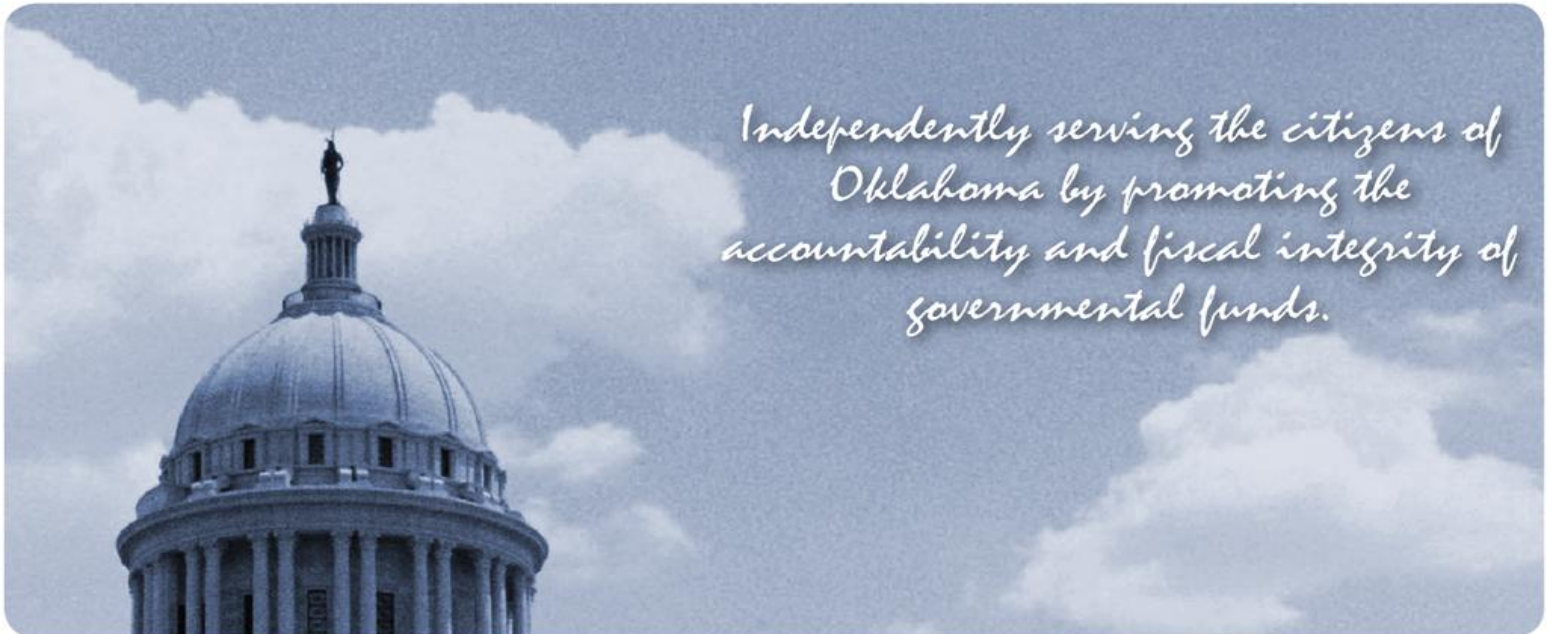


OPERATIONAL AUDIT

CHOCTAW COUNTY

For the fiscal year ended June 30, 2013



*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, 2013**

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) 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, 2013.

