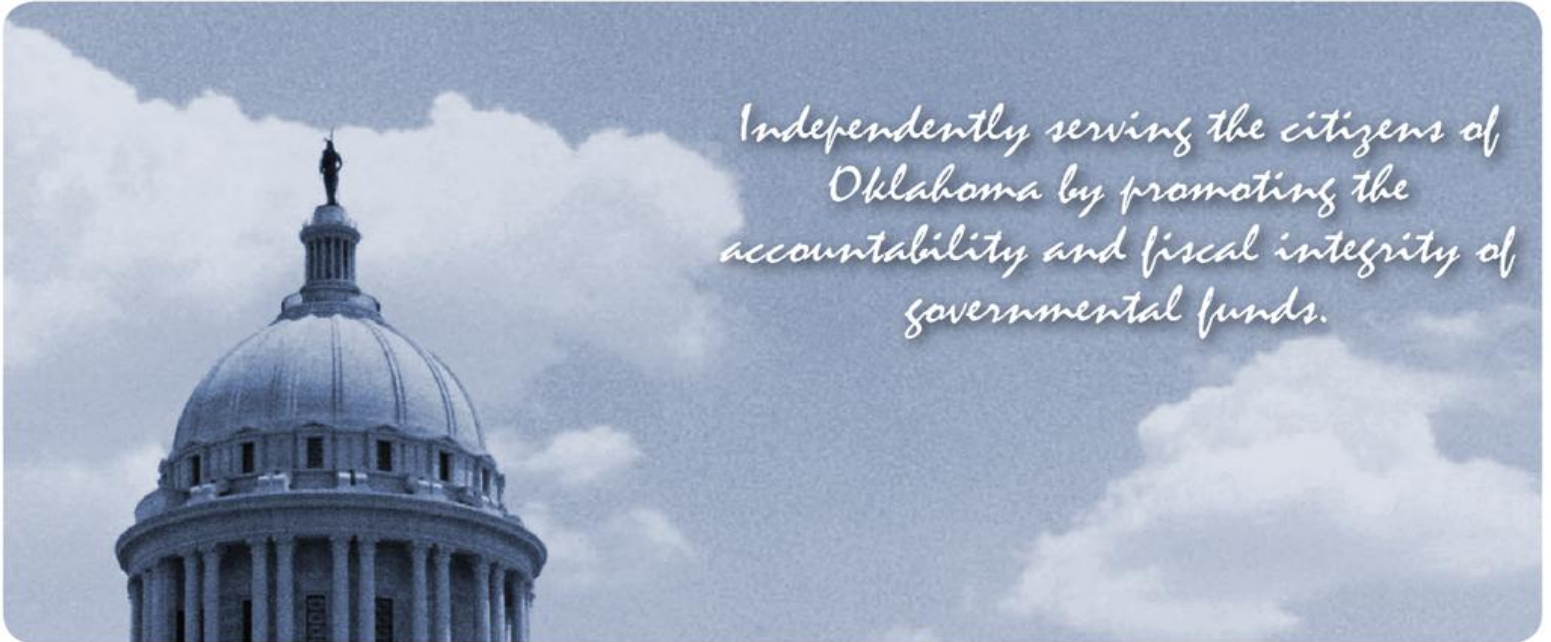


COUNTY AUDIT

# CUSTER 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

**CUSTER 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 Collection, pursuant to 74 O.S. § 3105.B.



# Oklahoma State Auditor & Inspector

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

July 22, 2015

TO THE CITIZENS OF  
CUSTER COUNTY, OKLAHOMA

Transmitted herewith is the audit of Custer 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 that reads "Gary A. Jones".

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

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

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

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INTERNAL CONTROL AND COMPLIANCE SECTION

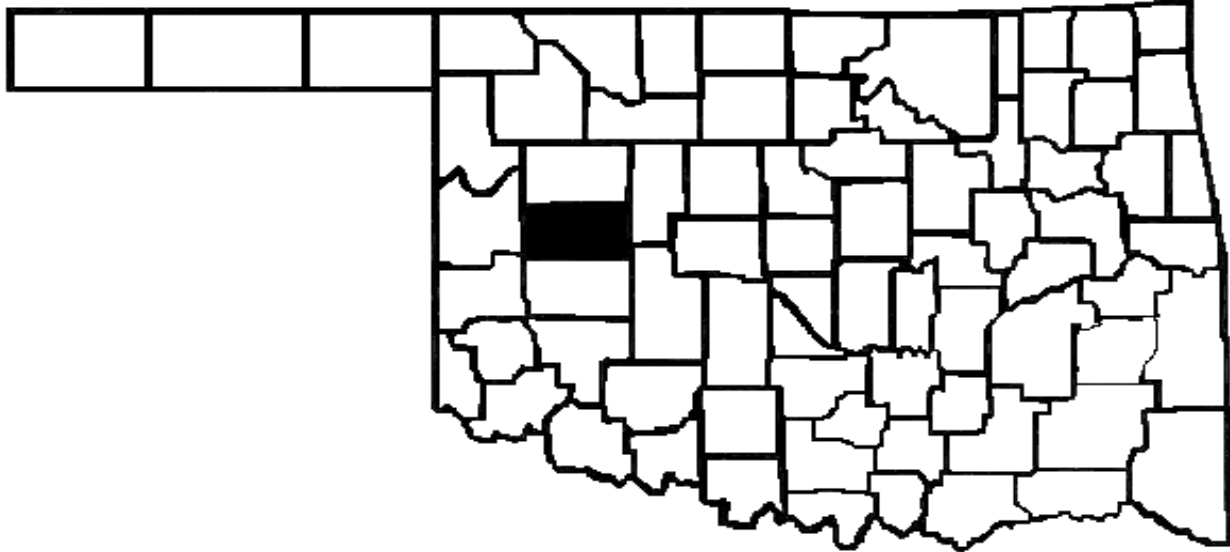
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**CUSTER COUNTY, OKLAHOMA  
STATISTICAL INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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A part of the original Cheyenne-Arapaho Reservation established by treaty in 1867, Custer County was named for General George A. Custer and was part of 3.5 million acres opened for settlement by the Land Run of April 19, 1892. Arapaho is the county seat.

