

COUNTY AUDIT

# CRAIG COUNTY

For the fiscal year ended June 30, 2012



*Independently serving the citizens of  
Oklahoma by promoting the  
accountability and fiscal integrity of  
governmental funds.*



Oklahoma State  
Auditor & Inspector  
Gary A. Jones, CPA, CFE

**CRAIG COUNTY, OKLAHOMA  
FINANCIAL STATEMENT  
AND INDEPENDENT AUDITOR'S REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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This publication, issued by the Oklahoma State Auditor and Inspector's Office as authorized by 19 O.S. § 171, has not been printed, but is available on the agency's website ([www.sai.ok.gov](http://www.sai.ok.gov)) and in the Oklahoma Department of Libraries Publications Clearinghouse Digital Prairie Collection (<http://digitalprairie.ok.gov/cdm/search/collection/audits/>) pursuant to 65 O.S. § 3-114.



# Oklahoma State Auditor & Inspector

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

July 26, 2016

TO THE CITIZENS OF  
CRAIG COUNTY, OKLAHOMA

Transmitted herewith is the audit of Craig County, Oklahoma for the fiscal year ended June 30, 2012. 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", with a long, sweeping underline.

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

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

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

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INTERNAL CONTROL AND COMPLIANCE SECTION

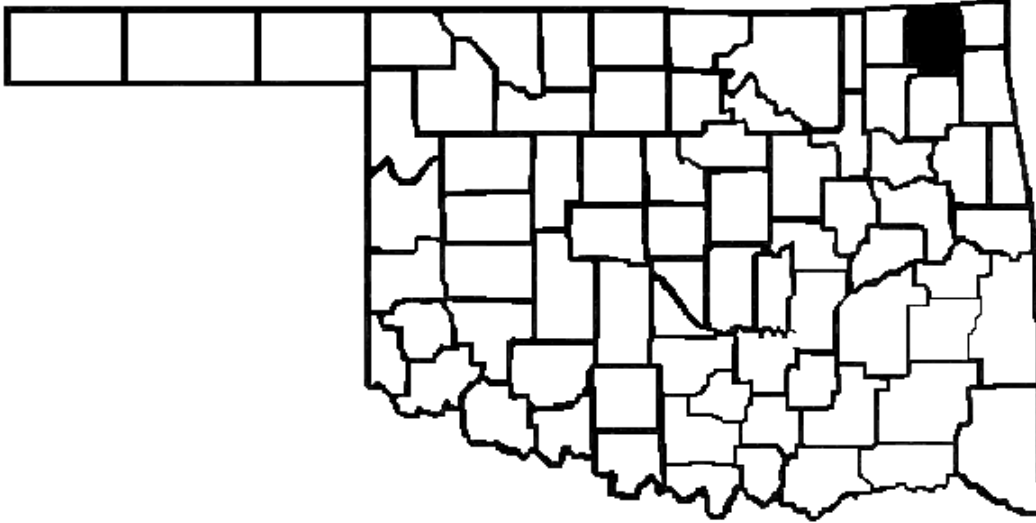
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PRESENTED FOR INFORMATIONAL PURPOSES ONLY**

**CRAIG COUNTY, OKLAHOMA  
STATISTICAL INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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Created at statehood and named for Granville Craig, a prominent Cherokee, this area was part of the Cherokee nation. The area was only sparsely settled until after the Civil War when a few scattered Cherokees made their homes in the region. Every three years the Battle of Cabin Creek takes place; the next event will be Fall 2010.

Vinita, the county seat, was once called both Downingville and The Junction and was established in 1891 at the junction of the Missouri, Kansas, and Texas Railroad (KATY) and the Atlantic and Pacific Railroad, (later the Frisco), the first rail lines to enter Oklahoma.

Craig County has long been a livestock producing area with cattle ranches located throughout. The industrial base of Vinita has been expanded to include everything from manufacturing of towers to micro connectors. As headquarters for the Grand River Dam Authority, Craig County is also the site of the Kansas, Arkansas, Oklahoma Power Distributor, and the Northeast Oklahoma Electric Cooperative.

Annual events include the original Will Rogers Memorial Rodeo in August, the Calf Fry Festival in September, and Oktoberfest.

The Craig County Book and others offer more county information, or call the county clerk's office at 918/256-2507.

County Seat – Vinita

Area – 762.71 Square Miles

County Population – 15,158  
(2009 est.)

Land in Farms – 457,292 Acres

Farms – 1,359

Primary Source: Oklahoma Almanac 2011-2012

**Board of County Commissioners**

District 1 – Roy Bible  
District 2 – Hugh Gordon  
District 3 – Dan Peetoom

**County Assessor**

Kelli Beisly Minson

**County Clerk**

Tammy Malone

**County Sheriff**

Jimmie Sooter

**County Treasurer**

Lisa Washam

**Court Clerk**

Mary Denny

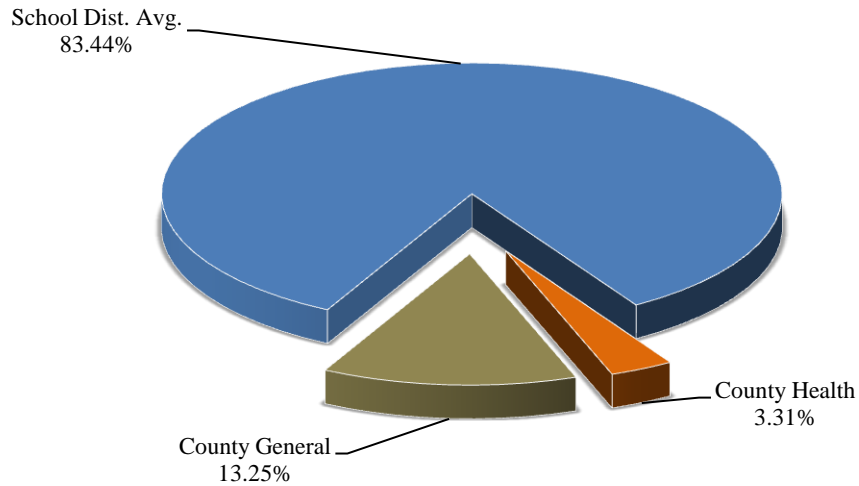
**District Attorney**

Janice Steidley



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

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



County-Wide Millages		School District Millages								
				Gen.	Bldg.	Skg.	EMS	Career Tech	Common	Total
County General	10.37									
County Health	2.59	White Oak	I-1	38.45	5.49	-	-	11.37	4.15	59.46
		Chelsea	I-3	37.14	5.31	17.44	-	11.37	4.15	75.41
		Cleora	D-6	35.44	5.06	-	3.00	11.37	4.15	59.02
		Ketchum	I-6	36.01	5.14	5.71	-	11.37	4.15	62.38
		Welch	I-17	35.66	5.09	17.64	-	11.37	4.15	73.91
		Bluejacket	I-20	36.99	5.28	-	-	11.37	4.15	57.79
		Afton	I-26	36.82	5.26	-	-	11.37	4.15	57.60
		Vinita	I-65	36.08	5.15	20.05	-	11.37	4.15	76.80

