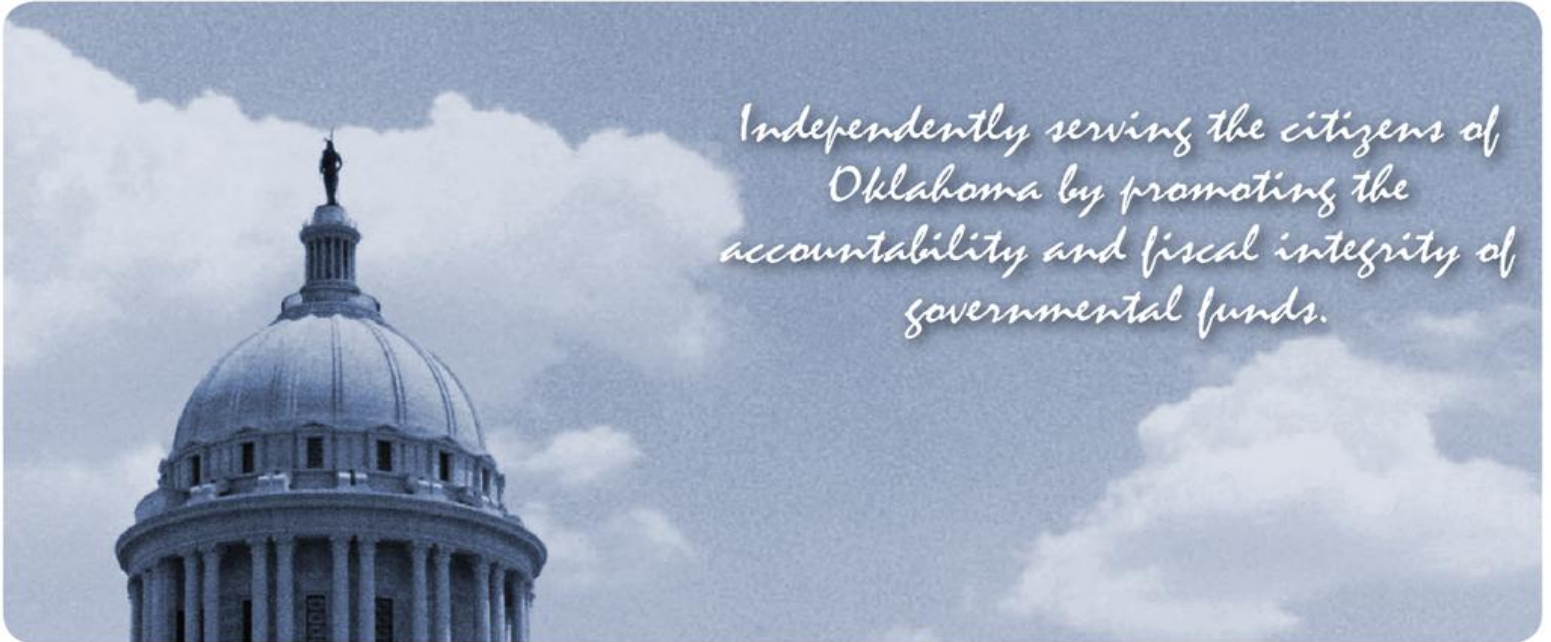


COUNTY AUDIT

COTTON 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

**COTTON COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
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

July 30, 2015

TO THE CITIZENS OF
COTTON COUNTY, OKLAHOMA

Transmitted herewith is the audit of Cotton County, Oklahoma for the fiscal year ended June 30, 2013. The audit was conducted in accordance with 19 O.S. § 171.

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

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

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

Sincerely,

A handwritten signature in blue ink, appearing to read "Gary A. Jones", written in a cursive style.

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

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

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

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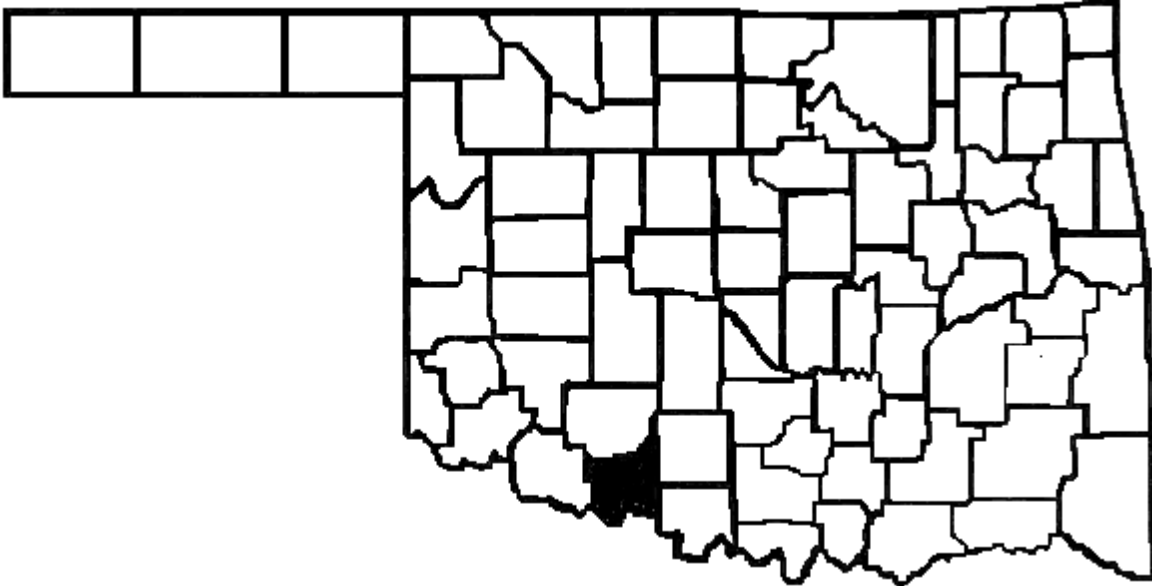
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PRESENTED FOR INFORMATIONAL PURPOSES ONLY**

**COTTON COUNTY, OKLAHOMA
STATISTICAL INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**



Cotton County is composed of land belonging at one time to Quapaws, Choctaws, and Chickasaws, the Comanche Reservation, and the Big Pasture. Part of it was created from the southern portion of Comanche County, and was formed as a result of a vote of its residents on August 22, 1912, after statehood.

Agriculture has long been important to the economic base of the county. Principal crops include wheat and cotton. Livestock is also considered significant. Oil and gas production, begun in 1917, rose to nearly 800 producing wells by 1952, when it ranked ninth in the state in oil production. Walters, the county seat, is the home of the Cotton County Electric Cooperative, one of the largest rural electric cooperatives in Oklahoma.