Both Clinton and Weatherford were established largely as a result of the westward expansion of the railroads. The Rock Island Railroad completed its east-west line to present-day Clinton, then called Washita Junction, in 1903. A special act of Congress allowed four Indians to sell half of each of their 160-acre allotments to create the Clinton townsite.

The territorial government established a two-year college for training teachers at Weatherford. This college has become a four-year university offering some graduate degrees and a pharmacy school.

The economy of Custer County is allied with oil and gas prices as the area lies atop the rich Anadarko Basin. Foss State Park and a wildlife refuge near Butler as well as a large Imation facility near Weatherford and Freightliner and Doane's Pet Care facilities in Clinton also contribute to the economy of the county.

For additional county information, call the county clerk's office at 580/323-1221.

County Seat – Arapaho

Area – 1,002 Square Miles

County Population – 26,717  
(2009 est.)

Farms – 907

Land in Farms – 568,728 Acres

Primary Source: Oklahoma Almanac 2011-2012

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

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**Board of County Commissioners**

District 1 – James E. Covey  
District 2 – Steve Tompkins  
District 3 – Lyle Miller

**County Assessor**

Brad Rennels

**County Clerk**

Karen Fry

**County Sheriff**

Bruce Peoples

**County Treasurer**

Janet Roulet

**Court Clerk**

Staci Hunter

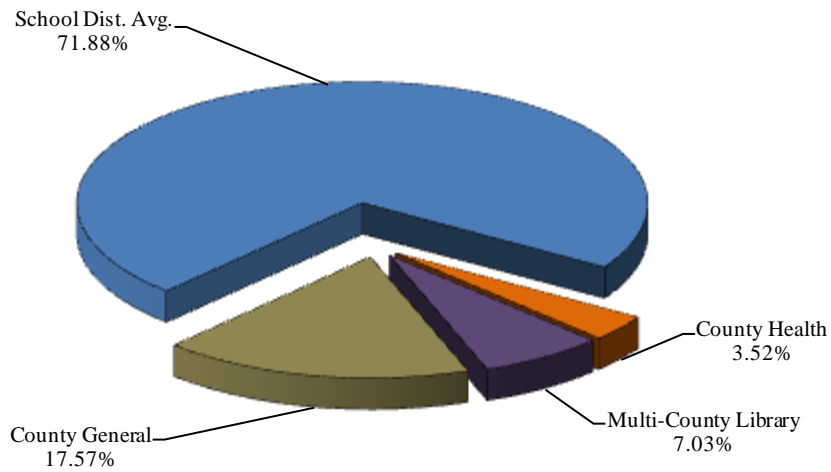
**District Attorney**

Dennis Smith



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

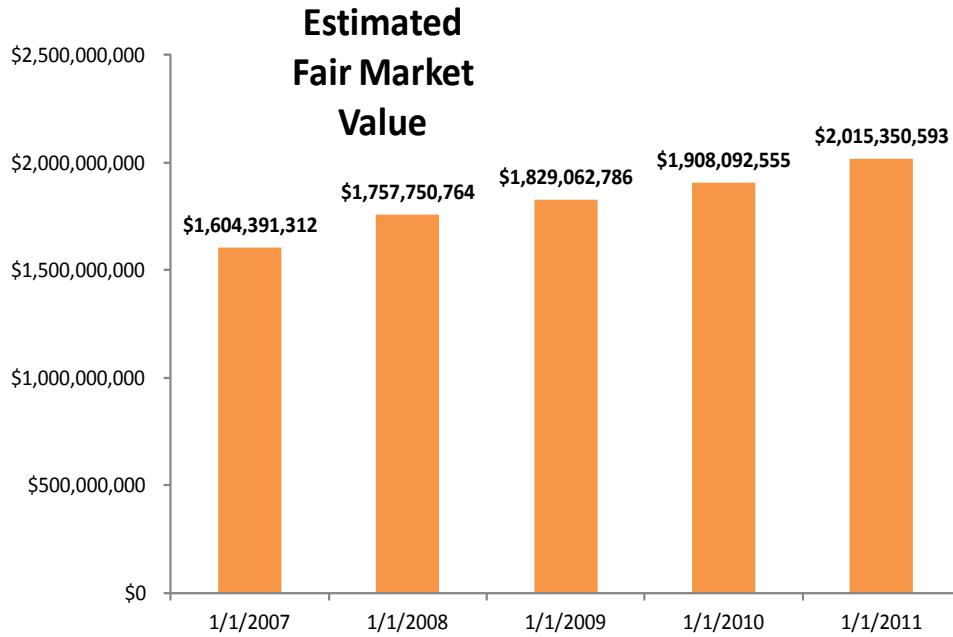
Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of a property is \$1,000.00 and the millage rate is 1.00, then the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