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

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## Sales Tax

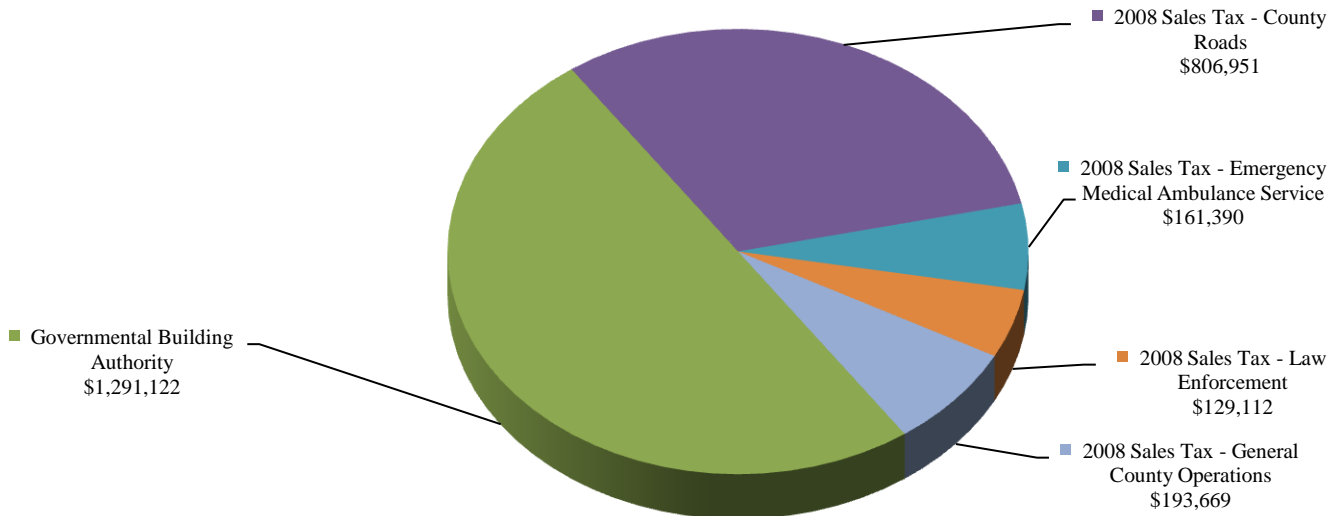
### Sales Tax of December 10, 2002

The voters of Craig County approved a one percent (1%) sales tax effective May 11, 2004. One-fourth of one percent (1/4%) sales tax shall be levied until repealed by a majority of the electors of Craig County in an election called for that purpose, and further providing that the remaining three-fourths of one percent (3/4 %) sales tax shall expire and cease to be collected on January 1, 2023. This sales tax was established to pay for acquiring, constructing, equipping, repairing, renovating, operating, and maintaining County courthouse and jail facilities of Craig County, Oklahoma; to pay the principal and interest on indebtedness incurred on behalf of said County by the Craig County Governmental Building Authority for such purpose. These funds are accounted for in the Sales Tax Building Cash Account.

### Sales Tax of August 26, 2008

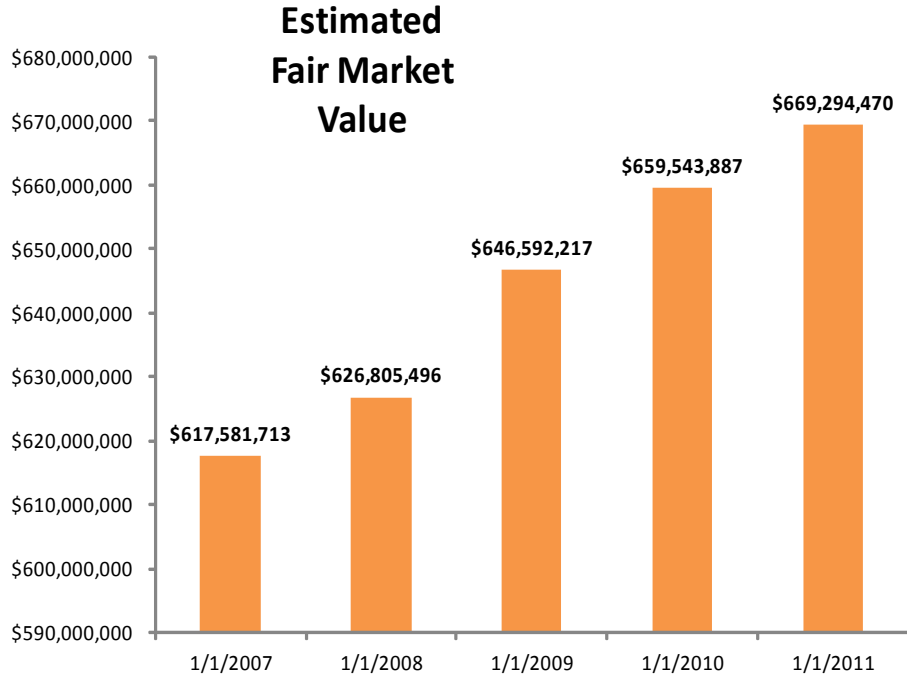
The voters of Craig County approved a one percent (1%) sales tax effective for a period of five years from July 1, 2009. The revenue of said sales tax is to be designated as follows: county roads in the amount of 62.50%; emergency medical (ambulance) services in the amount of 12.50%; law enforcement in the amount of 10%; and general county operations in the amount of 15%. These funds are accounted for in the County General Fund.

During the fiscal year the County collected \$2,582,244 in total sales tax.



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

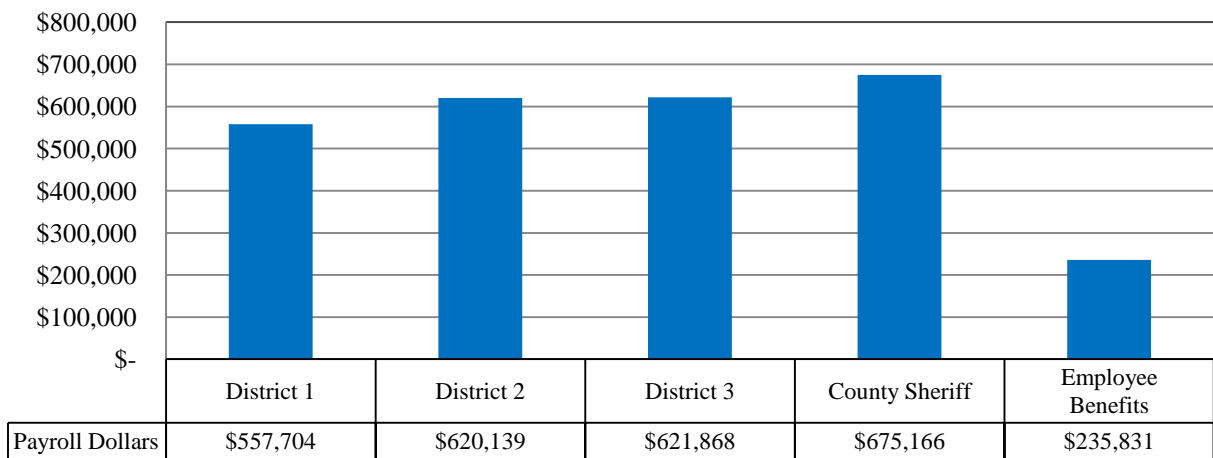
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2011	\$8,590,810	\$13,962,788	\$58,611,015	\$4,195,749	\$76,968,864	\$669,294,470
1/1/2010	\$9,722,632	\$12,425,675	\$57,857,476	\$4,158,236	\$75,847,547	\$659,543,887
1/1/2009	\$10,216,381	\$11,908,354	\$56,359,363	\$4,125,993	\$74,358,105	\$646,592,217
1/1/2008	\$10,957,418	\$11,161,363	\$54,070,488	\$4,106,637	\$72,082,632	\$626,805,496
1/1/2007	\$10,947,519	\$11,920,835	\$52,286,974	\$4,140,676	\$71,014,652	\$617,581,713



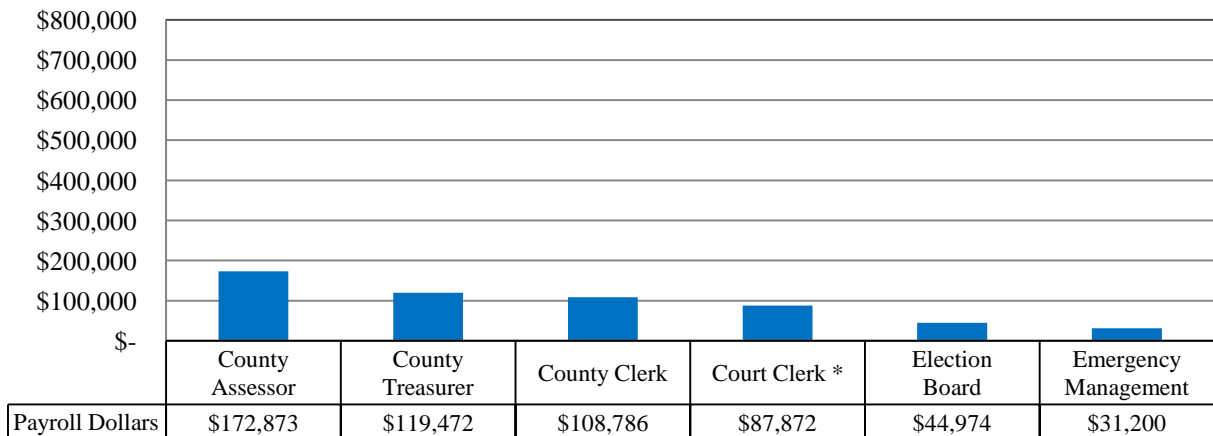
**CRAIG COUNTY, OKLAHOMA  
COUNTY PAYROLL EXPENDITURES ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

**Payroll Expenditures by Department**



**Payroll Expenditures by Department**



\*Does not include payroll expenditures from the Court Fund

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

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## County General Fund

The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the county's primary source of operating revenue. The County General Fund is typically used for county employees' salaries plus many expenses for county maintenance and operation. It also provides revenue for various budget accounts and accounts that support special services and programs. The Board of County Commissioners must review and approve all expenditures made from the County General Fund. The primary revenue source for the County General Fund is usually the county's ad valorem tax collected on real, personal (if applicable), and public service property. Smaller amounts of revenue can come from other sources such as fees, sales tax, use tax, state transfer payments, in-lieu taxes, and reimbursements. The chart below summarizes receipts and disbursements of the County's General Fund for the last five fiscal years.