Annual events held in Walters include the Walters Car Cruz, Walters Round-Up Club Rodeo in July, the Cotton County Free Fair in September, and the Gallery on the Green Art Show in May. Sultan Park, north of Walters, is a recreational area and is the site of the Comanche Indian powwows that are also held in July.

For additional county information, call the County Clerk's office at 580/875-3026.

County Seat –Walters

Area – 641.94 Square Miles

County Population – 6,155
(2012 est.)

Farms – 517

Land in Farms – 366,651 Acres

Primary Source: Oklahoma Almanac 2013-2014

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

Board of County Commissioners

District 1 – Edward Eschiti
District 2 – Chris Lipscomb
District 3 – Greg Powell

County Assessor

Debbie Sturdivant

County Clerk

Nikki Vardell

County Sheriff

Kent Simpson

County Treasurer

Tammy Morris

Court Clerk

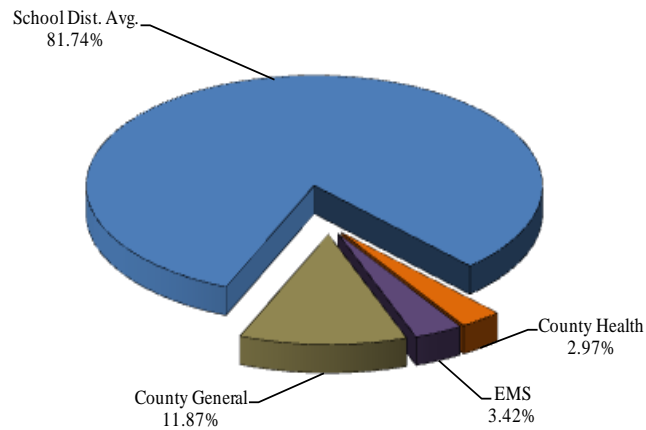
Janet Shively

District Attorney

Fred C. Smith

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

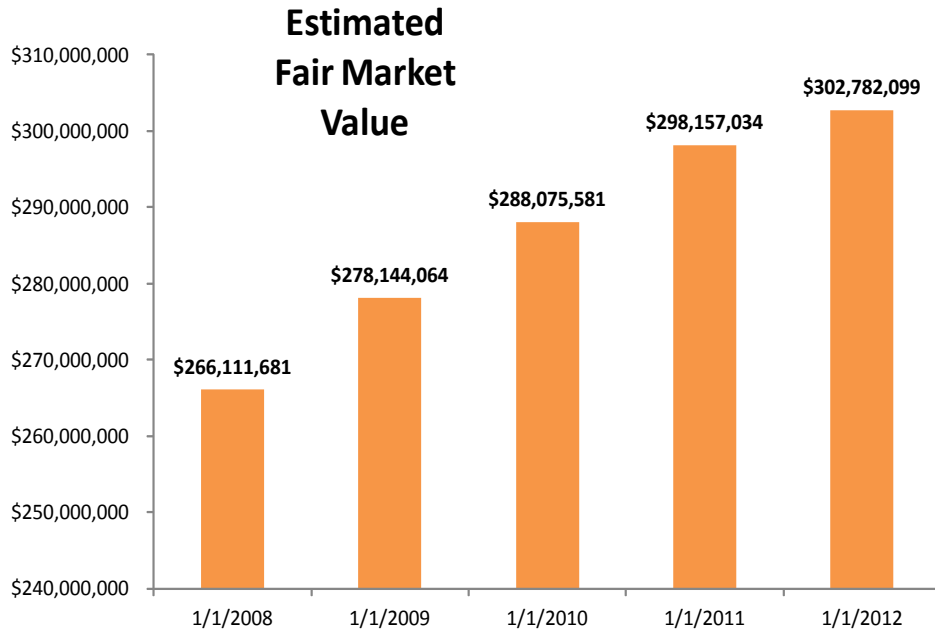
Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of a property is \$1,000.00 and the millage rate is 1.00, then the 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							
				Career					
				Gen.	Bldg.	Skg.	Tech	Common	Total
County General	10.40								
County Health	2.60	Walters	I-1	36.42	5.20	10.20	12.49	4.16	68.47
County EMS	3.00	Temple	I-101	36.62	5.23	10.31	12.49	4.16	68.81
		Big Pasture	Jt I-333	36.43	5.20	13.70	14.44	4.16	73.93
		Comanche/Geronimo	Jt I-4	35.75	5.11	26.09	14.44	4.16	85.55
		Stephens/Empire	Jt I-21	36.54	5.22	21.79	12.49	4.16	80.20
		Jefferson/Waurika	Jt I-23	35.00	5.00	10.55	12.49	4.16	67.20
Comanche/Chattanooga	Jt I-132	35.42	5.06	20.54	14.44	4.16	79.62		
Tillman/Granfield	Jt I-249	36.38	5.20	-	14.44	4.16	60.18		

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

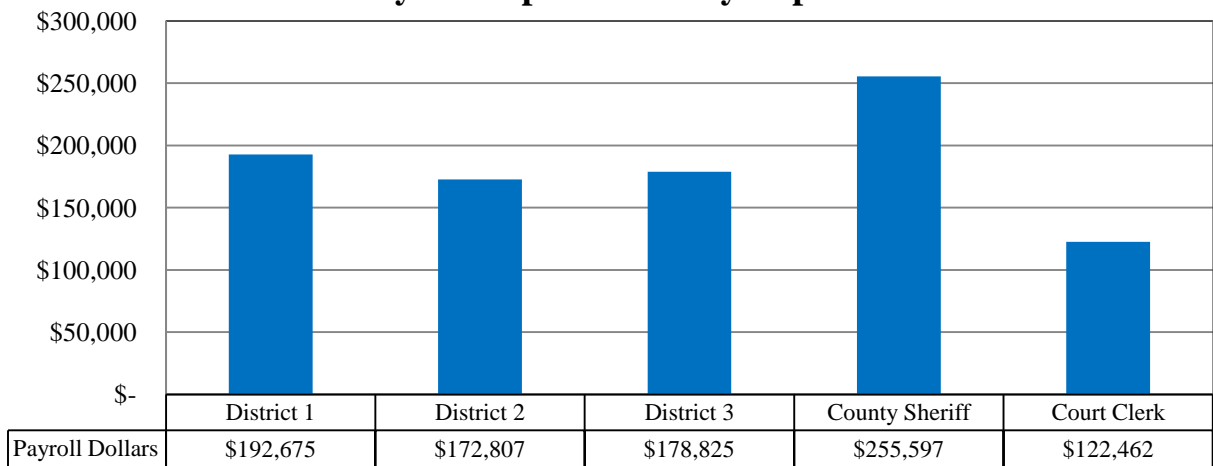
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2012	\$3,336,488	\$6,243,954	\$28,340,982	\$1,774,549	\$36,146,875	\$302,782,099
1/1/2011	\$3,305,354	\$6,037,868	\$27,943,953	\$1,637,240	\$35,649,935	\$298,157,034
1/1/2010	\$3,074,420	\$5,683,043	\$27,194,097	\$1,628,713	\$34,322,847	\$288,075,581
1/1/2009	\$3,035,115	\$5,553,431	\$26,156,509	\$1,630,839	\$33,114,216	\$278,144,064
1/1/2008	\$2,886,918	\$5,497,365	\$24,949,199	\$1,632,505	\$31,700,977	\$266,111,681