| County-Wide Millages |       | School District Millages |      |       |       |       |                 |        |      |       |
|----------------------|-------|--------------------------|------|-------|-------|-------|-----------------|--------|------|-------|
|                      |       |                          |      | Gen.  | Bldg. | Skg.  | Career<br>Tech. | Common | EMS  | Total |
| County General       | 10.28 |                          |      |       |       |       |                 |        |      |       |
| County Health        | 2.06  | Arapaho                  | I-5  | 36.10 | 5.16  | 15.02 | 12.31           | 4.11   | -    | 72.70 |
| Multi-County Library | 4.11  | TFC Unified              | I-7  | 36.46 | 5.21  | 14.79 | -               | 4.11   | -    | 60.57 |
|                      |       | Weatherford              | I-26 | 35.82 | 5.12  | 15.57 | 12.31           | 4.11   | -    | 72.93 |
|                      |       | Butler                   | I-5  | 36.10 | 5.16  | 15.02 | 12.31           | 4.11   | 3.14 | 75.84 |
|                      |       | Clinton                  | I-99 | 35.89 | 5.13  | 16.99 | 12.31           | 4.11   | -    | 74.43 |
|                      |       | Caddo                    | I-11 | 35.93 | 5.13  | 26.69 | 11.33           | 4.11   | -    | 83.19 |
|                      |       | Roger Mills              | I-3  | 36.31 | 5.19  | -     | -               | 4.11   | 3.11 | 48.72 |
|                      |       | Beckham                  | I-6  | 41.19 | 5.93  | -     | 12.31           | 4.11   | -    | 63.54 |
|                      |       | Washita                  | I-11 | 35.61 | 5.09  | 6.60  | 12.31           | 4.11   | -    | 63.72 |
| Roger Mills          | I-66  | 35.61                    | 5.09 | -     | 12.31 | 4.11  | -               | 57.12  |      |       |

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

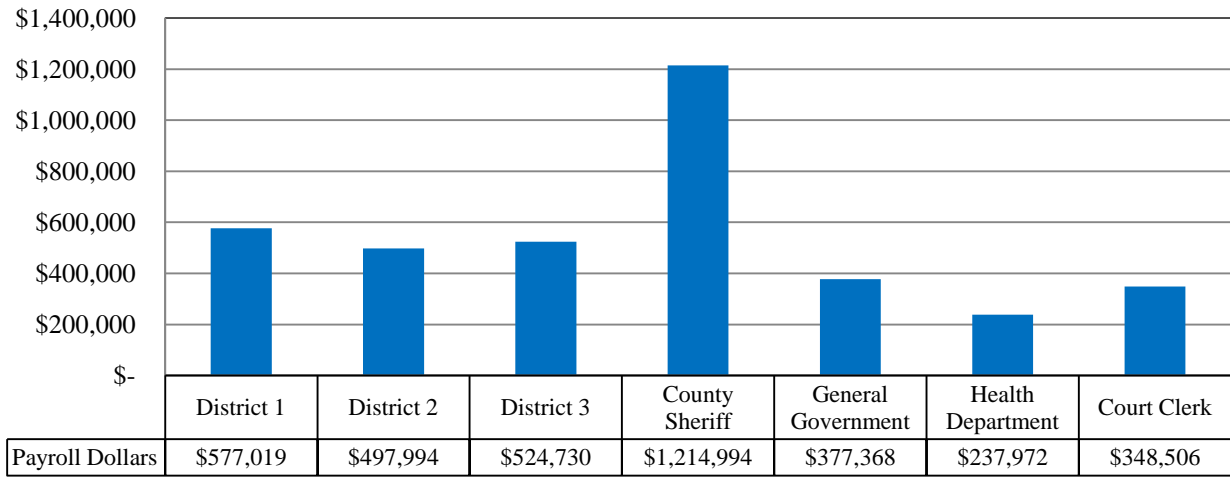
| Valuation Date | Personal     | Public Service | Real Estate   | Homestead Exemption | Net Value     | Estimated Fair Market Value |
|----------------|--------------|----------------|---------------|---------------------|---------------|-----------------------------|
| 1/1/2011       | \$88,146,437 | \$24,948,963   | \$112,253,003 | \$5,130,353         | \$220,218,050 | \$2,015,350,593             |
| 1/1/2010       | \$80,270,366 | \$24,948,963   | \$109,118,297 | \$5,158,859         | \$209,178,767 | \$1,908,092,555             |
| 1/1/2009       | \$77,042,420 | \$23,980,773   | \$104,459,858 | \$5,153,153         | \$200,329,898 | \$1,829,062,786             |
| 1/1/2008       | \$73,794,480 | \$23,056,404   | \$100,650,454 | \$5,234,747         | \$192,266,591 | \$1,757,750,764             |
| 1/1/2007       | \$63,695,518 | \$24,880,791   | \$93,977,579  | \$5,217,038         | \$177,336,850 | \$1,604,391,312             |



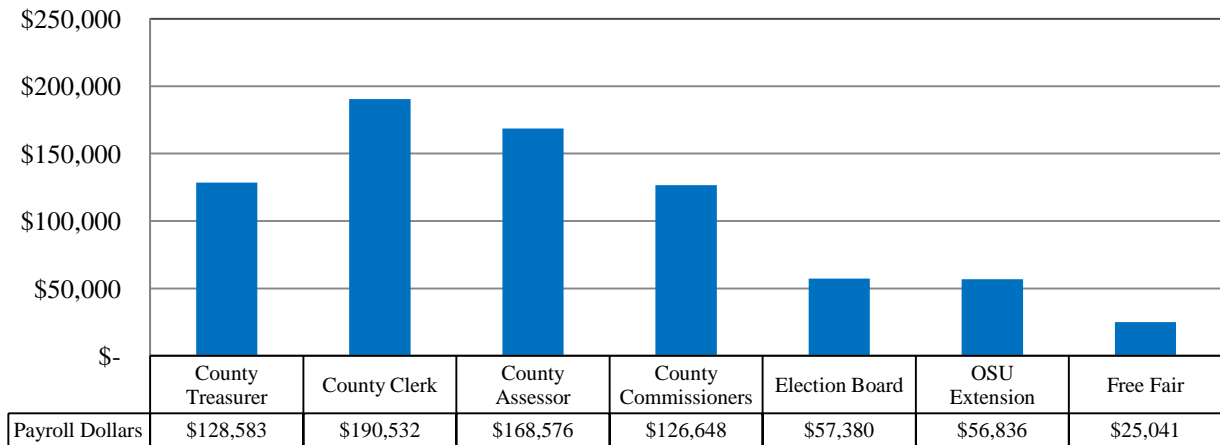
**CUSTER COUNTY, OKLAHOMA  
COUNTY PAYROLL EXPENDITURES ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**



