

COUNTY AUDIT

DELAWARE COUNTY

For the fiscal year ended June 30, 2010



*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

**DELAWARE COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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



Oklahoma State Auditor & Inspector

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

December 11, 2012

TO THE CITIZENS OF
DELAWARE COUNTY, OKLAHOMA

Transmitted herewith is the audit of Delaware County, Oklahoma for the fiscal year ended June 30, 2010. 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". The signature is fluid and cursive.

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

**DELAWARE COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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**DELAWARE COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

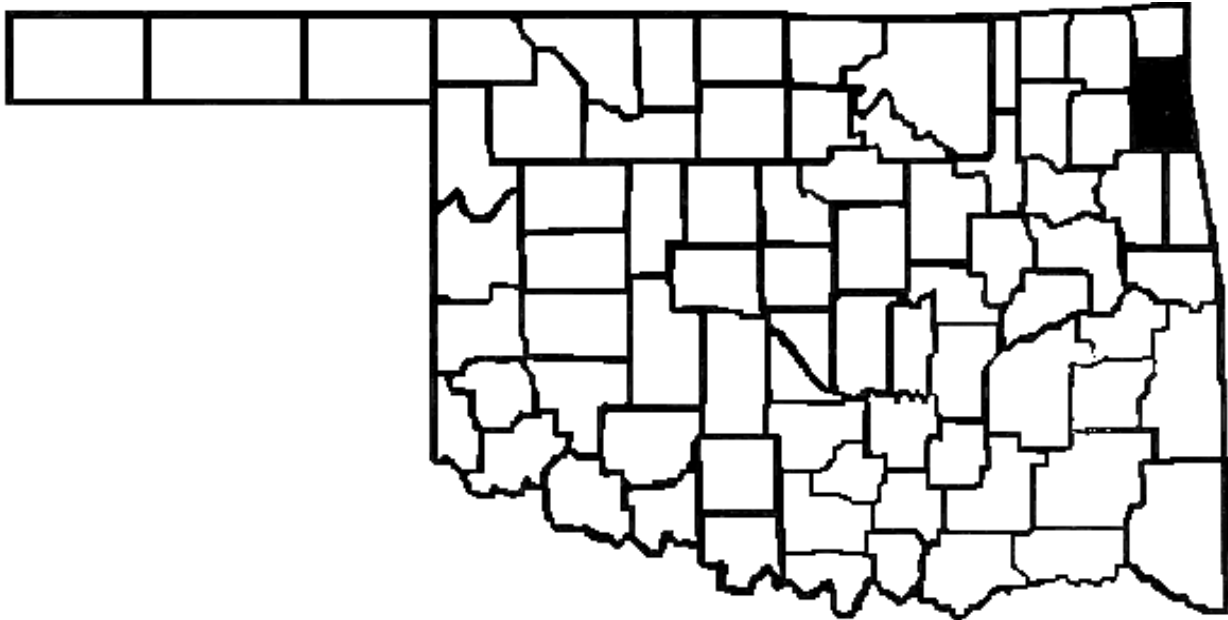
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**DELAWARE COUNTY, OKLAHOMA
STATISTICAL INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**



Located on the Oklahoma-Arkansas border, Delaware County takes pride in its lakes and recreation areas. Grove, situated on the northern edge of the Old Cherokee Nation, is a resort center for the eastern shore of Grand Lake, which covers 46,500 acres, and includes 1,300 miles of shoreline.

Jay, the county seat of Delaware County, was named for Jay Washburn, the grandson of an early-day missionary. The principal industry is the raising and processing of chickens. Green beans and soybeans are raised throughout the area, as well as cattle.

Annual events in Delaware County include the Pelican Festival held in Grove every autumn and the Huckleberry Festival located in Jay during July.

For more information, call the County Clerk's office at 918/253-4520.

County Seat – Jay

Area – 792.33 Square Miles

County Population – 40,406
(2007 est.)