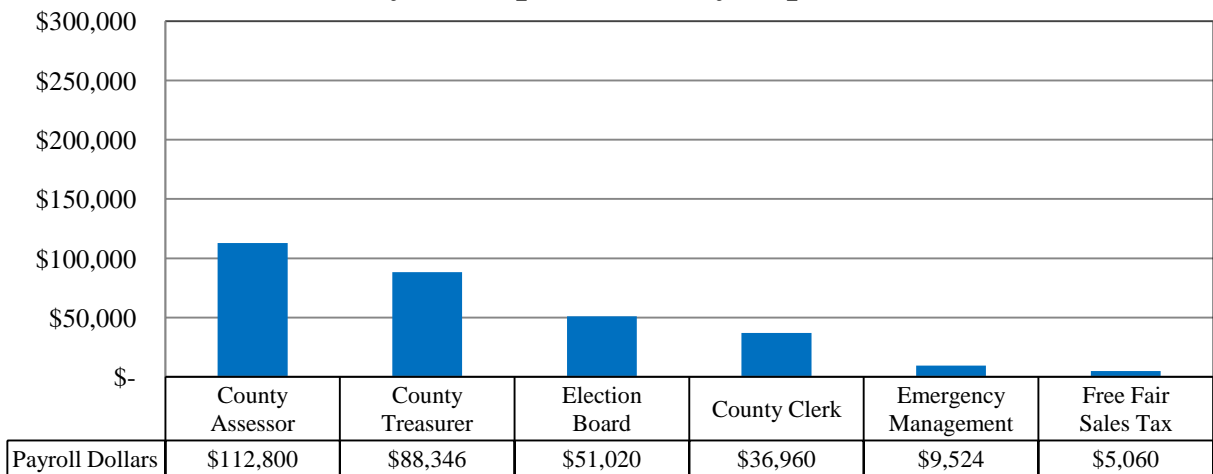
**COTTON COUNTY, OKLAHOMA
COUNTY PAYROLL EXPENDITURES ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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



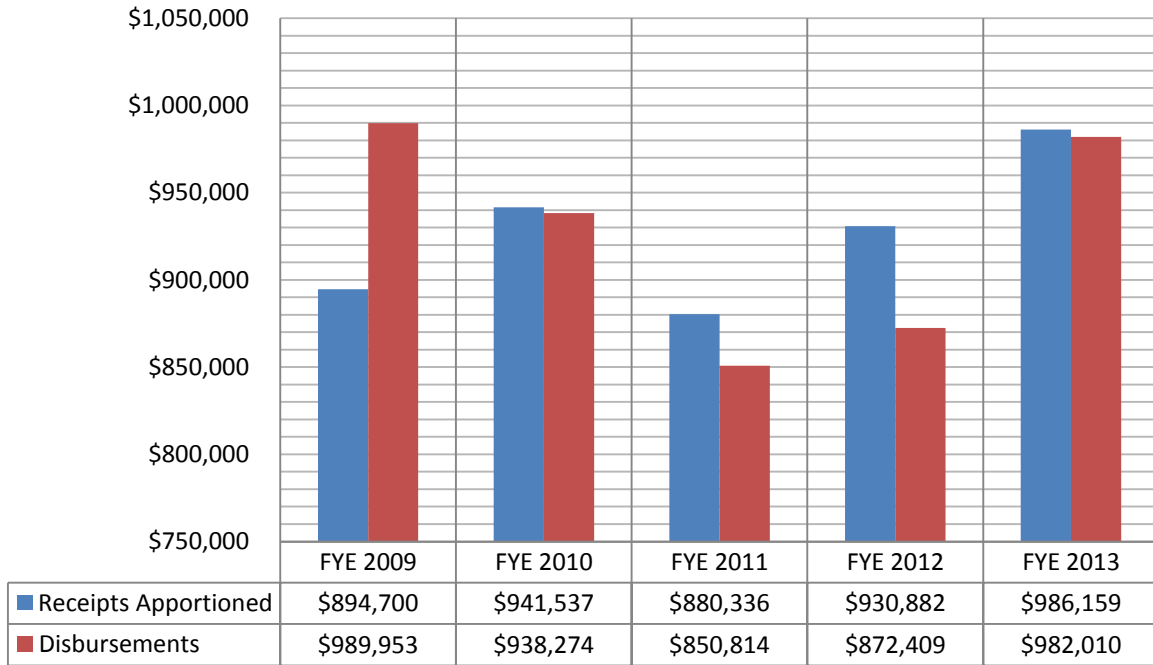
Payroll Expenditures by Department



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

County General Fund

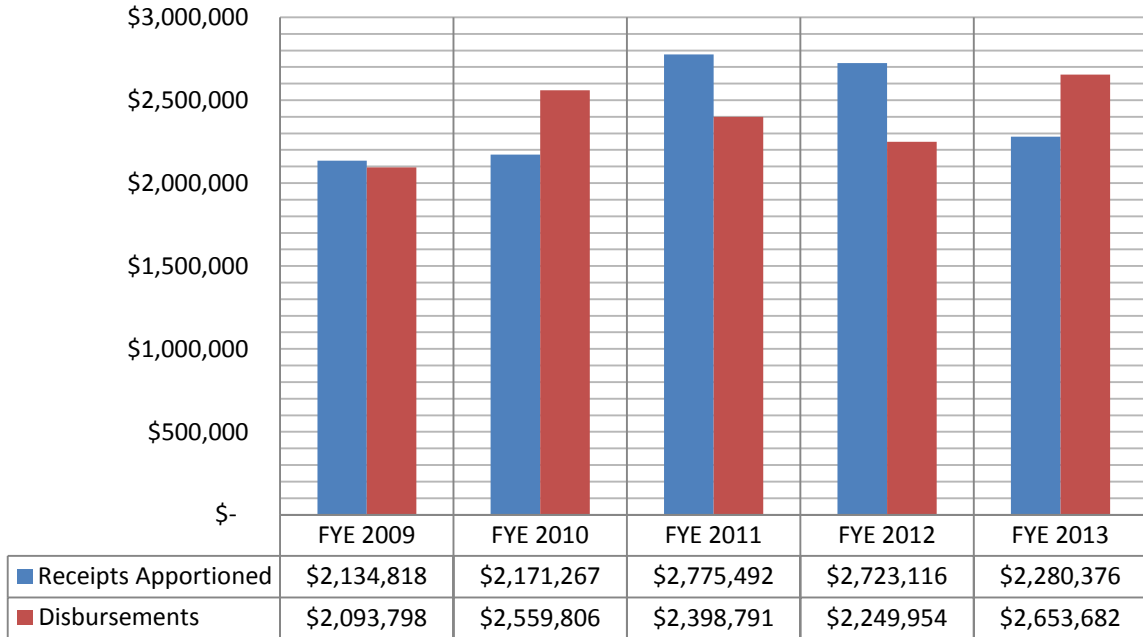
The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the county's primary source of operating revenue. The County General Fund is typically used for county employees' salaries plus many expenses for county maintenance and operation. It also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