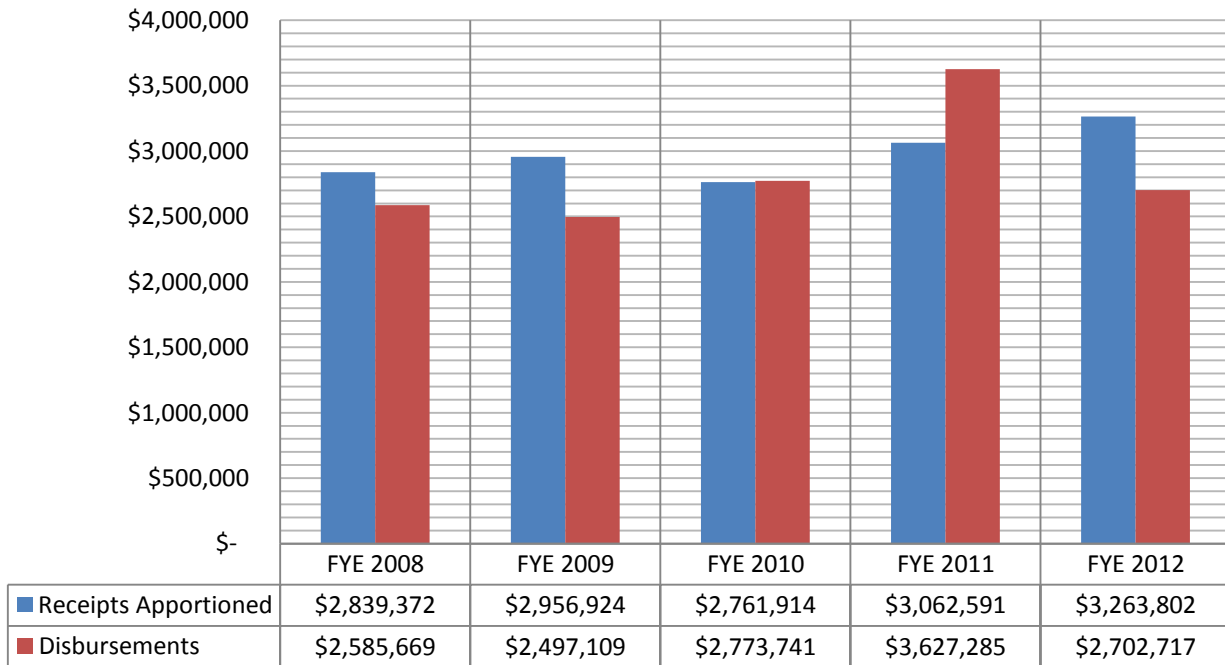
**Payroll Expenditures by Department**



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

## 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.

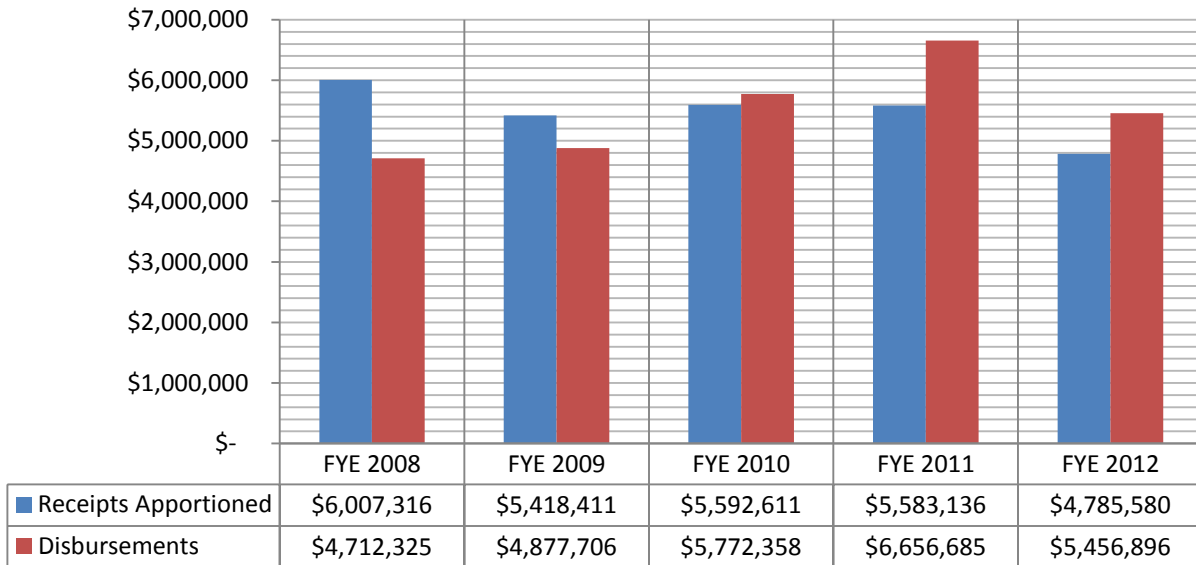


**CUSTER COUNTY, OKLAHOMA  
COUNTY HIGHWAY FUND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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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 CUSTER 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 Custer 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 Custer 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 Custer 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 Custer 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 20, 2015, on our consideration of Custer 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 20, 2015