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, 2013**

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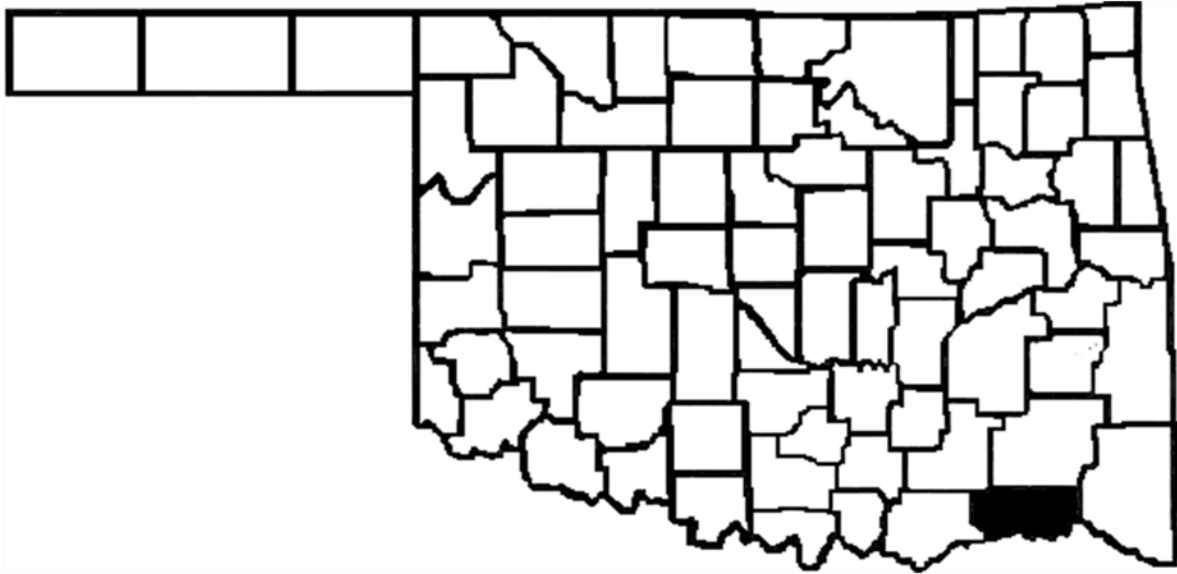
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**CHOCTAW COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**



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 – 15,182
(2012 est.)

Farms – 1,134

Land in Farms – 326,300 Acres

Primary Source: Oklahoma Almanac 2013-2014

**CHOCTAW COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Board of County Commissioners

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

County Assessor

Rhonda Cahill

County Clerk

Emily VanWorth

County Sheriff

Terry Park

County Treasurer

Arlene Minchey

Court Clerk

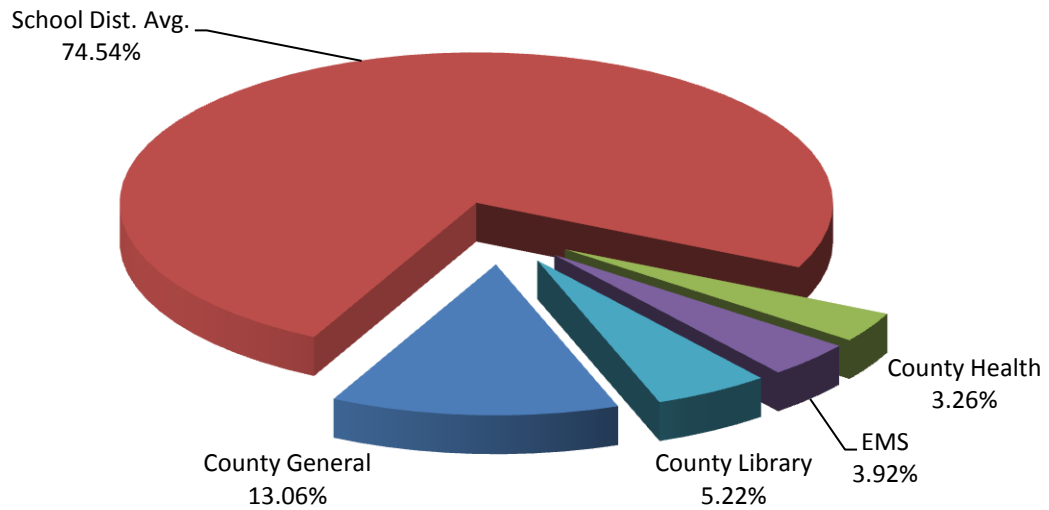
Laura Sumner

District Attorney

Mark Matloff

**CHOCTAW COUNTY, OKLAHOMA
AD VALOREM TAX DISTRIBUTION
SHARE OF THE AVERAGE MILLAGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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	6.56	12.00	4.00	62.56
		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, 2013**