**COTTON 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.



FINANCIAL SECTION



Oklahoma State Auditor & Inspector

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

Independent Auditor's Report

TO THE OFFICERS OF
COTTON COUNTY, OKLAHOMA

Report on the Financial Statement

We have audited the combined total—all county funds on the accompanying regulatory basis Statement of Receipts, Disbursements, and Changes in Cash Balances of Cotton County, Oklahoma, as of and for the year ended June 30, 2013, listed in the table of contents as the financial statement.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Cotton County as of June 30, 2013, or changes in its financial position for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined total of receipts, disbursements, and changes in cash balances for all county funds of Cotton County, for the year ended June 30, 2013, on the basis of accounting described in Note 1.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the combined total of all county funds on the financial statement. The accompanying Schedule of Expenditures of Federal Awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the remaining Other Supplementary Information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statement.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 27, 2015, on our consideration of Cotton County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and in considering Cotton County's internal control over financial reporting and compliance.

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

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

July 27, 2015

REGULATORY BASIS FINANCIAL STATEMENT

COTTON COUNTY, OKLAHOMA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS
(WITH COMBINING INFORMATION)—MAJOR FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Beginning Cash Balances July 1, 2012	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2013
Combining Information:						
Major Funds:						
County General Fund	\$ 298,113	\$ 986,159	\$ -	\$ -	\$ 982,010	\$ 302,262
County Highway Fund	2,353,638	2,280,376	-	-	2,653,682	1,980,332
County Health Department	172,264	97,167	-	-	76,354	193,077
Board of Prisoners	62,494	254,617	4,020	4,020	260,546	56,565
Stimulus Energy Efficient Community Development Block Grant	4,820	17	-	-	-	4,837
Rural Water Grant	76,354	145,748	-	-	222,102	-
Remaining Aggregate Funds	211,726	197,189	4,020	4,020	178,286	230,629
Combined Total - All County Funds	\$ 3,179,409	\$ 3,961,273	\$ 8,040	\$ 8,040	\$ 4,372,980	\$ 2,767,702

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

**COTTON COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

1. Summary of Significant Accounting Policies

A. Reporting Entity

Cotton County is a subdivision of the State of Oklahoma created by the Oklahoma Constitution and regulated by Oklahoma Statutes.

The accompanying financial statement presents the receipts, disbursements, and changes in cash balances of the total of all funds under the control of the primary government. The general fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund, where its use is restricted for a specified purpose. Other funds established by statute and under the control of the primary government are also presented.

The County Treasurer collects and remits material amounts of intergovernmental revenues and ad valorem tax revenue for other budgetary entities, including emergency medical districts, school districts, and cities and towns. The cash receipts and disbursements attributable to those other entities do not appear in funds on the County's financial statement; those funds play no part in the County's operations. Any trust or agency funds maintained by the County are not included in this presentation.

B. Fund Accounting

The County uses funds to report on receipts, disbursements, and changes in cash balances. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

Following are descriptions of the county funds included as combining information within the financial statement:

County General Fund – accounts for the general operations of the government.

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

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

Board of Prisoners – accounts for the collection of state miscellaneous receipts and disbursements are for the purpose of maintaining the jail.

Stimulus Energy Efficient Community Development Block Grant – accounts for the receipt of grant monies and disbursed as restricted by grant agreement.

**COTTON COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Rural Water Grant – accounts for the receipt of grant monies and disbursed as restricted by grant agreement.

C. Basis of Accounting

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

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

D. Budget

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

E. Cash and Investments

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

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

**COTTON COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

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

2. Ad Valorem Tax

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

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

3. Other Information

A. Pension Plan

Plan Description. The County contributes to the Oklahoma Public Employees Retirement Plan (the Plan), a cost-sharing, multiple-employer defined benefit pension plan administered by the Oklahoma Public Employees Retirement System (OPERS). Benefit provisions are established and amended by the Oklahoma Legislature. The Plan provides retirement, disability, and death benefits to Plan members and beneficiaries. Title 74, Sections 901 through 943, as amended, establishes the provisions of the Plan. OPERS issues a publicly available financial report that includes financial statements and supplementary information. That report may be obtained by writing OPERS, P.O. Box 53007, Oklahoma City, Oklahoma 73105 or by calling 1-800-733-9008.

Funding Policy. The contribution rates for each member category are established by the Oklahoma Legislature and are based on an actuarial calculation which is performed to determine the adequacy of contribution rates.

**COTTON COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

B. Other Post Employment Benefits (OPEB)

In addition to the pension benefits described in the Pension Plan note, OPERS provides post-retirement health care benefits of up to \$105 each for retirees who are members of an eligible group plan. These benefits are funded on a pay-as-you-go basis as part of the overall retirement benefit. OPEB expenditure and participant information is available for the state as a whole; however, information specific to the County is not available nor can it be reasonably estimated.

C. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, primarily the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time; although, the County expects such amounts, if any, to be immaterial.

As of the end of the fiscal year, there were no claims or judgments that would have a material adverse effect on the financial condition of the County; however, the outcome of any lawsuit would not be determinable.

D. Sales Tax

The voters of Cotton County voters approved a one percent sales tax for general operations and county roads on February 7, 1984. The sales tax is for an unlimited duration and became effective March 1, 1984. These funds are accounted for within the County General Fund.

Cotton County voters approved a one-quarter of one cent sales tax through a special election on February 11, 2008, with proceeds designated to conduct Cotton County's portion of the cost for maintaining the Cotton County Cooperative Extension Center. This sales tax was to expire June 30, 2008, but was renewed by County voters on February 5, 2008. At that time, voters also approved one eighth of the one quarter percent to be used to maintain the Cotton County Free Fair Board and the Cotton County Ag Arena and Expo Center, effective July 1, 2008 for the duration of an additional five years. These funds are accounted for within the County General Fund.