**REGULATORY BASIS FINANCIAL STATEMENT**

**CUSTER 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<br>Cash Balances<br>July 1, 2011 | Receipts<br>Apportioned | Transfers<br>In   | Transfers<br>Out  | Disbursements        | Ending<br>Cash Balances<br>June 30, 2012 |
|---|--|-------------------------|-------------------|-------------------|----------------------|--|
| Combining Information:                              |  |                         |                   |                   |                      |  |
| Major Funds:  |  |                         |                   |                   |                      |  |
| County General Fund                                 | \$ 1,586,810                               | \$ 3,263,802            | \$ -              | \$ -              | \$ 2,702,717         | \$ 2,147,895                             |
| County Highway Cash                                 | 4,950,762                                  | 4,785,580               | 245,872           | -                 | 5,456,896            | 4,525,318                                |
| CBRI Cash Fund (County Bridge and Road Improvement) | 304,888                                    | 346,759                 | -                 | 245,872           | -                    | 405,775                                  |
| Sales Tax Cash Account                              | 1,056,460                                  | 2,410,546               | -                 | -                 | 2,059,521            | 1,407,485                                |
| CCLECT - Sales Tax                                  | 1,849,305                                  | 2,398,843               | -                 | -                 | 1,651,516            | 2,596,632                                |
| Custer County Health Department                     | 286,098                                    | 492,106                 | -                 | -                 | 428,547              | 349,657                                  |
| County Sinking Fund                                 | 470,611                                    | 7,342,570               | -                 | -                 | -                    | 7,813,181                                |
| Sheriff Fee Cash Fund                               | 244,565                                    | 852,056                 | -                 | -                 | 970,530              | 126,091                                  |
| Emergency Transportation Revolving                  | 698,210                                    | -                       | -                 | -                 | 294,357              | 403,853                                  |
| Remaining Aggregate Funds                           | 1,277,665                                  | 408,730                 | -                 | -                 | 441,044              | 1,245,351                                |
| <b>Combined Total - All County Funds</b>            | <u>\$ 12,725,374</u>                       | <u>\$ 22,300,992</u>    | <u>\$ 245,872</u> | <u>\$ 245,872</u> | <u>\$ 14,005,128</u> | <u>\$ 21,021,238</u>                     |

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

---

**1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

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

CBRI Cash Fund (County Bridge and Road Improvement) – accounts for state receipts and disbursements are for the purpose of maintaining bridges and roads.

Sales Tax Cash Account – accounts for the sales tax collected and spent on behalf of the following entities: General Government (50%); County Sheriff (30%); Rural Fire Departments (8%); OSU Extension Office (8%); Custer County Free Fair (4%).

CCLECT – Sales Tax – accounts for the collection of a sales tax to be used to construct, equip, furnish, and operate the jail facility and for the repayment of any debt incurred in the process.

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

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

County Sinking Fund – accounts for the proceeds for the sale of bonds, the monthly use tax collections, and some prior years' ad valorem collections and disbursed to pay an annual payment for the judgment against Custer County.

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

Emergency Transportation Revolving – accounts for money borrowed from the Oklahoma Coop Exchange and was expended from this fund to purchase materials and supplies to build bridges and roads within 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.

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

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**E. Cash and Investments**

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

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

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

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

**2. Ad Valorem Tax**

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

Taxes are due on November 1 following the levy date, although they may be paid in two equal installments. If the first half is paid prior to January 1, the second half is not delinquent until April 1. 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

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

---

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

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

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

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

**C. Contingent Liabilities**

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

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

**D. Long Term Obligations**

**1. Judgments**

The County has a judgment which is being retired by a tax levy. The County is obligated to pay the judgment over a three-year period.

The first payment of \$3,333,333.33 was made in fiscal year 2011. No payments were made in fiscal year 2012, but, subsequently the remainder of \$6,666,666.67 was paid in two payments in fiscal year 2013.

| <u>Case Number</u> | <u>Original Judgment</u> |
|--------------------|--------------------------|
| CV-2010-53         | \$10,000,000             |

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

---

**E. Sales Tax**

The voters of Custer County approved a (5) five -year temporary one-half of one percent (1/2%) sales tax effective April 1, 2007 to fund the following: General Government (50%); County Sheriff (30%); Rural County Fire Departments (8%); OSU Extension office (8%); and Custer County Free Fair (4%). These funds are accounted for in the Sales Tax Cash account.

The voters of Custer County approved a (6 ½) six and one-half years temporary one-half of one percent (1/2%) sales tax effective January 1, 2006 for the acquisition, construction, equipping, furnishing, and operation of a jail facility in Custer County, including payment of debt service on obligations issued to finance said jail facility and/or continued improvement of the referenced jail facility. These funds are accounted for in the CCLECT – Sales Tax fund.

**F. Interfund Transfer**

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

- \$245,872 was transferred from the CBRI Cash Fund (County Bridge and Road Improvement) to the County Highway Cash for the reimbursement of county bridge and road projects.