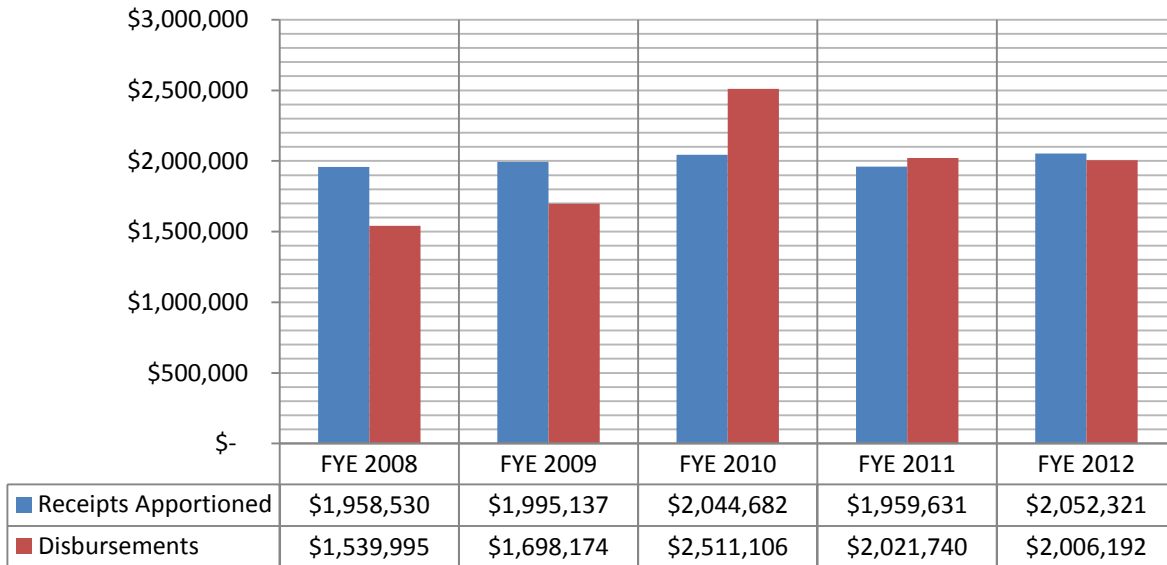


**CRAIG COUNTY, OKLAHOMA  
COUNTY HIGHWAY FUND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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## County Highway Fund

The County receives major funding for roads and highways from a state imposed fuel tax. Taxes are collected by the Oklahoma Tax Commission. Taxes are imposed on all gasoline, diesel, and special fuel sales statewide. The County's share is determined on formulas based on the County population, road miles, and land area and is remitted to the County monthly. These funds are earmarked for roads and highways only and are accounted for in the County Highway Fund. The chart below summarizes receipts and disbursements of the County's Highway Fund for the last five fiscal years.



**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  
CRAIG COUNTY, OKLAHOMA

We have audited the combined total—all county funds on the accompanying regulatory basis Statement of Receipts, Disbursements, and Changes in Cash Balances of Craig County, Oklahoma, as of and for the year ended June 30, 2012, listed in the table of contents as the financial statement. This financial statement is the responsibility of Craig County's management. Our responsibility is to express an opinion on the combined total—all county funds on this 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, this financial statement was prepared using accounting practices prescribed or permitted by Oklahoma state law, which practices differ from accounting principles generally accepted in the United States of America. The differences between this regulatory basis of accounting and accounting principles generally accepted in the United States of America are also described in Note 1.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Craig County as of June 30, 2012, or changes in its financial position for the year then ended.

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 Craig County, for the year ended June 30, 2012, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 19, 2016, on our consideration of Craig 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 should be considered in assessing the results of our audit.



Our audit was conducted for the purpose of forming an opinion on the combined total of all county funds on the financial statement. The Other Supplementary Information, as listed in the table of contents, is presented for purposes of additional analysis, and is not a required part of the financial statement. Such supplementary information has been subjected to the auditing procedures applied in the audit of the combined total—all county funds on the regulatory basis Statement of Receipts, Disbursements and Changes in Cash Balances and, in our opinion, 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 audited by us, and accordingly, we express no opinion on it.

A handwritten signature in blue ink, appearing to read "Gary A. Jones". The signature is fluid and cursive, with a long horizontal stroke at the end.

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

July 19, 2016

**REGULATORY BASIS FINANCIAL STATEMENT**

**CRAIG 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, 2012**

	Beginning Cash Balances July 1, 2011	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2012
Combining Information:						
Major Funds:						
County General Fund	\$ 1,155,744	\$ 3,127,266	\$ -	\$ -	\$ 3,398,476	\$ 884,534
County Highway Fund	722,383	2,052,321	-	-	2,006,192	768,512
County Health	288,582	500,675	-	-	393,954	395,303
Sales Tax Building Cash Account	111,884	1,291,122	-	-	1,266,439	136,567
County Sinking	-	5	-	-	-	5
Sheriff Service Fee	44,553	200,517	-	-	192,725	52,345
Department of Corrections Board of Prisoners	46,547	324,320	-	-	340,889	29,978
County Bridge and Road Improvement Fund	779,903	343,397	-	-	254,900	868,400
Remaining Aggregate Funds	211,372	245,499	85	-	239,425	217,531
<b>Combined Total - All County Funds as Restated</b>	<b>\$ 3,360,968</b>	<b>\$ 8,085,122</b>	<b>\$ 85</b>	<b>\$ -</b>	<b>\$ 8,093,000</b>	<b>\$ 3,353,175</b>

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

**CRAIG COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

Craig 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, libraries, 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 for the purpose of constructing and maintaining county roads and bridges.

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

Sales Tax Building Cash Account – accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the sales tax resolution.

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

**CRAIG COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

Department of Corrections Board of Prisoners – accounts for the monies received from the State of Oklahoma for the boarding and feeding of Department of Correction’s prisoners.

County Bridge and Road Improvement Fund – accounts for state funds to be used for the construction of roads and bridges throughout the County.

**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**

For the purposes of financial reporting, “Ending Cash Balances, June 30” includes cash and cash equivalents 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.

**CRAIG COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

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

**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.

**CRAIG COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**B. Other Post Employment Benefits (OPEB)**

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

**C. Contingent Liabilities**

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

The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in management's opinion, the resolution of these matters will not have a material adverse effect on the financial condition of the County.

**D. Long Term Obligations**

**1. Judgments**

In May of 2010, the court ordered the County to pay a judgment in the amount of \$38,335 on case CJ-2007-20. This judgment is being retired by a tax levy. The County is obligated to pay the judgment over a three-year period to begin the following fiscal year from when the judgment was ordered. Title 62 O.S. § 365.5 requires that no payment for a judgment shall be made until the first third is placed on the budget and is levied for collection. The County did not place the judgment on the budget or levy for the collection until fiscal year 2013.