E. Interfund Transfers

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

- \$4,020 was transferred from Sheriff Service Fee to Board of Prisoners for the purpose of assisting payroll expenses.
- \$4,020 was transferred from Board of Prisoners to Sheriff Service Fees to repay the operating transfer.

OTHER SUPPLEMENTARY INFORMATION

COTTON COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 298,113	\$ 298,113	\$ -
Less: Prior Year Outstanding Warrants	(53,786)	(53,786)	-
Less: Prior Year Reserves	(11,700)	(10,995)	705
Beginning Cash Balances, Budgetary Basis	<u>232,627</u>	<u>233,332</u>	<u>705</u>
Receipts:			
Ad Valorem Taxes	341,752	374,946	33,194
Sales Tax	242,500	292,363	49,863
Charges for Services	22,576	24,013	1,437
Intergovernmental Revenues	219,003	257,218	38,215
Miscellaneous Revenues	21,983	37,619	15,636
Total Receipts, Budgetary Basis	<u>847,814</u>	<u>986,159</u>	<u>138,345</u>
Expenditures:			
County Sheriff	224,648	219,607	5,041
County Treasurer	83,959	83,887	72
County Commissioners OSU Extension	120,276	59,200	61,076
County Clerk	45,037	44,622	415
Court Clerk	69,074	69,072	2
County Assessor	71,873	71,087	786
Revaluation of Real Property	85,575	81,562	4,013
General Government	57,245	47,241	10,004
Excise-Equalization Board	2,950	2,170	780
County Election Board	58,806	58,329	477
Insurance - Benefits	233,498	222,509	10,989
County Audit Budget Account	14,900	13,923	977
Free Fair Budget Account	500	500	-
Free Fair Improvement Account	12,100	10,819	1,281
Total Expenditures, Budgetary Basis	<u>1,080,441</u>	<u>984,528</u>	<u>95,913</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	234,963	<u>\$ 234,963</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Cancelled Warrants		279	
Add: Current Year Outstanding Warrants		62,073	
Add: Current Year Reserves		4,947	
Ending Cash Balance		<u>\$ 302,262</u>	

COTTON 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	\$ 172,264	\$ 172,264	\$ -
Less: Prior Year Outstanding Warrants	(918)	(918)	-
Less: Prior Year Reserves	(3,462)	(2,642)	820
Beginning Cash Balances, Budgetary Basis	167,884	168,704	820
Receipts:			
Ad Valorem Taxes	85,438	93,705	8,267
Charges for Services	-	3,280	3,280
Intergovernmental Revenues	3,280	176	(3,104)
Miscellaneous Revenues	-	6	6
Total Receipts, Budgetary Basis	88,718	97,167	8,449
Expenditures:			
Health and Welfare	256,602	90,749	165,853
Total Expenditures, Budgetary Basis	256,602	90,749	165,853
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	175,122	\$ 175,122
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Reserves		17,801	
Add: Current Year Outstanding Warrants		154	
Ending Cash Balance		\$ 193,077	

COTTON COUNTY, OKLAHOMA
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS—
REMAINING AGGREGATE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Beginning		Transfers In	Transfers Out	Disbursements	Ending
	Cash Balances July 1, 2012	Receipts Apportioned				Cash Balances June 30, 2013
Remaining Aggregate Funds:						
Free Fair Building	\$ 739	\$ -	\$ -	\$ -	\$ -	\$ 739
Sheriff Forfeiture	41	-	-	-	-	41
Sheriff D.A.R.E	1,465	-	-	-	1,046	419
Assessor Visual Inspection	2,216	-	-	-	-	2,216
Assessor Revolving Fee	8,745	2,751	-	-	1,236	10,260
Sheriff Reserves	654	-	-	-	255	399
Sheriff Service Fees	38,040	81,236	4,020	4,020	86,748	32,528
Resale Property	54,762	54,436	-	-	32,390	76,808
Treasurer Mortgage Tax Certification Fee	2,892	1,280	-	-	414	3,758
County Clerk Lien Fee	12,993	4,772	-	-	4,442	13,323
Glessner Fund	60,733	8,519	-	-	12,183	57,069
Free Fair Premiums	5,264	2,005	-	-	2,487	4,782
Sheriff Equipment and Training	42	-	-	-	-	42
Sheriff Commissary	6,088	14,681	-	-	19,388	1,381
Sheriff Donations	1,590	1,110	-	-	1,865	835
Free Fair Donations	4,102	5,044	-	-	8,248	898
Sheriff Drug Fund	24	-	-	-	-	24
County Clerk Record Preservation	10,885	6,803	-	-	7,584	10,104
Littering Reward Fund	451	100	-	-	-	551
Emergency 911	-	14,452	-	-	-	14,452
Combined Total - Remaining Aggregate Funds	\$ 211,726	\$ 197,189	\$ 4,020	\$ 4,020	\$ 178,286	\$ 230,629

**COTTON COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

1. Budgetary Schedules

The Comparative Schedules of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis for the General Fund and the County Health Department Fund present comparisons of the legally adopted budget with actual data. The "actual" data, as presented in the comparison of budget and actual, will differ from the data as presented in the Combined Statement of Receipts, Disbursements, and Changes in Cash Balances with Combining Information because of adopting certain aspects of the budgetary basis of accounting and the adjusting of encumbrances and outstanding warrants to their related budget year.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in these funds. At the end of the year unencumbered appropriations lapse.

2. Remaining County Funds

Remaining aggregate funds as presented on the financial statement are as follows:

Free Fair Building – accounts for insurance reimbursements, federal funds, and other miscellaneous revenue to repair the Free Fair building.

Sheriff Forfeiture – accounts for monies collected from seizure of money from drug busts and expended on drugs used to run a sting operation.

Sheriff D.A.R.E – accounts for grant monies and donations received by the County Sheriff's office for the D.A.R.E. program.

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

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

Sheriff Reserves – accounts for the collection and disbursement of donations to the County Sheriff's reserve deputies.

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

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

**COTTON COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

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

Glessner Fund – accounts for the collection of rental revenue of farms donated to the County and disbursements for the needy of the County as determined by the Board of County Commissioners.

Free Fair Premiums – accounts for monies collected from donations for the payment of premiums to livestock and 4H project participants.

Sheriff Equipment and Training – accounts for the collection and disbursement of money supplied to the County Sheriff’s office for the training of officers.

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

Sheriff Donations – accounts for monies received from donations and fundraisers and disbursements are expended for the operation of the County Sheriff’s office.

Free Fair Donations – accounts for the collection of donations and rentals of the Expo building and the disbursements associated with maintaining the Expo building.

Sheriff Drug Fund – accounts for monies received from drug forfeitures and disbursements are for the purchase of illegal drugs in sting operations.