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, 2013**

- 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%

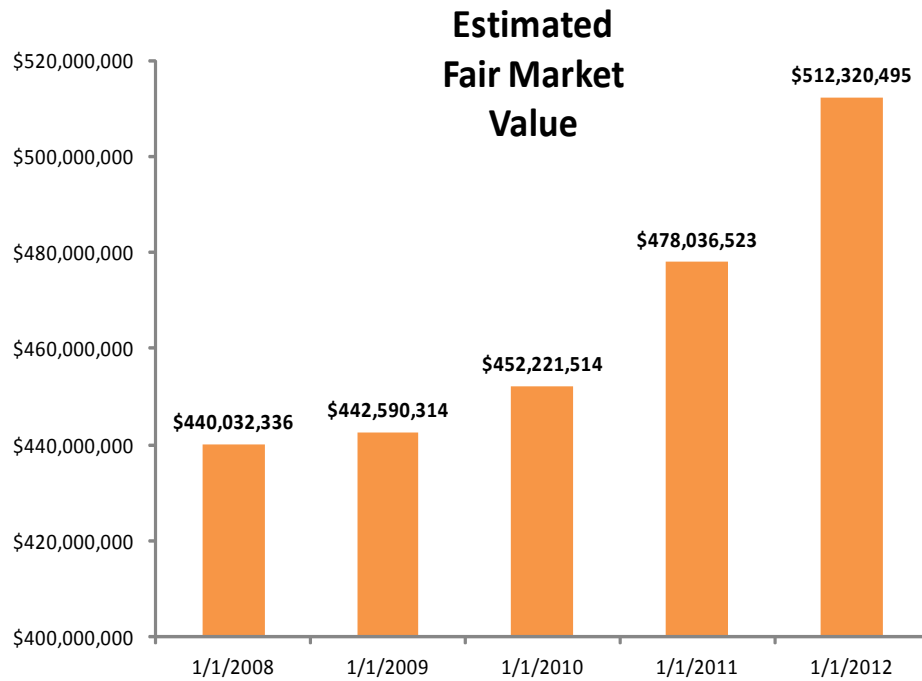
These funds are accounted for in the Presentation of Apportionments, Disbursements, and Cash Balances of County Funds in the 1 Cent Ambulance Cash, 1 Cent Road Improvement Cash, 1 Cent Law Enforcement Cash, 1 Cent County General Cash, 1 Cent Economics Cash, 1 Cent County Extension Cash, and 1 Cent County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

During the fiscal year the County collected \$2,283,955 in total sales tax.

Sales Tax Revenue	Total Collection
County Memorial Hospital	\$ 856,483
County Road Improvement	411,112
County Fire Departments	285,494
County Ambulance Authority	205,556
County General	205,556
County Law Enforcement	171,297
County Economic Development	91,358
County Extension	45,679
County Libraries	<u>11,420</u>
Total Collected	<u>\$2,283,955</u>

**CHOCTAW COUNTY, OKLAHOMA
 ASSESSED VALUE OF PROPERTY
 TREND ANALYSIS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