<u><b>Case Number</b></u>	<u><b>Original Judgment</b></u>
CJ-2007-20	\$38,335

Future principal and interest payments that will become due on the existing judgment are as follows:

<u><b>Year Ending June 30,</b></u>	<u><b>Principal</b></u>	<u><b>Interest</b></u>	<u><b>Total</b></u>
2013	\$ 12,778	\$ 5,831	\$ 18,609
2014	12,778	1,342	14,120
2015	<u>12,779</u>	<u>877</u>	<u>13,656</u>
	<u>\$ 38,335</u>	<u>\$ 8,050</u>	<u>\$ 46,385</u>

**CRAIG COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**E. Sales Tax**

The voters of Craig County approved a one percent (1%) sales tax effective May 11, 2004. One-fourth of one percent (1/4%) sales tax shall be levied until repealed by a majority of the electors of Craig County in an election called for that purpose, and further providing that the remaining three-fourths of one percent (3/4 %) sales tax shall expire and cease to be collected on January 1, 2023. This sales tax was established to pay for acquiring, constructing, equipping, repairing, renovating, operating, and maintaining the County courthouse and jail facilities of Craig County, Oklahoma; to pay the principal and interest on indebtedness incurred on behalf of said County by the Craig County Governmental Building Authority for such purpose. These funds are accounted for in the Sales Tax Building Cash Account.

The voters of Craig County approved a one percent (1%) sales tax effective for a period of five years from July 1, 2009. The revenue of said sales tax to be designated as follows: To county roads in the amount of 62.50%, to emergency medical (ambulance) services in the amount of 12.50%, to law enforcement in the amount of 10%, to general county operations in the amount of 15%. These funds are accounted for in the County General Fund.

**F. Special Items**

The State Auditor and Inspector's Office conducted a special investigative audit concerning the Sheriff's Inmate Trust Account and the Sheriff's Commissary Account. Discrepancies were discovered during the annual financial audits of 2009 through 2011. The District Attorney for District 12 was contacted and a request for a special audit was made on April 9, 2012, pursuant to 74 O.S. § 212(H).

The investigation encompassed the period of July 1, 2007 through January 31, 2012, and fieldwork ended on October 22, 2012.

**G. Restatement of Beginning Fund Balance**

Due to the reclassification of funds for fiscal year ending June 30, 2012, the ending balance as reported is different than the July 1, 2012, beginning balance. The difference is due to one fund being reported as a county fund in fiscal year 2012 that should have been classified as a trust and agency fund, resulting in a decrease of \$45,993.

Prior Year Ending as Reported	\$3,406,961
Fund Moved to Trust and Agency Funds	<u>(45,993)</u>
Prior Year Ending Balance as Restated	<u>\$3,360,968</u>

**H. Residual Transfer**

During the fiscal year the County closed the trust and agency fund, Individual Redemption, and transferred the residual balance of \$85 to the County's Resale Fund.



**OTHER SUPPLEMENTARY INFORMATION**

**CRAIG 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, 2012**

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 1,155,744	\$ 1,155,744	\$ -
Less: Prior Year Outstanding Warrants	(95,704)	(95,704)	-
Less: Prior Year Encumbrances	(120,191)	(108,619)	11,572
Beginning Cash Balances, Budgetary Basis	<u>939,849</u>	<u>951,421</u>	<u>11,572</u>
Receipts:			
Ad Valorem Taxes	760,913	763,445	2,532
Charges for Services	93,757	89,813	(3,944)
Intergovernmental Revenues	1,502,551	1,683,609	181,058
Miscellaneous Revenues	510,932	590,399	79,467
Total Receipts, Budgetary Basis	<u>2,868,153</u>	<u>3,127,266</u>	<u>259,113</u>
Expenditures:			
District Attorney	2,725	2,276	449
County Sheriff	301,433	301,148	285
County Treasurer	83,440	83,410	30
OSU Extension	41,554	36,860	4,694
County Clerk	133,040	132,914	126
Court Clerk	84,640	84,376	264
County Assessor	45,600	45,600	-
Revaluation of Real Property	182,169	154,607	27,562
Juvenile Shelter Bureau	15,269	15,269	-
General Government	478,661	371,273	107,388
Excise-Equalization Board	2,800	1,861	939
County Election Board	58,273	54,300	3,973
Insurance-Benefits	254,010	236,074	17,936
Charity	1,000	85	915
Recording Account	3,000	2,896	104
Civil Defense: Emergency Management	37,700	37,656	44
Highway Budget Account	1,737,110	1,496,546	240,564
County Audit Budget Account	8,116	8,117	(1)
Free Fair Budget Account	30,675	30,636	39
County Hospital Budget Account	19,242	19,242	-
Ambulance	274,293	267,840	6,453
Total Expenditures, Budgetary Basis	<u>3,794,750</u>	<u>3,382,986</u>	<u>411,764</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ 13,252</u>	695,701	<u>\$ 682,449</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Cancelled Warrants		76	
Add: Current Year Outstanding Warrants		158,900	
Add: Current Year Encumbrances		29,857	
Ending Cash Balance		<u>\$ 884,534</u>	

**CRAIG COUNTY, OKLAHOMA  
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND  
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—  
COUNTY HEALTH DEPARTMENT FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 288,582	\$ 288,582	\$ -
Less: Prior Year Outstanding Warrants	(10,082)	(10,082)	-
Less: Prior Year Encumbrances	(19,885)	(19,858)	27
Plus: Estopped Warrants	-	58	58
Beginning Cash Balances, Budgetary Basis	258,615	258,700	85
Receipts:			
Ad Valorem Taxes	181,227	198,714	17,487
Charges for Services	-	116,833	116,833
Introgovernmental Revenues	-	185,085	185,085
Miscellaneous Revenues	232,268	43	(232,225)
Total Receipts, Budgetary Basis	413,495	500,675	87,180
Expenditures:			
County Health Budget Account	487,106	158,720	328,386
Senoir Companion - Local Budget Acct.	69,570	52,406	17,164
Senoir Companion - Federal Budget Acct.	185,005	185,005	-
Total Expenditures, Budgetary Basis	741,681	396,131	345,550
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ (69,571)	363,244	\$ 432,815
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		707	
Add: Current Year Outstanding Warrants		31,352	
Ending Cash Balance		\$ 395,303	

**CRAIG COUNTY, OKLAHOMA**  
**COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND**  
**CHANGES IN CASH BALANCES—REGULATORY BASIS—**  
**REMAINING AGGREGATE FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Beginning Cash Balances July 1, 2011	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2012
Remaining Aggregate Funds:						
Sheriff Drug Enforcement	\$ 555	\$ 11,200	\$ -	\$ -	\$ 11,753	\$ 2
Assessor Revolving	15,081	2,031	-	-	826	16,286
Assessor Visual Inspection	4,587	-	-	-	156	4,431
Juvenile Transport	769	2,104	-	-	1,923	950
Resale Property	119,340	67,059	85	-	58,263	128,221
County Clerk Records Management and Preservation	10,222	13,980	-	-	10,993	13,209
County Clerk Lien Fee	2,446	2,953	-	-	4,464	935
Treasurer Mortgage Tax Certification Fee	17,107	2,290	-	-	5,657	13,740
Sheriff Jail Commissary Profit	14,975	107,536	-	-	97,380	25,131
Flood Plain Board	524	250	-	-	-	774
Community Service Sentencing Program (CSSP)	-	500	-	-	500	-
Drug Dog	11,600	-	-	-	9,590	2,010
Sheriff Drug Buy	2,069	-	-	-	-	2,069
Craig County Emergency Management-2	7,278	20,337	-	-	21,206	6,409
Sheriff Littering Reward	600	8	-	-	399	209
Sheriff Communications	1,875	-	-	-	288	1,587
Local Emergency Planning Committee (LEPC)	1,600	1,024	-	-	1,792	832
911 Fees Charged	744	14,227	-	-	14,235	736
<b>Combined Total - Remaining Aggregate Funds</b>	<b>\$ 211,372</b>	<b>\$ 245,499</b>	<b>\$ 85</b>	<b>\$ -</b>	<b>\$ 239,425</b>	<b>\$ 217,531</b>

**CRAIG COUNTY, OKLAHOMA  
NOTES TO OTHER SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**1. Budgetary Schedules**

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

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

**2. Remaining County Funds**

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

Sheriff Drug Enforcement – accounts for the receipt of grant money, donations, and charges for inmate phone use. Disbursements are for the operations of the Sheriff's office in the fight against illegal drug possession and use.

Assessor Revolving – accounts for revenues from fees charged by the County Assessor and disbursements as restricted by state statute.

Assessor Visual Inspection – accounts for the receipt of fees charged to all entities receiving ad valorem taxes. Disbursements are for the expenses incurred for the re-evaluation of all county property for ad valorem purposes.

Juvenile Transport – accounts for state grant revenues and travel reimbursements from the State of Oklahoma for the transport of juvenile offenders.