**OTHER SUPPLEMENTARY INFORMATION**



**CUSTER 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   | \$ 1,586,810     | \$ 1,586,810        | \$ -                |
| Less: Prior Year Outstanding Warrants   | (31,106)         | (31,106)            | -                   |
| Less: Prior Year Encumbrances   | (48,696)         | (48,696)            | -                   |
| Beginning Cash Balances, Budgetary Basis  | <u>1,507,008</u> | <u>1,507,008</u>    | <u>-</u>            |
| Receipts:   |                  |                     |                     |
| Ad Valorem Taxes  | 2,021,336        | 2,404,930           | 383,594             |
| Charges for Services  | 107,441          | 179,183             | 71,742              |
| Intergovernmental Revenues  | -                | 619,083             | 619,083             |
| Miscellaneous Revenues  | -                | 60,606              | 60,606              |
| Total Receipts, Budgetary Basis   | <u>2,128,777</u> | <u>3,263,802</u>    | <u>1,135,025</u>    |
| Expenditures:   |                  |                     |                     |
| District Attorney   | 50,000           | 47,709              | 2,291               |
| County Sheriff  | 468,392          | 463,125             | 5,267               |
| County Treasurer  | 146,288          | 136,228             | 10,060              |
| County Commissioners  | 141,048          | 129,048             | 12,000              |
| County Clerk  | 231,820          | 219,354             | 12,466              |
| Court Clerk   | 330,796          | 330,028             | 768                 |
| County Assessor   | 130,542          | 90,381              | 40,161              |
| Revaluation of Real Property  | 150,272          | 142,711             | 7,561               |
| District Court  | 71,456           | 63,352              | 8,104               |
| General Government  | 1,127,596        | 953,705             | 173,891             |
| Excise-Equalization Board   | 5,900            | 2,444               | 3,456               |
| County Election Board   | 87,903           | 77,673              | 10,230              |
| Civil Defense   | 45,044           | 44,902              | 142                 |
| Line Item   | 606,071          | -                   | 606,071             |
| County Audit Budget Account   | 42,487           | 36,232              | 6,255               |
| Free Fair   | 170              | -                   | 170                 |
| Total Expenditures, Budgetary Basis   | <u>3,635,785</u> | <u>2,736,892</u>    | <u>898,893</u>      |
| Excess of Receipts and Beginning Cash<br>Balances Over Expenditures, Budgetary Basis    | <u>\$ -</u>      | <u>2,033,918</u>    | <u>\$ 2,033,918</u> |
| Reconciliation to Statement of Receipts,<br>Disbursements, and Changes in Cash Balances |                  |                     |                     |
| Add: Current Year Outstanding Warrants  |                  | 63,379              |                     |
| Add: Current Year Encumbrances  |                  | 50,598              |                     |
| Ending Cash Balance   |                  | <u>\$ 2,147,895</u> |                     |

**CUSTER 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   | \$ 286,098                    | \$ 286,098 | \$ -       |
| Less: Prior Year Outstanding Warrants   | -                             | -          | -          |
| Less: Prior Year Encumbrances   | (73,908)                      | (68,821)   | 5,087      |
| Beginning Cash Balances, Budgetary Basis  | 212,190                       | 217,277    | 5,087      |
| Receipts:   |                               |            |            |
| Ad Valorem Taxes  | 415,671                       | 481,922    | 66,251     |
| Miscellaneous Revenues  | -                             | 10,184     | 10,184     |
| Total Receipts, Budgetary Basis   | 415,671                       | 492,106    | 76,435     |
| Expenditures:   |                               |            |            |
| Health and Welfare  | 627,428                       | 369,632    | 257,796    |
| Total Expenditures, Budgetary Basis   | 627,428                       | 369,632    | 257,796    |
| Excess of Receipts and Beginning Cash<br>Balances Over Expenditures,<br>Budgetary Basis | \$ 433                        | 339,751    | \$ 339,318 |
| Reconciliation to Statement of Receipts,<br>Disbursements, and Changes in Cash Balances |                               |            |            |
| Add: Current Year Encumbrances  |                               | 9,673      |            |
| Add: Current Year Outstanding Warrants  |                               | 233        |            |
| Ending Cash Balance   |                               | \$ 349,657 |            |

**CUSTER 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**

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|   | Beginning<br>Cash Balances<br>July 1, 2011 | Receipts<br>Apportioned | Disbursements     | Ending<br>Cash Balances<br>June 30, 2012 |
|---|--|-------------------------|-------------------|--|
| Remaining Aggregate Funds:                        |  |                         |                   |  |
| Custer County Local Emergency Planning Committee  | \$ 20,728                                  | \$ 13,996               | \$ 18,219         | \$ 16,505                                |
| Capital Improvement Cash Fund                     | 803,127                                    | 4,214                   | 56,825            | 750,516                                  |
| Trash Cop Cash Fund                               | 5,000                                      | -                       | -                 | 5,000                                    |
| Courthouse/Jail Bond Fund                         | 6,144                                      | -                       | -                 | 6,144                                    |
| Resale Property Fund                              | 149,872                                    | 127,022                 | 68,759            | 208,135                                  |
| Treasurer Mortgage Tax Certification Fee          | 14,321                                     | 6,315                   | 8,033             | 12,603                                   |
| County Clerk Lien Fee                             | 73,925                                     | 17,615                  | 44,986            | 46,554                                   |
| Assessor Revolving Fee                            | 35,161                                     | 14,843                  | 6,555             | 43,449                                   |
| Assessor Visual Inspection Fund                   | 16,954                                     | 161                     | -                 | 17,115                                   |
| Rural Convenience                                 | 1,502                                      | 806                     | 558               | 1,750                                    |
| Sheriff Drug Enforcement/Donation Fund            | -  | 50,089                  | 37,483            | 12,606                                   |
| Sheriff Training & Equipment Fund                 | 56   | -                       | -                 | 56                                       |
| Sheriff DARE                                      | 688  | -                       | 480               | 208                                      |
| County Clerk Records Management Fee               | 119,923                                    | 48,395                  | 118,139           | 50,179                                   |
| Sheriff Jail Fund                                 | 10,418                                     | 32,191                  | 26,708            | 15,901                                   |
| Sheriff Commissary Fund                           | 19,846                                     | 63,506                  | 54,299            | 29,053                                   |
| Flood Plain Cash Fund                             | -  | 450                     | -                 | 450                                      |
| Free Fair   | -  | 29,127                  | -                 | 29,127                                   |
| <b>Combined Total - Remaining Aggregate Funds</b> | <b>\$ 1,277,665</b>                        | <b>\$ 408,730</b>       | <b>\$ 441,044</b> | <b>\$ 1,245,351</b>                      |

**CUSTER 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:

Custer County Local Emergency Planning Committee – accounts for grant monies received for various grants filed for emergency management services within the County.