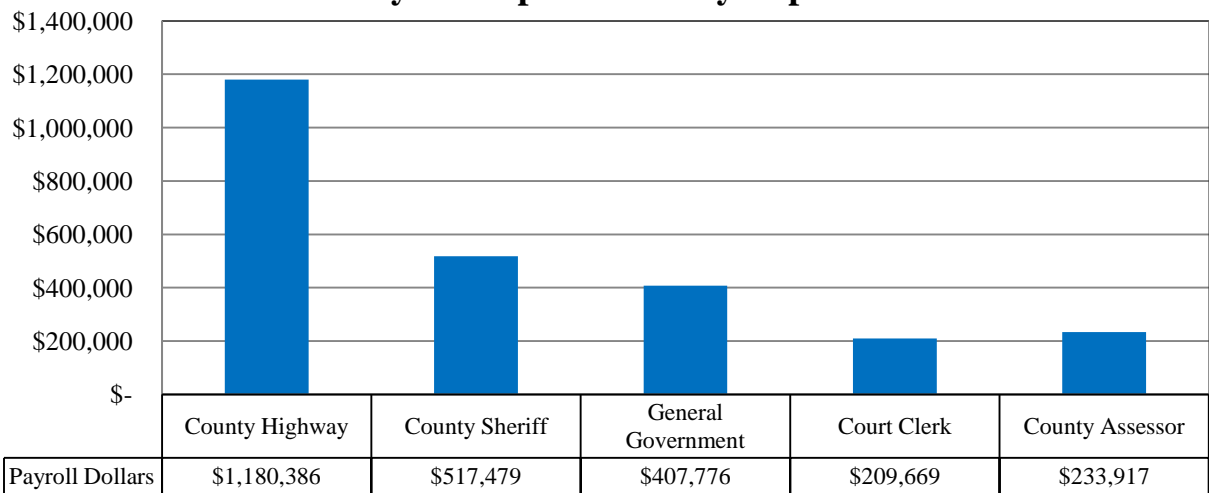
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2012	\$9,134,223	\$15,847,641	\$39,297,211	\$3,935,037	\$60,344,038	\$512,320,495
1/1/2011	\$8,766,933	\$10,745,683	\$38,444,243	\$3,965,299	\$53,991,560	\$478,036,523
1/1/2010	\$7,466,943	\$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



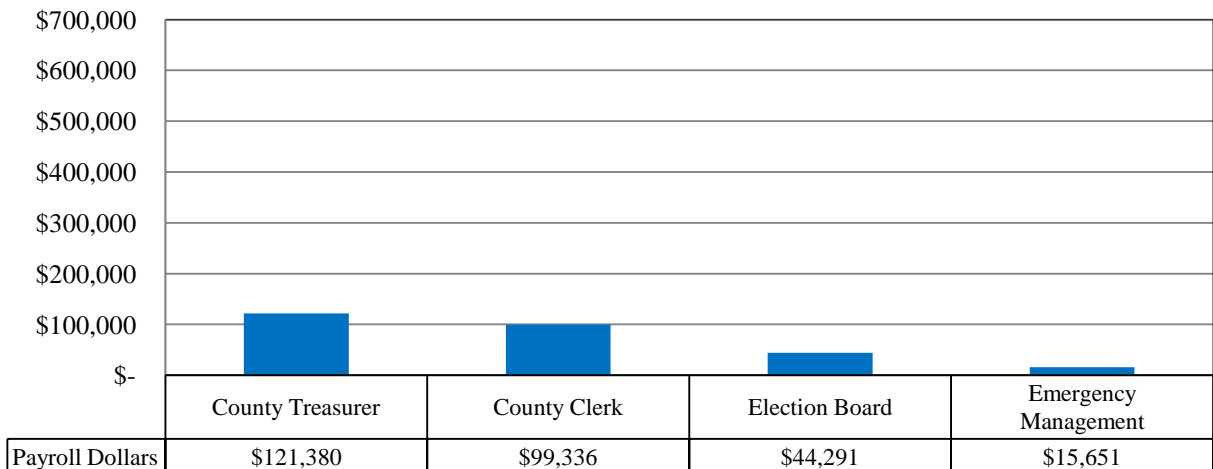
**CHOCTAW COUNTY, OKLAHOMA
COUNTY PAYROLL EXPENDITURES ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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, 2013.