County Clerk Record Preservation – accounts for fees collected for instruments filed in the County Clerk’s office as restricted by statute for preservation of records.

Littering Reward Fund – accounts for monies received from donations and expended for information that leads to the capture of those illegally dumping trash.

Emergency 911 – accounts for receipt of fees for the purpose of maintaining a 911 service.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**COTTON COUNTY, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed Through State Department of Commerce:			
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228		\$ 222,102
Total U.S. Department of Housing and Urban Development			<u>222,102</u>
U.S. DEPARTMENT OF INTERIOR			
Direct Grant			
Payment in Lieu of Taxes	15.226		11,892
Total U.S. Department of Interior			<u>11,892</u>
U.S. DEPARTMENT OF HOMEALND SECURITY			
Passed through Oklahoma Department of Emergency Management			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR-1883	418,054
Homeland Security Grant Program	97.067		23,500
Total U.S. Department of Homeland Security			<u>441,554</u>
Total Expenditures of Federal Awards			<u>\$ 675,548</u>

**COTTON COUNTY, OKLAHOMA
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of Cotton County, and is presented on the *cash basis of accounting*. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

INTERNAL CONTROL AND COMPLIANCE SECTION



Oklahoma State Auditor & Inspector

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

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

TO THE OFFICERS OF
COTTON COUNTY, OKLAHOMA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined total—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Cotton County, Oklahoma, as of and for the year ended June 30, 2013, which comprises Cotton County's financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated July 27, 2015.

Our report included an adverse opinion on the financial statement because the statement is prepared using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. However, our report also included our opinion that the financial statement does present fairly, in all material respects, the receipts, disbursements, and changes in cash balances – regulatory basis of the County for the year ended June 30, 2013, on the basis of accounting prescribed by Oklahoma state law, described in Note 1.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses: 2013-1, 2013-3, and 2013-4.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cotton County's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2013-4.

We noted certain matters regarding statutory compliance that we reported to the management of Cotton County, which are included in Section 4 of the schedule of findings and questioned costs contained in this report.

Cotton County's Responses to Findings

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

Purpose of this Report

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

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



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

July 27, 2015



Oklahoma State Auditor & Inspector

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

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133

TO THE OFFICERS OF
COTTON COUNTY, OKLAHOMA

Report on Compliance for Each Major Program

We have audited the compliance of Cotton County, Oklahoma, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on Cotton County's major federal program for the year ended June 30, 2013. Cotton County's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of Cotton County's management.

Auditor's Responsibility

Our responsibility is to express an opinion on Cotton County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Cotton County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Cotton County's compliance with those requirements.

Opinion on Each Major Federal Program

In our opinion, Cotton County, complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2013.

Internal Control Over Compliance

Management of Cotton County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Cotton County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Cotton County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2013-19 and 2013-20 to be material weaknesses.

Cotton County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Cotton County's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, those charged with governance, others within the entity, and is not intended to be and should not be used by anyone other than the specified parties. This report is also a public document pursuant to the Oklahoma Open Records Act (51 O.S., section 24A.1 et seq.), and shall be open to any person for inspection and copying.



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

July 27, 2015

**COTTON COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

SECTION 1—Summary of Auditor’s Results

Financial Statements

Type of auditor's report issued:.....Adverse as to GAAP; unqualified as to statutory presentation

Internal control over financial reporting:

- Material weakness(es) identified?..... Yes
- Significant deficiency(ies) identified? No

Noncompliance material to financial statements noted?..... Yes

Federal Awards

Internal control over major programs:

- Material weakness(es) identified?..... Yes
- Significant deficiency(ies) identified? None reported

Type of auditor's report issued on
compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported
in accordance with section 510(a) of Circular A-133?..... Yes

Identification of Major Programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)

Dollar threshold used to distinguish between
Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee?..... No

**COTTON COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

SECTION 2—Findings related to the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Finding 2013-1 – Inadequate County-Wide Controls (Repeat Finding)

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

Cause of Condition: Procedures have not been designed to address risks of the County.

Effect of Condition: This condition could result in unrecorded transactions, undetected errors, or misappropriation of funds.

Recommendation: The Oklahoma State Auditor & Inspector’s Office (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:

BOCC Chairman, County Clerk, and County Treasurer: We will meet quarterly, in the County Commissioners’ meeting, with all elected officials to discuss and take action regarding risk management and monitoring.

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.

Risk Assessment is a component of internal control which should provide for an assessment of the risks the County faces from both internal and external sources. Once risks have been identified, they should be analyzed for their possible effect. Management then has to formulate an approach for risk management and decide upon the internal control activities required to mitigate those risks and achieve the internal control objectives.

Monitoring is a component of internal control which should assess the quality of performance over time and ensure that the findings of audits and other reviews are promptly resolved. Ongoing monitoring occurs during normal operations and includes regular management and supervisory activities, comparisons, reconciliations, and other actions people take in performing their duties. It includes ensuring that management know their responsibilities for internal control and the need to make control monitoring part of their regular operating process.

**COTTON COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Finding 2013-3 – Inadequate Internal Controls Over the Collection Process (Repeat Finding)

Condition: Upon inquiry and observation of the County’s collection process, the following was noted with regard to the duties of receipting, depositing, and reconciling:

- County Treasurer – The County Treasurer has segregated the duties of preparing/reviewing deposits and performing bank reconciliations; however, the employees who perform these duties also issue receipts and work from the same cash drawer. Further, within the office of the County Treasurer, deputies are allowed to use the County Treasurer’s signature stamp.
- County Clerk – All employees issue receipts and work from the same cash drawer which allows for one employee to issue receipts, balance the cash drawer, and prepare the deposit. There is no independent oversight of the reconciliation and depositing processes of collections.
- County Assessor – All employees issue receipts which allows for one employee to issue receipts, reconcile receipts issued to money received, and prepare the deposit slip. There is no independent oversight of the reconciliation and depositing processes of collections.
- County Sheriff – The dispatcher, jail administrator, or assistant jail administrator perform the duties of receipting and depositing collections. There is no independent oversight for the collections and deposits of the office. Further, reconciliations with the County Treasurer are not performed.

Cause of Condition: Policies and procedures not been designed and implemented with regards to adequately segregating the duties over key accounting functions of individual offices.

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 management be aware of these conditions and implement internal controls over the collection process. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating internal controls to mitigate the risks involved with a concentration of duties. Compensating internal controls would include separating key processes and/or critical functions of the office, and having management review and approve accounting functions.

Further, OSAI recommends the following key accounting functions over collections for individual offices be adequately segregated:

- Issuing receipts.
- Preparing/reviewing deposits and taking them to the County Treasurer/bank.
- Maintaining and reconciling accounting ledgers to the County Treasurer and reconciling bank statements.