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

County Clerk Records Management and Preservation – accounts for fees collected for instruments filed in the County Clerk's office. Disbursements are for the maintenance and preservation of public records.

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

**CRAIG COUNTY, OKLAHOMA  
NOTES TO OTHER SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

Sheriff Jail Commissary Profit – revenues are from profits on commissary sales in the county jail. Disbursements are for jail operations as defined by state statute.

Flood Plain Board – accounts for the receipt of fees from flood plain permits obtained from mortgages. Disbursements are for lawful expenses of the flood plain office.

Community Service Sentencing Program (CSSP) – accounts for revenues from state funds reimbursing the administrative expenses of people sentenced to community service.

Drug Dog – accounts for donations from the community for the purpose of K-9 training and up keep.

Sheriff Drug Buy – accounts for monies set aside for law enforcement sting operations.

Craig County Emergency Management-2 – accounts for the receipt and disbursement of funds from state and local governments for the operations of the emergency management office.

Sheriff Littering Reward – accounts for the monies collected from fines imposed for littering and disbursed to citizens involved in the reporting of littering offenses.

Sheriff Communications – accounts for grant monies received from Rural Electric Cooperative (REC) for the purpose of purchasing communication equipment for the Sheriff's office.

Local Emergency Planning Committee (LEPC) – revenues are from a state grant to cover the cost of paperwork for hazardous materials that are moved within the County. Disbursements may be used for anything that pertains to LEPC.

911 Fees Charged – accounts for the collection of fees charged on cellular telephone bills for the County's wireless emergency 911 system. Disbursements are for expenditures related to providing these services.

**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

## **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  
CRAIG COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Craig County, Oklahoma, as of and for the year ended June 30, 2012, which comprises Craig County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated July 19, 2016. Our report on the basic financial statement was adverse because the statement is not a presentation in conformity with 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, 2012, on the basis of accounting prescribed by Oklahoma state law, described in Note 1. 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.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Craig County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Craig County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting 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 described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies in internal control described in the accompanying schedule of findings and responses to be material weaknesses in internal control over financial reporting. 2012-1, 2012-2, 2012-4, 2012-5, 2012-8, 2012-9, and 2012-10.



A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting. 2012-3, 2012-7, and 2012-11.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Craig County's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2012-10.

We noted certain matters regarding statutory compliance that we reported to the management of Craig County, which are included in Section 2 of the schedule of findings and responses contained in this report.

Craig County's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit Craig 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 and 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. § 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 19, 2016

**CRAIG COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**SECTION 1—Findings related to the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

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

**Condition:** County-wide controls regarding Risk Assessment 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:** 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:**

**Chairman of the Board of County Commissioners:** Duly noted and I will address this issue with the other officers of the County.

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

**Finding 2012-2 – Inadequate Internal Controls Over Information Technology (Repeat Finding)**

**Condition:** Upon review of the computer systems within the County Clerk's and County Treasurer's office, it was noted that there does not appear to be adequate 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.

**CRAIG COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**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 Treasurer:** We changed computer systems in July 2012, which should rectify any areas of concern.

**County Clerk:** Due to the staffing limitations my office is unable to change our procedures and I accept the risks associated with those areas of concern.

**Auditor Response:** Every effort should be made to ensure the integrity of the financial records maintained in the County Clerk's office. By not implementing basic IT security policies and standards, risks associated with financial record integrity are greatly increased.

**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

**Finding 2012-3 – Lack of Disaster Recovery Plans (Repeat Finding)**

**Condition:** The County Clerk, County Sheriff, and the Board of County Commissioners do not have written Disaster Recovery Plan in place and the information contained in the County Treasurer's Disaster Recovery Plan was out of date.

**Cause of Condition:** Policies and procedures have not been designed and implemented to prepare formal Disaster Recovery Plans.

**Effect of Condition:** The failure to have a current formal Disaster Recovery Plan could result in the County being unable to function in the event of a disaster. The lack of a formal plan could cause significant problems in ensuring that county business could continue uninterrupted.

**Recommendation:** OSAI recommends all offices within the County develop a current Disaster Recovery Plan that addresses how critical information and systems within the individual offices would be restored in the event of a disaster. The Disaster Recovery Plan should include the following:

**CRAIG COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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- Current names, addresses, contact numbers of key county personnel and their roles and responsibilities of information services function.
- Listing of contracted service providers.
- Information on location of key resources, including back-up site for recovery operating system, application, data files, operating manuals and program/system/user/documentation.
- Alternative work locations once IT resources are available.

In addition, OSAI recommends that all Disaster Recovery Plans be updated yearly and distributed to key personnel. To safeguard the document in times of disaster, a copy should be stored in a secure off-site location.

**Management Response:**

**Chairman of the Board of County Commissioners:** This is being addressed.

**County Commissioner District 1:** Although I was not in office during this fiscal year, District 1 will be implementing a Disaster Recovery Plan. A copy will be maintained at both the County barn and the County Courthouse. I will ensure all my employees are aware of the plan and are able to execute the plan if the need arises. The Disaster Recovery Plan will include:

- Identification of critical systems and vital records.
- The names and contact information for the employees on the Emergency Response Team.
- An alternate site for operations.
- An emergency assessment strategy to be use by the emergency team.
- Recovery steps.
- The District's off-site storage plan.

**County Commissioner District 2:** We are currently working on a Disaster Recovery Plan. Our plan will be maintained in hard copy and on a thumb drive and stored off-site. The plan includes the following information:

- Items needed to continue operations.
- List of contact information for vendors.
- The names and contact information for the employees on the Emergency Response Team.
- Chain of Command for declaring a disaster.
- An alternate site for operations.
- Strategy of what constitutes a disaster.
- The Disaster Plan will be reviewed by all new employees and on a yearly basis by all employees.
- Drills will be performed periodically.

**County Treasurer:** I have a Disaster Recovery Plan in my office and it was updated whenever I changed computer systems or personnel or when I was made aware of a change in county systems, the date on the front was not changed whenever I made changes, I will change the date when I update information.

**CRAIG COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**County Clerk:** During fiscal year 2012, the County Clerk's office did not have a Disaster Recovery Plan in place. However, we have corrected this and currently have one in place.

**County Sheriff:** Our department is working on completing a Disaster Recovery Plan.

**Criteria:** An important aspect of internal control is the safeguarding of assets which includes adequate Disaster Recovery Plans. 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 in a County being unable to function in the event of a disaster. Disaster Recovery Plan(s) are an integral part of county operations to ensure that business can be continued as usual in the event of a disaster. Each office or the county as a whole should have a current, detailed Disaster Recovery Plan on file and should be aware of its content.

According to the standards of the Information Systems Audit and Control Association (COBIT, Deliver and Support 4), information services function management should ensure that a written Disaster Recovery Plan is documented and contains guidelines and instructions for the County to follow in the event of a disaster.

**Finding 2012-4 – Minutes of the Board of County Commissioners' Meetings - Noncompliance with State Statutes (Repeat Finding)**

**Condition:** During the previous audit of the fiscal year ending June 30, 2011, the County Clerk could not provide our office with minutes of the Board of County Commissioners' meetings. Further, the County Clerk could not provide official minutes up to the end of fieldwork date which was December 13, 2012. The County Clerk responded to the finding by stating that the minutes were recorded on the agendas (handwritten). After reviewing the agendas, it was noted that information was not documented to reflect votes made on resolutions, decisions, or questions submitted to the Board.

During the concurrent audit of the fiscal years ending June 30, 2012 and June 30, 2013, our office requested the minutes of the Board of County Commissioners' meetings. The Chairman and the County Clerk stated that the file boxes of the minutes could not be located for dates prior to November 30, 2012.

**Cause of Condition:** The County Clerk was negligent in the preparation of the minutes of the Board of County Commissioners' meetings. Further, the Board of County Commissioners was not aware that a vote of each member must be publicly cast and recorded in all meetings.

**Effect of Condition:** By not preparing the minutes of the meetings and not recording votes, the Board of County Commissioners and the County Clerk are in noncompliance with state statutes, and a record of the proceedings of the Board of County Commissioners' meetings is not being maintained and approved and therefore, all actions made by the Board of County Commissioners may be invalid.

**CRAIG COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**Recommendation:** OSAI recommends each member of the Board of County Commissioners cast a vote on resolutions, decisions, or questions submitted to the Board and the County Clerk prepare the minutes of the Board of County Commissioners' meetings in accordance with state statutes.