Payroll Expenditures by Department



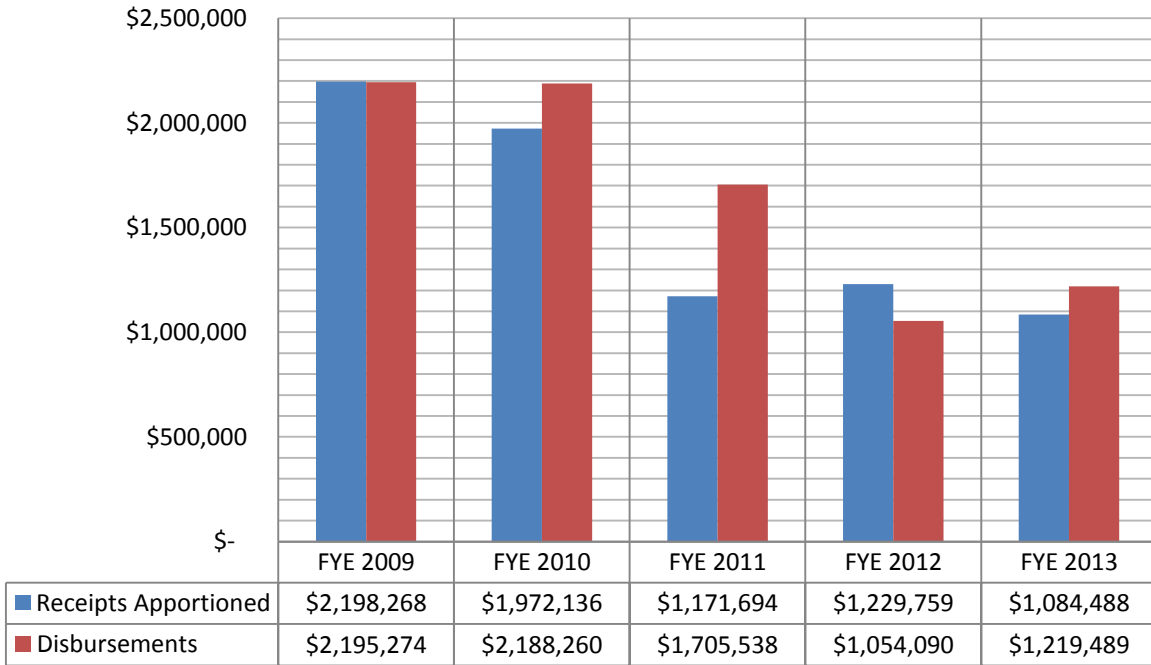
Payroll Expenditures by Department



**CHOCTAW COUNTY, OKLAHOMA
COUNTY GENERAL FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

County General Fund

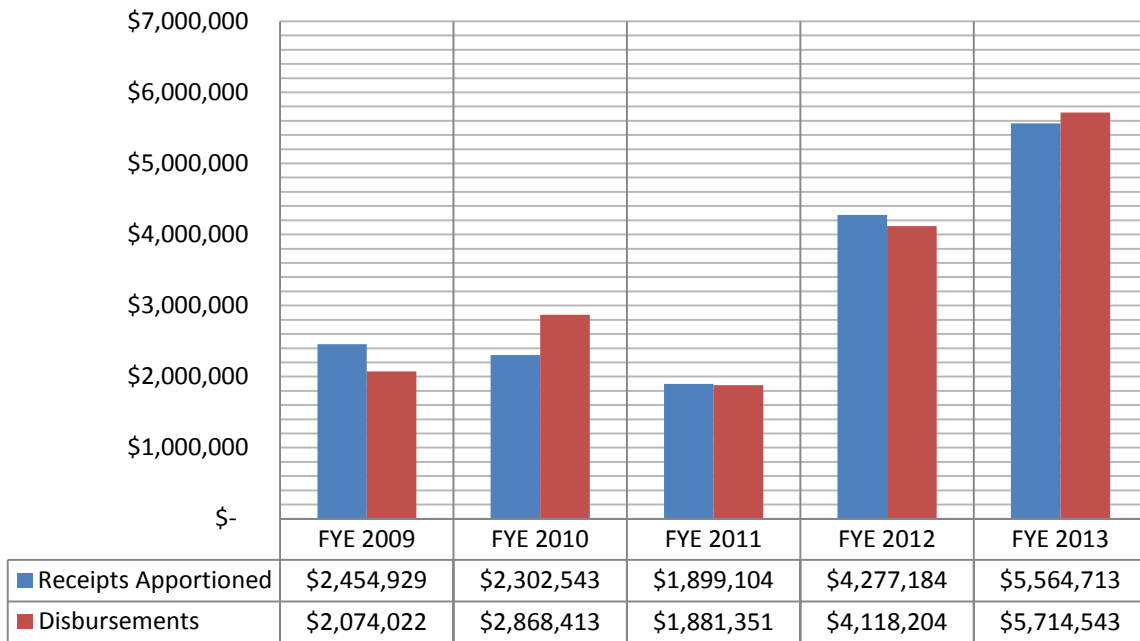
The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the county's primary source of operating revenue. The County General Fund is typically used for county employees' salaries plus many expenses for county maintenance and operation. It also 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, 2013**