Capital Improvement Cash Fund – accounts for the remaining balance of previous years' use tax, no use tax funds were apportioned during the fiscal year, and disbursements are for improvements to the courthouse.

Trash Cop Cash Fund – accounts for grant funds received and spent on eradication of trash in the rural areas of the County.

Courthouse/Jail Bond Fund – accounts for the excess proceeds from a 1982 bond issue that was to fund an addition to the courthouse for jail and courthouse offices.

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

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

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

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

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

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

Rural Convenience – accounts for depository monies disbursed for employee’s salary that operates the rural convenience trash disposal in Thomas, Oklahoma.

Sheriff Drug Enforcement/Donation Fund – accounts for donations received to purchase and maintain a drug dog.

Sheriff Training & Equipment Fund – accounts for the collections of miscellaneous receipts disbursed for the training and equipping of County Sheriff’s deputies.

Sheriff DARE – accounts for state funds disbursed for the purpose of drug education and awareness.

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

Sheriff Jail Fund – accounts for the County Sheriff’s portion of the bond fee assessed by the Court Clerk and disbursed for the general operations of the jail.

Sheriff Commissary Fund – accounts for the collection of profits from the sale of commissary items to inmates and disbursed to purchase commissary goods and for maintenance and operations of the County jail.

Flood Plain Cash Fund – accounts for monies collected for flood plain permits and is disbursed for flood plain training and certifications.

Free Fair – accounts for the collection of sales tax money, rent of the fair building/grounds, and interest earned on investments and disbursed for the operations of the free fair organization.

**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  
CUSTER COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Custer County, Oklahoma, as of and for the year ended June 30, 2012, which comprises Custer County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated July 20, 2015. 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 Custer 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 Custer 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.

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 and 2012-8.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Custer County's financial statement is free of 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

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

This report is intended solely for the information and use of management, those charged with governance, others within the entity, and is not intended to be and should not be used by anyone other than the specified parties. This report is also a public document pursuant to the Oklahoma Open Records Act (51 O.S. § 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 20, 2015



**CUSTER 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 Management and Monitoring have not been designed.

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

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

**Recommendation:** The Oklahoma State Auditor & Inspector's Office (OSAI) recommends that the County design procedures to identify and address risks. These procedures should be written policies and procedures and could be included in the County's policies and procedures handbook.

**Management Response:**

**All Officers:** Officers will meet monthly in a public meeting to discuss risks to the County and keep minutes as necessary.

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

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

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

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

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**Finding 2012-3 – Inadequate Internal Controls Over the Collection and Deposit Process**

**Condition:** Based upon inquiry and observation of the depositing process, the following was noted:

- The County Treasurer is preparing the deposits and taking the deposits to the bank.

**Cause of Condition:** Policies and procedures have not been designed and internal controls have not been implemented completely over the deposit process.

**Effect of Condition:** Lack of controls over the duties of preparing and taking the deposit to the bank could result in unrecorded transactions, misstated financial reports, clerical errors, or misappropriation of funds not being detected in a timely manner.

**Recommendation:** OSAI recommends management be aware of these conditions and determine how to implement controls over the deposit process to safeguard assets and to properly segregate duties. OSAI further recommends implementing compensating procedures to mitigate the risks involved with a concentration of duties. Compensating procedures would include separating key processes and/or critical functions of the office, and having management review and approve the accounting functions.

**Management Response:**

**County Treasurer:** Our office will implement a mitigating internal control to have another deputy review the deposit for accuracy and both the preparer and reviewer will initial and date the deposit.

**Criteria:** Accountability and stewardship are overall goals of management in accounting of funds. To help ensure a proper accounting of funds, the duties of receiving, receipting, recording, depositing cash and checks, reconciliations, and transaction authorization should be segregated.

**Finding - 2012-8 – Inadequate Internal Controls Over Disbursement of Emergency Transportation Revolving Funds - (ETR Cash Fund)**

**Condition:** The Emergency Transportation Revolving fund - (ETR Cash Fund) was established to provide no interest loans to counties for the purpose of bridge repairs and replacement. The loans were to be paid with funds from the CBRI Cash Fund. Interfund transfers from the ETR Cash Fund should have been made to the CBRI Cash Fund or County Highway Fund for the purpose of purchasing bridge supplies and materials. Repayment of those loans should have been made using interfund transfers from the CBRI Fund to the ETR Cash Fund. The ETR Cash Fund should have been classified as a trust and agency fund with only the receipt of the loans and the repayment of the loans being recorded in this fund.

However, upon inquiry of the County Clerk's office, review of transactions within the ETR Cash Fund, and review of the County's financial statements, we determined that disbursements for bridge materials and supplies were made directly from the ETR Cash Fund.

**CUSTER 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 were not designed to account for the loan and subsequent repayment of Emergency Transportation Revolving funds as a trust and agency fund, rather than using these funds to directly purchase bridge materials and supplies.

**Effect of Condition:** This condition resulted in disbursements for bridge materials and supplies being recorded as disbursements for the ETR Cash Fund, rather than disbursements of the County Highway Fund or the CBRI Cash Fund.

**Recommendation:** OSAI recommends that the County design procedures to account for ETR Cash Fund loan proceeds receipts and subsequent repayment of loan proceeds separately from the disbursement of funds for bridge materials and supplies.

**Management Response:**

**County Clerk:** Disbursements for bridge materials and supplies are no longer made directly from the ETR Cash Fund.

**County Treasurer:** The ETR Cash Fund is no longer accounted for as a County fund.

**District 1 Commissioner:** The newly elected County Commissioner was not in office during this time period.

**Criteria:** Internal controls over safeguarding of assets constitute a process, affected by an entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from misappropriation.

**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 2012-4 – Inadequate Internal Controls Over the Court Clerk's Deposit Process**

**Condition:** The Court Clerk has implemented internal controls within her office to verify receipts and segregate the receipting process. However, the Deputy that prepares the deposit also takes the deposit to the County Treasurer.