**Management Response:**

**Chairman of the Board of County Commissioners:** The file box that contained all minutes for fiscal year 2012 cannot be located. The County Clerk has the supporting documentation, like resolutions, but cannot locate the actual minutes.

**County Clerk:** The file boxes that contained all minutes from fiscal year 2012 cannot be located. We have the supporting documentation like resolutions but cannot locate the actual minutes.

**Criteria:** Title 25 O.S. § 305 states, "In all meetings of public bodies, the vote of each member must be publicly cast and recorded."

Title 19 O.S. § 243 states, "The county clerk shall attend the sessions of the board of county commissioners, either in person or by deputy, shall keep the seals, records, and papers of said board of commissioners and shall sign the records of the proceedings of the board of county commissioners and attest the same with the seal of the county."

Title 19 O.S. § 244 states, "It shall be the duty of the county clerk:

- 1) First. To record in a book to be provided for that purpose, all proceedings of the board.
- 2) To make regular entries of their resolutions and decisions in all questions concerning the raising of money.
- 3) To record the vote of each commissioner on any question submitted to the board, if required by any member thereof, and not otherwise.
- 4) To attest all orders issued by the board and signed by the chairman thereof for the payment of monies.
- 5) To preserve and file all accounts acted upon by the board, with their action thereon. And he shall perform such duties as are required by law."

**Finding 2012-5 – Inadequate Segregation of Duties over the County Treasurer’s Accounting Processes (Repeat Finding)**

**Condition:** An inadequate segregation of duties exists in the County Treasurer’s office because one employee is responsible for posting to the general ledger, preparing monthly reports, preparing monthly apportionments, maintaining the investment ledger, and reconciling the general and official bank accounts.

**CRAIG COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**Cause of Condition:** Policies and procedures have not been designed and implemented to separate key functions and processes among various employees in the office or to have levels of review over the processes performed.

**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 Treasurer:** We have already addressed this situation; everyone in our office oversees preparing and maintaining certain reports that overlap.

**Criteria:** Accountability and stewardship are overall goals of management in the accounting of funds. Internal controls should be designed to analyze and check accuracy, completeness, and authorization of disbursements and/or transactions. To help ensure a proper accounting of funds, 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 2012-7 – Bank Reconciliations and Accounts not on General Ledger (Repeat Finding)**

**Condition:** Based on testwork performed, there was no indication bank reconciliations are reviewed and approved by someone other than the preparer. Additionally, OSAI noted one investment recorded at the bank under the County's tax identification number (EIN) that was not recorded on the County Treasurer's general ledger.

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure all bank accounts under the County's EIN are presented on the general ledger, reconciliations are performed on all accounts and reconciliations are reviewed and approved by someone other than the preparer.

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

**Recommendation:** OSAI recommends all accounts be reconciled on a monthly basis and in a timely manner and that the County Treasurer ensures that all bank reconciliations reflect an indication of review that they are approved by someone other than the preparer. Also, any accounts or investments recorded under the County's tax identification number should be included on the County's general ledger.

**CRAIG COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**Management Response:**

**County Treasurer:** These conditions have been rectified. Since September 2012, bank reconciliations are reviewed and approved by someone other than preparer and the investment in question is no longer recorded under the County's tax identification number.

**Criteria:** To help ensure a proper accounting of funds, all bank accounts and investments identified with the County's tax identification number should be included on the general ledger. Bank reconciliations should be performed on a monthly basis and reviewed and approved by someone other than the preparer and include an indication of review.

**Finding 2012-8 – Inadequate Segregation of Duties Over Disbursement Process (Repeat Finding)**

**Condition:** An inadequate of segregation of duties exists in the purchasing department of the County Clerk's office because one employee is responsible for all of the following duties:

- Generating all requisition/purchase orders.
- Encumbering the funds.
- Auditing the purchase order upon receiving all supporting documentation.
- Preparing the warrants.
- Printing the warrants.
- Distributing the signed warrants.
- Maintaining the warrant register.
- Posting the warrants as paid to system.
- Maintaining the appropriation ledger.

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

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

**Recommendation:** OSAI recommends that 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:** Due to budget constraints and limited staff, cross training is essential.

**Auditor Response:** Duties should be segregated or compensating controls implemented.



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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 disbursements and/or transactions. To help ensure a proper accounting of funds, the duties of processing, authorizing, and distribution should be segregated.

**Finding 2012-9 – Inadequate Segregation of Duties Over Payroll (Repeat Finding)**

**Condition:** An inadequate segregation of duties exists in the County Clerk’s office because one deputy reviews the payroll claims, calculates amounts to be paid to the employees and payroll related agencies, updates the master payroll file, issues payroll, prints payroll warrants, and removes terminated employees from payroll.

**Cause of Condition:** Policies and procedures have not been designed 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.

The following key accounting functions of the payroll process should be adequately segregated:

- Enrolling new employees and maintaining personnel files.
- Reviewing time records and preparing payroll.
- Distributing payroll warrants to individuals.

**Management Response:**

**County Clerk:** Based on information provided by individual departments monthly, payroll claims are generated and presented to each officer for inspection and approval by officer and employee with signature required. Payroll is then presented to BOCC for final approval.

**Auditor Response:** The County Clerk should strengthen internal controls regarding preparing payroll, printing payroll warrants, and distributing payroll warrants.

**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.

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**Finding 2012-10 – Inadequate Internal Controls and Noncompliance Over Disbursements (Repeat Finding)**

**Condition:** Upon review of sixty-one (61) disbursements, OSAI noted the following:

- Seven (7), totaling \$81,703, were not timely encumbered.

**Cause of Condition:** The County did not follow policies and procedures designed by state statutes regarding the purchasing process.

**Effect of Condition:** This condition resulted in noncompliance with state statutes and could result in unrecorded transactions, undetected errors, and misappropriation of funds, inaccurate records, and incomplete information.

**Recommendation:** OSAI recommends the County adhere to state purchasing guidelines. Purchase orders should be encumbered before goods or services are ordered.

**Management Response:**

**County Commissioner District 1:** I was not in office at this time, but we will strive to adhere to purchasing guidelines.

**County Commissioner District 2:** Sometimes there is just no way of knowing how much something like the relocation of a waterline on a bridge project or the billing for workman compensation insurance will cost.

**County Commissioner District 3:** We will try harder to make sure funds are encumbered prior to the ordering and purchasing of goods or services.

**County Clerk:** I will speak to the individual offices/departments about the necessity to encumber funds prior to the ordering or receiving of goods or services.

**County Sheriff:** Purchase orders will be encumbered before purchase of goods or services are ordered.

**Auditor Response:** State statutes require all expenditures to be timely encumbered. Additionally, all work related to a specific project should be bid and amounts encumbered upon awarding of bid.

**Criteria:** Title 19 O.S. § 1505 prescribes the procedures for requisition, purchase, and receipt of supplies, material, and equipment.

**Finding 2012-11 – Inadequate Controls Over Time Records (Repeat Finding)**

**Condition:** While reviewing time records, we noted the following:

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- Timesheets for those employees, at the courthouse, directly under the Board of County Commissioners are not always signed by a supervisor.
- Time records for Sheriff's employees are maintained in the Online Directives Information System (ODIS) and are not being approved by the employee and the supervisor. Further, the system only documents leave used, not time worked.

**Cause of Condition:** Policies and procedures have not been designed and implemented with regard to the review of timesheets to ensure both the employee and official or department head have signed timesheets and to ensure time records are maintained in a manner to account for actual time worked.

**Effect of Condition:** This condition could result in inaccurate records or incomplete information of employees' time resulting in a potential loss of county funds.

**Recommendation:** OSAI recommends all county officials have properly signed and approved time records to support monthly payroll claims on file with the County Clerk. Each employee's time record should reflect the hours worked for each day; the compensatory time earned, taken or paid, sick leave earned, taken or paid, and vacation leave earned, taken or paid; and be approved by the County officer or department head.

**Management Response:**

**Chairman of the Board of County Commissioners:** The County Clerk will monitor and sign time records for those employees at the Courthouse that are directly under the Board of County Commissioners.

ODIS is a recognized time keeping program and I will request copies of time records.

**County Sheriff:** For each Craig County Sheriff's Department employee there is a monthly printed time sheet of the hours worked. Our department also has documentation on each employee for, sick compensatory and vacation time they have accrued. Policy states the employee has to sign and date the time sheet and then it will be signed off by a supervisor.