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, 2013

	Beginning Cash Balances July 1, 2012	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2013
Combing Information:						
County Funds:						
County General	\$ 560,572	\$ 1,084,488	\$ 11,721	\$ -	\$ 1,219,489	\$ 437,292
1 Cent County General Cash	146,429	206,022	-	-	221,070	131,381
County Highway	744,187	5,564,713	86,082	-	5,714,543	680,439
County Highway Restricted	110,268	141,785	-	-	167,638	84,415
1 Cent Road Improvement Cash	130,235	411,890	-	-	406,183	135,942
CBRI 105	1,345,162	272,322	-	86,082	310,226	1,221,176
CBRI 103	12,287	-	-	-	10,090	2,197
REAP	75,158	218,659	-	-	293,817	-
CDBG - EC	26,542	34	-	-	-	26,576
County Health Department	257,106	155,164	-	-	201,708	210,562
Hospital Cash	654,035	857,741	-	-	1,097,285	414,491
Sheriff Service Fee	304,747	99,013	-	-	145,578	258,182
Sheriff Commissary	138,193	65,000	-	-	60,416	142,777
Drug Enforcement Revolving	57,580	74	-	-	-	57,654
1 Cent Law Enforcement Cash	99,972	171,548	-	-	68,852	202,668
Sheriff Lake Patrol	841	-	-	-	-	841
Department of Corrections Boarding	1,059,292	494,081	-	-	477,539	1,075,834
Emergency Management	25,053	1,300	-	-	17,508	8,845
1 Cent Ambulance Cash	31,384	205,858	-	-	221,143	16,099
Treasurer Mortgage Tax Certification Fee	7,358	2,865	-	-	2,128	8,095
County Treasurer Fee	792	151	-	-	299	644
County Treasurer Resale	144,544	102,143	-	-	155,356	91,331
County Assessor	33,676	1,902	-	-	-	35,578
Fair Board Cash Account	12,184	8,480	-	-	5,063	15,601
County Clerk Lien Fee	6,612	7,618	-	-	4,953	9,277
County Clerk Preservation	47,895	16,383	-	-	5,039	59,239
VFD Cash	430,169	285,914	-	-	249,268	466,815
Insurance Recovery	19,533	27,142	-	-	33,350	13,325
DHS Advocacy	357	-	-	-	-	357
Choctaw County E-911	792,015	116,393	-	-	146,829	761,579
Reward	100	166	-	-	-	266
1 Cent County Library Cash	4,540	11,437	-	-	13,018	2,959
1 Cent Economics Cash	95,101	91,596	-	-	109,508	77,189
1 Cent County Extension Cash	7,069	45,745	-	-	43,510	9,304
Combined Total - All County Funds	<u>\$ 7,380,988</u>	<u>\$ 10,667,627</u>	<u>\$ 97,803</u>	<u>\$ 86,082</u>	<u>\$ 11,401,406</u>	<u>\$ 6,658,930</u>

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

**CHOCTAW COUNTY
DESCRIPTION OF COUNTY FUNDS
OPERATIONAL AUDIT
FOR THE FISCAL YEAR JUNE 30, 2013**

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 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.

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

**CHOCTAW COUNTY
DESCRIPTION OF COUNTY FUNDS
OPERATIONAL AUDIT
FOR THE FISCAL YEAR JUNE 30, 2013**

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.

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.

**CHOCTAW COUNTY
DESCRIPTION OF COUNTY FUNDS
OPERATIONAL AUDIT
FOR THE FISCAL YEAR JUNE 30, 2013**

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.