**COTTON COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Further, OSAI recommends signature stamps be used by only the person to whom it belongs and to be placed in a secure location.

Management Response:

County Treasurer: The County Treasurer is aware of this condition and will work to implement review process to enhance internal controls over the collection and balancing processes.

County Clerk: The County Clerk is aware of this condition and will work to implement a review process over the collection process.

County Assessor: This condition has been resolved.

County Sheriff: The County Sheriff is aware of the condition and will work to implement a review process over the collection and depositing processes and reconcile accounts with the County Treasurer on a monthly basis.

Criteria: Effective internal controls require that key functions within a process be adequately segregated to allow for prevention and detection of errors and possible misappropriation of funds.

Finding 2013-4 – Inadequate Internal Controls and Noncompliance Over the Disbursement Process (Repeat Finding)

Condition: Upon inquiry and observation of the County’s disbursement process, we noted the following weaknesses:

- Although the County Clerk’s Second Deputy and the Payroll Clerk are cross-trained in the payroll process, the duties of enrolling new hires, making payroll changes, running verification reports, printing payroll checks, distributing payroll checks, and maintaining personnel files are not formally segregated.
- The purchasing agent not only certifies the issuance of the purchase but also encumbers funds and prepares the purchase order. Further, the County Clerk’s signature is pre-printed on the purchase order certifying the encumbrance of funds; however, the County Clerk is not performing the duty.
- Within the office of the County Clerk, deputies are allowed to utilize the signature stamps of the Chairman of the Board and the County Clerk.

The audit of 65 disbursements reflected the following:

- Four instances were noted in which receiving reports were not prepared to support the disbursement.
- Seven instances were noted in which funds were not encumbered or available prior to receiving goods or services.
- One instance was noted in which the amount of the disbursement did not agree to the invoice.

**COTTON COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Cause of Condition: Policies and procedures have not been designed over the disbursement process to strengthen internal controls and ensure compliance with state statutes.

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

Recommendation: OSAI recommends management be aware of these conditions and the following key accounting functions over payroll disbursements be adequately segregated:

- Posting new hires and/or making payroll changes to the payroll system
- Access to personnel files
- Preparing state reports and state and federal tax reports

OSAI recommends the following account functions over disbursements be adequately segregated:

- Certifying the issuance of the purchase order
- Encumbering funds
- Preparation of purchase order
- Review of purchase order and invoice to ensure accuracy

Further, OSAI recommends signature stamps be used only by the person to whom it belongs and to be placed in a secure location.

Additionally, OSAI recommends that the County adhere to state purchasing guidelines. Purchase orders should be encumbered before goods or services are ordered, receiving reports should be completed, authorized, and attached to the purchase order, and invoices should agree to the amount disbursed.

Management Response:

County Clerk: I am aware of these conditions and we will work to correct them. We are in the process of implementing review processes for payroll. Also, I will acquire a lockbox to place signature stamps in and they will be used only by the owner.

BOCC Chairman: The Board of County Commissioners will express to fellow County officials the importance of County funds being encumbered prior to the receipt of goods and/or services and adequate documentation is to be attached to purchase orders to support disbursements in accordance with Oklahoma Statutes.

Criteria: Title 19 O.S. § 1505 prescribes the procedures established for the requisition, purchase, lease-purchase, rental, and receipt of supplies, material, and equipment for maintenance, operation, and capital expenditures of county government.

Further, good internal controls would include all supporting documentation related to disbursements be attached to the purchase order prior to approval for payment.

**COTTON COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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. Also, internal controls should be designed to analyze and check accuracy, completeness, and authorization of disbursement calculations and/or transactions.

SECTION 3—Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133

Finding 2013-19 – Inadequate Internal Controls over Federal Compliance Requirements - FEMA (Repeat Finding)

PASS THROUGH GRANTOR: Oklahoma Department of Emergency Management

FEDERAL AGENCY: U.S. Department of Homeland Security

CFDA NO: 97.036

FEDERAL PROGRAM NAME: Disaster Grants - Public Assistance (Presidentially Declared Disasters)

FEDERAL AWARD NUMBER: DR-1883

FEDERAL AWARD YEAR: 2010

CONTROL CATEGORY: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching, Level of Effort Earmarking; Period of Availability of Federal Funds; Procurement and Suspension and Debarment; and Special Tests and Provisions

QUESTIONED COSTS: \$-0-

Condition: During the process of documenting the county's internal control procedures regarding federal disbursements, we noted that Cotton County has not established procedures to ensure compliance with the following compliance requirements: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching, Level of Effort Earmarking; Period of Availability of Federal Funds; Procurement and Suspension and Debarment; and Special Tests and Provisions.

Cause of Condition: Policies and procedures have not been designed to ensure federal expenditures are made in accordance with federal compliance requirements.

Effect of Condition: This condition could result in noncompliance to grant requirements and loss of federal funds the County.

Recommendation: OSAI recommends the County gain an understanding of requirements for these programs and implement internal control procedures to ensure compliance with grant requirements.

Management Response:

County Commissioners District 1, 2, and 3: The County makes an effort to comply with any and all federal requirements and the County will continue to make efforts to design and implement internal controls to ensure grant requirements are met.

**COTTON COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Criteria: *OMB A-133, Subpart C, §___.300* reads as follows:

Subpart C—Auditees

§___.300 Auditee responsibilities.

The auditee shall:

(b) Maintain internal control over Federal programs that provide reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have material effect on each of its Federal programs.

Further, accountability and stewardship should be overall goals in management's accounting of federal funds. Internal controls should be designed to monitor compliance with laws and regulations pertaining to grant contracts.

Finding 2013-20 – Inadequate County-Wide Controls Over Major Programs – FEMA (Repeat Finding)

PASS THROUGH GRANTOR: Oklahoma Department of Emergency Management

FEDERAL AGENCY: U.S. Department of Homeland Security

CFDA NO: 97.036

FEDERAL PROGRAM NAME: Disaster Grants - Public Assistance (Presidentially Declared Disasters)

FEDERAL AWARD NUMBER: DR-1883

FEDERAL AWARD YEAR: 2010

CONTROL CATEGORY: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching, Level of Effort Earmarking; Period of Availability of Federal Funds; Procurement and Suspension and Debarment; and Special Tests and Provisions

QUESTIONED COSTS: \$-0-

Condition: County-wide controls have not been designed regarding Risk Assessment, Information and Communication, and Monitoring.

Cause of Condition: Policies and procedures have not been designed to ensure the County is in compliance with grant requirements.

Effect of Condition: This condition could result in noncompliance to grant requirements.

Recommendation: OSAI recommends that the County implement a system of internal controls to ensure compliance with grant requirements.