**Auditor Response:** Time records for the Sheriff's office for time period under audit, did not indicate actual hours worked nor were they signed by both the employee and a supervisor.

**Criteria:** Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, time records should be used to document hours worked and leave used each day. Time records signed by both the employee and the Supervisor/County Official, shall certify the validity of the hours worked and/or leave used.

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**SECTION 2—This section contains certain matters not required to be reported in accordance with *Government Auditing Standards*. However, we believe these matters are significant enough to bring to management’s attention. We recommend that management consider these matters and take appropriate corrective action.**

**Finding 2012-12 – Inadequate Internal Controls and Noncompliance Over Inmate Trust Fund Checking Account, Commissary, and Sheriff Commissary Fund (Repeat Finding)**

**Condition:** We noted the following weaknesses regarding the Inmate Trust Fund Checking Account and Sheriff Commissary:

Inmate Trust Fund Checking Account:

- One employee is responsible for receiving/receipting monies, accessing and balancing the drop box collections, preparing deposit slips, taking deposits to the bank, posting collections and disbursements to inmate records, calculating amount(s) written out of account, issuing checks, signing checks and reconciling bank account balances.
- The duties of the employee responsible for the inmate trust bookkeeping, including bank reconciliations, were not monitored by another employee, nor was there evidence that the work was reviewed by someone other than the preparer.
- Bank Reconciliations:
  - Documentation for bank reconciliations from July 2011 through March of 2012 was not maintained.
  - The bank reconciliation for June 29, 2012 was prepared inaccurately:
    - A payment from the Inmate Trust Fund Checking Account to the Sheriff Commissary Fund in the amount \$9,091.93, that had been posted to neither the bank nor the ledger, was used as a reconciling item.
    - \$4,324.09 in individual inmate balances that were already included in both the bank and ledger balances was also used as a reconciling item.
    - Outstanding check amounts used in the reconciliation were only for those issued in fiscal year 2012 year and included nothing issued prior to that.
    - The adjusted bank balance was \$16,263.17 and the ledger balance was \$15,455.91 for an unidentified variance of \$807.26.
- Individual inmate fund balances maintained in ODIS system cannot be reconciled back to the ledger.
- Receipts:
  - Multiple receipt books were used at one time, all receipt books could not be accounted for, original receipts were missing, voided receipts were not always retained, and the receipt books were not always used in sequential order.
  - Receipt books are pre-numbered, but because multiple books are used at one time and the books are not always used in sequential order, the receipt number sequence cannot be traced to the deposits to ensure accuracy of the deposit.

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- Handwritten receipts were not reconciled back to receipts issued within the accounting system (ODIS).
- Collections:
  - Receipts were not always issued for money received at the time the inmate was booked in.
  - Cash taken at book-in is often not receipted in and given back to the inmate, if the inmate is released shortly after book-in.
  - Collections were not reconciled to the receipts issued in accounting system (ODIS).
  - Cash recorded in the ODIS system was not always deposited at the bank.
  - Collections were not deposited daily.
- Expenditures:
  - All jailors have access to writing checks from the Inmate Trust Fund Checking Account.
  - Not all checks were signed by two employees.
  - Checks were written for unauthorized expenditures such as:
    - Book in fees in the amount of \$25.00 each time an inmate is booked into the jail.
    - Fines paid to Court Clerk.
    - Hair care services to a deputy.
    - Attorneys and bail bondsmen.
  - Checks were written when funds were not available in the bank account.
  - Insufficient check charges were taken out of funds maintained in the Inmate Trust Fund Checking Account.
  - Checks issued were not reconciled to documents authorizing release of funds.
  - Negative balances were noted on inmate accounts in the accounting system (ODIS).
- There is no log for tracking unclaimed money. The Sheriff's office retains all checks that have not been picked up, however; the total amount including checks that have been picked up but not cashed could not be determined.

**Sheriff Commissary and Commissary Fund:**

- One employee prepared/placed commissary orders, received commissary items ordered, performed inventory, and recorded inventory input and output in ODIS.
- Expenditures from the Sheriff's Commissary Funds for commissary items are not encumbered in a timely manner.
- Two expenditures for unemployment contributions were issued from the Sheriff's Commissary Fund.
- The County Sheriff's office does not file an annual report for the Sheriff Commissary Fund with the Board of County Commissioners by January 15th, of each year.

**Cause of Condition:** Policies and procedures have not been designed and implemented for proper administration regarding the Inmate Trust Fund Checking Account, the Sheriff run commissary, and the Sheriff Commissary Fund.

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**Effect of Condition:** These conditions resulted in noncompliance with state statutes, laws, regulations or legislative intent. In addition, without proper accounting and safeguarding of the Inmate Trust Fund Checking Account, there is an increased risk of misappropriation of funds.

**Recommendation:** OSAI recommends that 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.

OSAI further recommends the Sheriff implement procedures to ensure:

- Inmate Trust Fund Checking Account monies should be maintained in a manner that reflects each inmate's trust deposits, disbursements, and account balances. The inmates' trust fund balances should be reconciled to the bank statements each month.
- Receipts should be issued in sequential order for all collections.
- Bank reconciliations should be performed on a monthly basis and reviewed and approved by someone other than the preparer.
- All collections should be deposited daily.
- All checks from the Inmate Trust Fund Checking Account should have two authorized signatures.
- Expenditures should be made from the Inmate Trust Fund Checking Account in accordance with 19 O.S. § 531 A.
- Expenditures should be made from the Sheriff's Commissary Fund in accordance with 19 O.S. § 180.43 D.
- The Sheriff should file a report of the commissary with the County Commissioners by January 15th, of each year in accordance with 19 O.S. § 180.43 (A).

**Management Response:**

**County Sheriff:** All money dropped into drop box is gathered every morning by the front office staff and worked up. Deposits are made daily. All receipt books have been named and number in sequence order, such as "Jail" and "SO-Sheriff Office", only (1) book is used at a time in the Jail and only (1) book is used at a time in the Sheriff's office. All receipts have been reconciled back to ODIS. Additionally, checks written on the Inmate Trust Fund Checking Account must have (2) approved signatures for the check to be processed at the bank. If a check has been sent out with only (1) signature, the bank will hold check and notify our department. All jailers have access to the checkbook, but not all jailers are approved to sign. Must have (2) approved signatures to release the check. Lastly, the Sheriff's secretary maintains a running total of all checks and documentation of whom the check was wrote to and the date it was wrote on, and the amount of the check, that have not been picked up.

**Auditor Response:** While these may be the current operational processes and procedures in the Sheriff's office, testwork performed and documentation received for the fiscal year 2012 audit and the Special Investigative audit, that encompassed fiscal year 2012, noted noncompliance with state statutes and a

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serious lack of controls regarding the Inmate Trust Fund Checking Account and the Sheriff's Commissary Fund.

**Criteria:** Effective accounting procedures and internal controls are necessary to ensure stewardship and accountability of public funds. Safeguarding controls are an aspect of internal controls. Safeguarding controls relate to the prevention or timely detection of unauthorized transaction and unauthorized access to assets. Failure to perform tasks that are part of internal controls, such as reconciliations not performed or not timely prepared, are deficiencies in internal control. Further, reconciliations should be performed on a monthly basis.

Effective internal controls should provide for procedures wherein receipts for the monies collected are maintained and available for inspection and deposits are made on a daily basis.

Title 19 O.S. § 531 A. states in part, "The county sheriff may establish a checking account, to be designated the "Inmate Trust Fund Checking Account." The county sheriff shall deposit all monies collected from inmates incarcerated in the county jail into this checking account and may write checks to the Sheriff's Commissary Account for purchases made by the inmate during his or her incarceration and to the inmate from unencumbered balances due the inmate upon his or her discharge."

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

**Finding 2012-15 – Inadequate Segregation of Duties - Court Clerk (Repeat Finding)**

**Condition:** Upon inquiry and observation of the expenditure process, the following was noted:

- The First Deputy in the Court Clerk's office performs the following duties pertaining to Court Fund expenditures, with little or no review:
  - Initiates claim.
  - Prepares claims.
  - Prepares voucher for payment.
  - Registers vouchers with Treasurer.
  - Disburses voucher to vendor.

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- The Court Clerk performs the following duties pertaining to the Court Clerk Revolving Fund expenditures, with little or no review:
  - Initiates claim.
  - Prepares claims.
  - Prepares voucher for payment.
  - Registers vouchers with Treasurer.
  - Disburses voucher to vendor.