CHCOTAW 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, 2013

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 560,572	\$ 560,572	\$ -
Less: Prior Year Outstanding Warrants	(125,472)	(125,472)	-
Less: Prior Year Encumbrances	(2,500)	(1,824)	676
Beginning Cash Balances, Budgetary Basis	<u>432,600</u>	<u>433,276</u>	<u>676</u>
Receipts:			
Ad Valorem Taxes	545,818	592,864	47,046
Charges for Services	42,250	53,919	11,669
Intergovernmental Revenues	520,380	421,721	(98,659)
Miscellaneous Revenues	5,000	15,984	10,984
Total Receipts, Budgetary Basis	<u>1,113,448</u>	<u>1,084,488</u>	<u>(28,960)</u>
Expenditures:			
District Attorney - County	8,000	8,000	-
County Sheriff	121,330	121,041	289
County Treasurer	88,430	87,961	469
County Commissioners OSU Extension	13,254	13,234	20
County Clerk	104,064	104,053	11
Court Clerk	121,127	121,127	-
County Assessor	59,527	59,527	-
Revaluation	217,565	187,931	29,634
General Government	693,157	378,021	315,136
Excise Equalization	4,786	4,786	-
County Election Expense	59,194	48,389	10,805
Xerox	3,000	2,950	50
Civil Defense	39,080	24,042	15,038
County Audit Budget Account	6,034	-	6,034
Free Fair Budget Account	7,500	7,482	18
Total Expenditures, Budgetary Basis	<u>1,546,048</u>	<u>1,168,544</u>	<u>377,504</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, 2013

	General Fund		
	Budget	Actual	Variance
Continued from previous page			
Excess of Receipts and Beginning Cash			
Balances Over Expenditures, Budgetary Basis	\$ -	349,220	\$ 349,220
Interfund Transfers:			
Interfund Transfer In		11,721	
Net Interfund Transfers		11,721	
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Cancelled Warrants		225	
Add: Current Year Outstanding Warrants		55,911	
Add: Current Year Encumbrances		20,215	
Ending Cash Balance		\$ 437,292	

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, 2013

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 257,106	\$ 257,106	\$ -
Less: Prior Year Outstanding Warrants	(16,619)	(16,619)	-
Less: Prior Year Encumbrances	(14,674)	(10,888)	3,786
Beginning Cash Balances, Budgetary Basis	225,813	229,599	3,786
Receipts:			
Ad Valorem Taxes	136,454	148,216	11,762
Charges for Services	-	3,947	3,947
Intergovernmental Revenues	-	2,695	2,695
Miscellaneous Revenues	4,141	306	(3,835)
Total Receipts, Budgetary Basis	140,595	155,164	14,569
Expenditures:			
County Health Budget Account	366,408	213,266	153,142
Total Expenditures, Budgetary Basis	366,408	213,266	153,142
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	171,497	\$ 171,497
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		19,565	
Add: Current Year Outstanding Warrants		19,500	
Ending Cash Balance		\$ 210,562	

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

**CHOCTAW COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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, 2013. 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.

**CHOCTAW COUNTY
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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 2013.

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 2013-4 – 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 2013-5 – 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 2013-6 – 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 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

FINDINGS AND RECOMMENDATIONS

Finding 2013-7 – Inadequate Internal Controls over Purchasing Procedures and Noncompliance with Statute (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.
- Two (2) were not encumbered prior to ordering or receiving the goods.
- Three (3) were not approved or signed by the County Clerk/Deputy.
- One (1) could not be determined if the encumbrance was made prior to ordering or receiving goods because an invoice was not attached.
- Three (3) did not have a completed receiving report.
- Two (2) payroll claims were not approved by the Board of County Commissioners.

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.

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.

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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 2013-8 – 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.

Management Response:

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

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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 2013-1 – 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 2013-2 – Information System Internal Controls Assessment (Repeat Finding)

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, 2013:

- 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.

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 2013-13 – 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 2013-14 – 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 2013-9 – 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 15th, 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 15th, 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 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 15th of each year."



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