Management Response:

County Commissioners District 1, 2, and 3: The County makes an effort to comply with any and all federal requirements and will work toward assessing and identifying risks to design county-wide controls over major programs.

**COTTON COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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, Information and Communication, and Monitoring for the achievement of these goals.

SECTION 4—This section contains certain matters not required to be reported in accordance with *Government Auditing Standards*. However, we believe these matters are significant enough to bring to management's attention. We recommend that management consider these matters and take appropriate corrective action.

Finding 2013-11 – Inadequate Internal Controls Over the Court Clerk Collection and Disbursement Processes (Repeat Finding)

Condition: Upon inquiry and the observation of records, with regards to the collection process and the disbursement process of the Court Fund and the Court Clerk Revolving Fund, we noted the following:

- All employees work from the same cash drawer. Although Court Clerk employees rotate the duties of balancing the cash drawer, preparing the deposit, making the deposit, and posting to the ledger, one employee will perform all of these duties on the day of their rotation.
- With regard to the Court Fund disbursement process, the Court Clerk performs the duties of requisitioning, receiving goods and services, issuing vouchers, and mailing or delivering vouchers to vendors.
- With regard to the Court Clerk Revolving Fund disbursement process, one employee is responsible for the duties of preparing vouchers, calculating amounts to other agencies, signing vouchers, and mailing or distributing vouchers.
- In the audit of 10 Court Clerk Revolving Fund claims, the following was noted:
 - Six (6) Court Clerk Revolving Fund claims did not have supporting documentation.
- In the audit of 25 Court Fund claims, the following was noted:
 - Six (6) Court Fund claims did not have supporting documentation.

Cause of Condition: Policies and procedures have not been designed and implemented with regard to segregating the duties over all aspects of the collection and disbursement processes of Court Fund and Court Clerk Revolving Fund.

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.

**COTTON COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Recommendation: OSAI recommends 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. The most effective controls lie in management's oversight of office operations and a periodic review of operations. Regarding the receipting process, OSAI recommends management establish separate cash drawers for each employee that receipts monies. The cash drawer should be closed out, reconciled to the employee's daily receipts, and be approved by someone independent of the cash drawer.

Further, OSAI recommends that the duties of the disbursement process should be adequately segregated regarding requisitioning, receiving goods and services, issuing vouchers and mailing or delivering vouchers to vendors. Additionally, all Court Clerk Revolving Fund expenditures should have adequate supporting documentation (i.e., receiving reports).

Management Response:

Court Clerk: I will do my best to fix these issues.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, key duties and responsibilities should be segregated among different individuals to reduce the risk of error or fraud. No one individual should have the ability to authorize transactions, have physical custody of property, and record transactions.

Effective internal controls are necessary to ensure stewardship and accountability of public funds. Aspects of effective accounting procedures include marking original receipts as voided as well as voiding the receipt in the computer. Effective accounting procedures also include maintaining invoices and/or supporting documentation for all expenditures of the Court Clerk Revolving Fund. Invoices and supporting documentation are important to verify the mathematical accuracy and validity of the expenditure.

Finding 2013-12 – Inadequate Internal Controls and Noncompliance Over Inmate Trust Fund Checking Account and Sheriff Commissary Fund (Repeat Finding)

Condition: Upon inquiry and observation of the Inmate Trust Fund Checking Account and Sheriff Commissary Fund, the following exceptions were noted:

- One individual is primarily responsible for inputting inmate deposits into the commissary system, preparing deposit slips, depositing with the financial institution, preparing checks, posting transactions to inmate records, and reconciling the Inmate Trust Fund Checking Account ledger to the bank statement at the end of each month.
- 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.

Further, an examination of the Inmate Trust Fund Checking Account reflected the following:

- Thirty-four (34) checks were not issued in compliance with state statutes.

**COTTON COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Cause of Condition: Policies and procedures have not been designed and implemented to ensure that controls are in place with regard to the Inmate Trust Fund Checking Account and Sheriff Commissary Fund.

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. Further, this condition resulted in noncompliance with state statutes.

Recommendation: OSAI recommends management be aware of these conditions and realize that a concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. Management should provide segregation of duties so that no one employee is able to perform all accounting functions.

Further, OSAI recommends disbursements be made in accordance with 19 O.S. § 531A and for the Sheriff's office to file an annual report for the Commissary Fund with the Board of County Commissioners by January 15th of each year, in accordance with 19 O.S. § 180.43D.

Management Response:

County Sheriff: We are aware of the conditions and will work towards implementing review processes as well as begin making a yearly report and having it approved by the Board of County Commissioners. As to the disbursements in question, the checks were written during prior administration and the condition has now been corrected.

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 transactions. To help ensure a proper accounting of funds, the duties of processing and authorizing should be segregated. Also, internal controls should be designed to analyze and check accuracy, completeness, and authorization of disbursement calculations and/or transactions.

**COTTON COUNTY, OKLAHOMA
PRIOR YEAR SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**Finding 2010-19 – Inadequate Internal Controls Over Federal Compliance Requirements - FEMA
(Repeat Finding)**

Pass-Through Grantor: Oklahoma Department of Emergency Management

Federal Agency: U.S. Department of Homeland Security

CFDA No: 97.036

Federal Program Name: Disaster Grants - Public Assistance (Presidentially Declared Disasters)

Federal Award Number: DR-1883

Federal Award Year: 2010

Control Category: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching, Level of Effort Earmarking; Period of Availability of Federal Funds; Procurement and Suspension and Debarment; and Special Tests and Provisions

Questioned Costs: \$-0-

Finding Summary: During the process of documenting the County's internal control procedures regarding federal disbursements, we noted that Cotton County has not established procedures to ensure compliance with the following compliance requirements: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching, Level of Effort Earmarking; Period of Availability of Federal Funds; Procurement and Suspension and Debarment; Reporting; and Special Tests and Provisions.

Status: No corrective action taken; a similar finding was noted in current year.

**Finding 2010-20 – Inadequate County-Wide Controls Over Major Federal Program – FEMA
(Repeat Finding)**

Pass Through Grantor: Oklahoma Department of Emergency Management

Federal Agency: United States Department of Homeland Security

CFDA No: 97.036

Federal Program Name: Disaster Grants - Public Assistance (Presidentially Declared Disasters)

Federal Award Number: DR-1883

Federal Award Year: 2010

Control Category: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching, Level of Effort Earmarking; Period of Availability of Federal Funds; Procurement and Suspension and Debarment; and Special Tests and Provisions

Questioned Costs: \$-0-

Finding Summary: County-wide controls have not been designed regarding Risk Assessment, Information and Communication, and Monitoring.

Status: No corrective action taken; a similar finding was noted in current year.



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