**Cause of Condition:** Internal controls have not been completely implemented to segregate the duties of preparing the deposit and taking the deposit to the County Treasurer.

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

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**Effect of Condition:** Lack of mitigating controls over the duties of preparing and taking the deposit to the County Treasurer, could result in unrecorded transactions, misstated financial reports, clerical errors, or misappropriation of funds detected in a timely manner.

**Recommendation:** OSAI recommends that the Court Clerk implement a mitigating control to include another Deputy review the deposit for accuracy and sign and date the deposit upon completion of the review, or implement a segregating control and have another deputy, other than the one that prepared the deposit, take the deposit to the County Treasurer.

**Management Response:**

**Court Clerk:** We will have a separate Deputy, other than the Deputy that prepared the deposit, take the deposit to the County Treasurer.

**Criteria:** Accountability and stewardship are overall goals of management in accounting of funds. To help ensure a proper accounting of funds, the duties of receiving, receipting, recording, depositing cash and checks, reconciliations, and transaction authorization should be segregated.

**Finding 2012-5 – Inadequate Internal Controls and Noncompliance Over the Sheriff’s Annual Commissary Report**

**Condition:** Upon review of the Sheriff’s Annual Commissary Report filed with the Board of County Commissioners, it was determined that the annual report did not reflect a beginning balance, profits made throughout the year, or an ending balance. It was also determined that total expenditures for the Sheriff Commissary Fund were not reconciled to the annual report filed with the Board of County Commissioners. Total expenditures were \$54,152.17; however, \$44,852.77 of those expenditures were either reported incorrectly or not reported on the annual report.

**Cause of Condition:** Policies and procedures have not been designed and implemented to accurately report the activity of the Sheriff Commissary Fund.

**Effect of Condition:** This condition resulted in inaccurate reporting of the Sheriff Commissary Fund in the annual report filed with the Board of County Commissioners.

**Recommendation:** OSAI recommends the Sheriff modify the annual report to reflect the beginning balance, all profits deposited and all expenditures disbursed from the Sheriff Commissary Fund and the ending balance of the Sheriff Commissary Fund before it is filed with the Board of County Commissioners.

**Management Response:**

**County Sheriff:** We will properly prepare the report to include beginning balance, profit made, all expenditures, and ending balance.

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

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**Criteria:** Internal controls include procedures designed to ensure that the Sheriff Commissary Fund records comply with Title 19 O.S § 180.43D, which requires the County Sheriff to report to the Board of County Commissioners by January 15, the activity of the Commissary for the preceding calendar year.

**Finding 2012-6 – Inadequate Internal Controls and Noncompliance Over Fixed Assets (Repeat Finding)**

**Condition:** Upon inquiry of employees and review of records, we noted that the following offices did not maintain evidence that an annual physical verification of fixed assets was performed:

- District 1 Commissioner
- District 2 Commissioner
- District 3 Commissioner
- County Sheriff
- County Assessor
- County Court Clerk
- County Treasurer

**County Sheriff:**

- 6 of the 10 items selected were not properly marked with a County identification number.

**Court Clerk:**

- 8 of the 10 items selected were not properly marked with a County identification number.
- 1 of the 10 items selected could not be located.

**Cause of Condition:** Policies and procedures have not been designed and implemented by County officers to document annual fixed assets inventory counts and properly mark equipment.

**Effect of Condition:** These conditions resulted in noncompliance with state statute. Further, when fixed assets are not monitored and equipment is not properly marked with county identification numbers, opportunities for misuse or loss of equipment can occur.

**Recommendation:** OSAI recommends that management implement internal controls to ensure compliance with Title 19 O.S. § 178.1, so that fixed assets are safeguarded against misuse and loss.

**Management Response:**

**All Officers:** Internal controls will be implemented to comply with statutes to ensure that inventory verification is performed annually and that documentation is maintained of verification.

**County Sheriff:** We will ensure that equipment is properly marked.

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

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**Court Clerk:** We will check to determine inventory belongs to the County and we will put identification numbers on the equipment as required. We will perform inventory verifications annually and maintain the signed and dated documentation.

**Criteria:** Internal controls over safeguarding of assets constitute a process, affected by an entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from misappropriation.

Additionally, Title 19 O.S. § 178.1 requires the County to have a system of identification for the inventory of fixed assets.

**Finding 2012-7 – Inadequate Internal Controls and Noncompliance Over Consumable Inventory (Repeat Finding)**

**Condition:** Upon inquiry of the recordkeeping process regarding consumable inventory, the following was noted:

- District 1 does not perform a monthly physical inventory of consumable items.
- The District 2 Commissioner does not maintain records to verify that a fuel log is signed and dated or that a weekly reconciliation is performed between the fuel remaining in the tank and the fuel logs.
- District 2 does not perform a monthly physical inventory of consumable items.
- The physical count of ten consumable items for District 2 reflected that two items were not recorded correctly on the inventory cards.

**Cause of Condition:** Policies and procedures have not been implemented with regard to accounting for and the safeguarding of consumable items that are purchased by District 1 and District 2.

**Effect of Condition:** These conditions have resulted in noncompliance with state statutes. When consumable inventory items are not adequately accounted for and safeguarded, there is an opportunity for misappropriation and undetected errors.

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

**Management Response:**

**District 1:** We have now implemented a fuel verification system where the meter on the pump is read by an employee and the Commissioner compares it to the actual fuel consumption. We will perform monthly verification of consumable inventory items, sign, date, and maintain verification.

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

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**District 2:** We will implement a process to perform monthly inventory on consumable items, including fuel.

**Criteria:** Internal controls over safeguarding of assets constitute a process, affected by an entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from misappropriation.

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



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