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure adequate segregation of duties or reviews are in place.

**Effect of Condition:** This condition could result in unrecorded transactions, undeleted errors, misstated financial statements, or misappropriations 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:**

**Court Clerk:** Current procedures have been implemented to remedy the lack of segregation of duties over the Court Clerk Revolving Fund and Court Fund expenditures.

**Criteria:** Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, the duties of preparing the claim, preparing the vouchers, signing the vouchers, and reconciliation of the accounts should be segregated.

**Finding 2012-16 – Inadequate Internal Controls Over Other Official Depository Accounts (Repeat Finding)**

**Condition:** Upon inquiry of county personnel and review of documentation over the receipting process for official depository collections, we noted the lack of segregation of duties for the following offices:

- County Sheriff:
  - One employee is responsible for issuing receipts, posting receipts to the computer system, preparing the daily reconciliation, preparing the deposit, taking the deposit to the Treasurer, issuing official depository vouchers, and performing monthly reconciliations to the Treasurer.
  - Multiple receipt books are in used within the Sheriff's office for the receipting of collections.
  - There are no controls over the issuance of receipt books for use and therefore receipt books are not always used in sequential order.



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- Receipts issued for the day could not be reconciled to daily deposits.
- Court Clerk:
  - One employee is responsible for reviewing the daily reconciliations, preparing the deposit, taking the deposit to the Treasurer, issuing official depository vouchers, and performing monthly reconciliations to the Treasurer's records.
- County Clerk:
  - One employee is responsible for issuing receipts, issuing official depository vouchers, and performing monthly reconciliations to the Treasurer's records.
- County Assessor:
  - One employee is responsible for issuing receipts, preparing daily reconciliations, preparing the deposit, taking the deposit to the Treasurer, and issuing official depository vouchers.
- County Health Department:
  - One employee is responsible for performing the daily reconciliation, preparing the deposit, taking the deposit to the Treasurer, issuing official depository vouchers, and performing monthly reconciliations to the Treasurer's records.

**Cause of Condition:** Policies and procedures have not been designed with regards to segregation of duties and/or compensating controls of the official depository process to ensure adequate safeguarding of assets.

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

**Recommendation:** OSAI recommends a system of internal controls be implemented to provide reasonable assurance that duties are adequately segregated. The duties of receipting, depositing, maintaining ledgers/reconciliations, and disbursing funds should be segregated. If duties cannot be properly segregated, procedures should be designed to mitigate risks such as monitoring and review of processes.

Additionally, OSAI recommends the County Sheriff implement procedures to monitor the collecting, receipting, and accounting processes to ensure collections are receipted in sequential order and receipts reconcile to deposits.

**Management Response:**

**County Sheriff:** Our office has put in a procedure on Sheriff's official deposit as follows:

(1) person receipts the money, (1) person puts together the deposit, and (1) person takes the deposit at the Treasurer's office. The Treasurer's office then reconciles all money and receipts to what was deposited.

**Court Clerk:** Procedures have been implemented to rectify these areas of concern.

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**County Clerk:** Due to budget constraints and limited staff, this situation is unlikely to be remedied.

**County Assessor:** Our office is limited in staff and to reduce the risk of error or fraud we will begin with having the official or first deputy review each transaction and initial.

**Health Department:** Per Oklahoma State Department of Health Policy and Procedures the County Health Department has implemented a system of internal controls to monitor and review performed processes such as receipting, depositing, reconciliations, expenditures, county appropriations, and county/state inventory asset recording. These controls consist of a monthly review and reconciliation to be completed by the Business Manager and a monthly desk review to be completed by the Records Consultant.

**Auditor Response:** If duties cannot be properly segregated due to limited staff, management should design monitoring and review processes to mitigate risks.

**Criteria:** Accountability and stewardship are overall goals of management in the accounting of funds. Internal controls should be designed to analyze and check accuracy, completeness, and authorization of disbursements and/or transactions. To help ensure a proper accounting of funds, 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. Additionally, controls should be put in place over manual receipt books to ensure receipts are issued in sequential order and all receipts issued for the day can be accounted for and reconciled to the daily deposit.

**Finding 2012-17 – Schedule of Expenditures of Federal Awards (Repeat Finding)**

**Condition:** The County has not designed and implemented formal internal controls for the reporting of its federal programs as required by OMB Circular A-133. The Schedule of Expenditures of Federal Awards (SEFA) for the fiscal year ended June 30, 2012 was not prepared by the County until June 25, 2015.

During our review and reconciliation of the SEFA as initially prepared by Craig County, we noted errors in the reporting of receipts and expenditures resulting in receipts being understated in the amount of \$269,520 and expenditures being overstated in the amount of \$551.

**Cause of Condition:** Policies and procedures have not been designed and implemented by the County to establish a uniform recording system of federal revenues and expenditures and to ensure required reporting of federal revenues are presented accurately and prepared in a timely manner.

**Effect of Condition:** These conditions resulted in the required reporting to be delayed almost three years and inaccuracy in the recording of federal revenues and expenditures on the SEFA.

**Recommendation:** OSAI recommends Craig County have a policy for handling all federal grants awarded to the County. These policies should incorporate by reference applicable federal regulations to

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be followed, as well as the appropriate policy for the application, receipt, and expenditure of federal funds. OSAI also recommends that amounts reported on the SEFA be reconciled to accounting records.

**Management Response:**

**Chairman of the Board of County Commissioners:** In the future all officials will be working together in order to prepare the SEFA in a more timely manner.

**County Commissioner District 1:** I was not in office at this time; however, I plan on setting a policy for my District regarding the handling of the federal grants awarded to my District. This policy will address the application, receipt, and expenditure processes for federal grants. Additionally, it will include information needed for the recording of federal receipts and expenditures for my District on the SEFA. Lastly, this policy will address the timely and accurate reporting of federal funds on the SEFA.

**County Commissioner District 2:** The SEFA for fiscal year 2012 was not completed timely. We will try to do better in the future.

**County Clerk:** In the future we will be working with the other officials in order to prepare the Schedule of Expenditures of Federal Awards in a timelier manner.

**Criteria:** *OMB A-133, Subpart C, §\_\_\_.300 (b)(d)* reads as follows:

Subpart C—Auditees

§\_\_\_.300 Auditee responsibilities.

The auditee shall:

(b) Maintain internal control over Federal programs that provides 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 a material effect on each of its Federal programs.

(d) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with §\_\_\_.310.

Further, accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, an accurate record of federal expenditures should be maintained.

**Finding 2012-18 – Estimate of Needs Not Accurately Presented**

**Condition:** Upon review of the County’s Estimate of Needs for the General and Health Funds for the fiscal year ending June 30, 2012, the exceptions were noted:

- Budgeted revenues for the General Fund exceeded the budgeted expenditures by \$13,252.
- Budget expenditures for the Health Fund exceeded the beginning fund balance plus budgeted revenues by \$69,571.

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**Cause of Condition:** Policies and procedures have not been designed to ensure that the Estimate of Needs is accurately completed.

**Effect of Condition:** This condition resulted in the County approving the County Health Fund budget for \$69,571 more than expected funds available for the fiscal year. This condition also resulted in an approved budget that was not a true reflection of the County's financial condition. This condition could result in the County overspending and creating a deficit in the fund.

**Recommendation:** OSAI recommends management implement procedures that will ensure the annual budget is accurate and that budgeted expenditures do not exceed the amount of revenues available for use and is prepare in accordance with the Constitution of the State of Oklahoma. OSAI also recommends management ensure the accuracy of budgeted numbers prior to the budget being approved.

**Management Response:**

**Chairman of the Board of County Commissioners:** We have asked the CPA, who prepared County's 2012-2013 Estimate of Needs and Financial Statement for fiscal year 2011-2012, to review this information.

**Criteria:** Article X, § 23 of the State of Oklahoma Constitution requires a balanced budget and in part "prohibits the creation of any debt or obligation, or fund or pay any deficit, against the state, or any department, institution or agency thereof, regardless of its form or the source of money from which it is to be paid..."



**OFFICE OF THE STATE AUDITOR & INSPECTOR**  
2300 N. LINCOLN BOULEVARD, ROOM 100  
OKLAHOMA CITY, OK 73105-4896

[WWW.SAI.OK.GOV](http://WWW.SAI.OK.GOV)