Farms – 1,509

Land in Farms – 308,970 Acres

Primary Source: Oklahoma Almanac 2009-2010

**DELAWARE COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Board of County Commissioners

District 1 – Kenneth Crowder
District 2 – Billy Cornell
District 3 – Dave Kendrick

County Assessor

Leon Hurt

County Clerk

Carol Fortner

County Sheriff

Jay Blackfox

County Treasurer

Mary Jane Law

Court Clerk

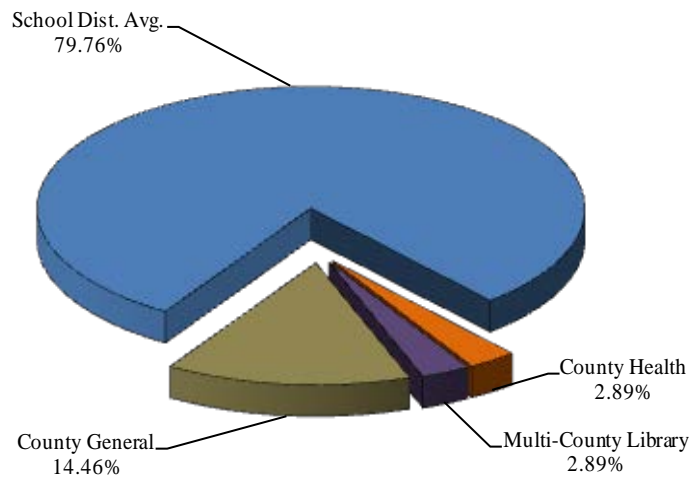
Caroline Weaver

District Attorney

Eddie Wyant

**DELAWARE COUNTY, OKLAHOMA
AD VALOREM TAX DISTRIBUTION
SHARE OF THE AVERAGE MILLAGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

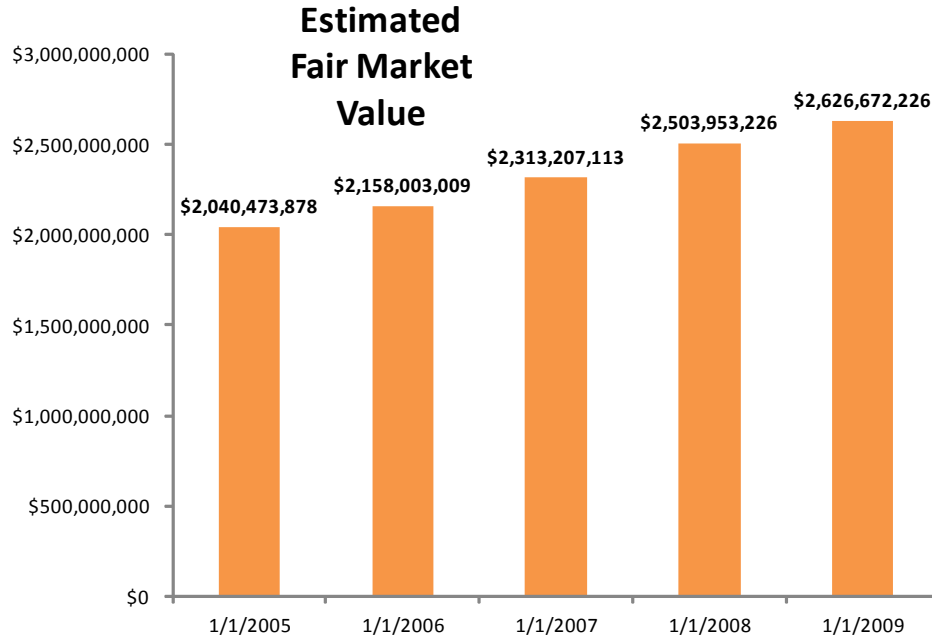
Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of a property is \$1,000.00 and the millage rate is 1.00, then the 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.	EMS	Audit	Career Tech	County Wide	Sinking	Building Fund	Total
County General	10.45										
County Health	2.09	Jay	I-1	36.61			11.45	4.18	7.31	5.23	64.78
Multi-County Library	2.09	Grove	I-2	36.40	2.78	0.10	11.45	4.18	24.74	5.20	84.85
		Kansas	I-3	37.06			11.45	4.18		5.29	57.98
		Colcord	I-4	37.74			11.45	4.18		5.39	58.76
		Oaks Mission	I-5	37.05			11.45	4.18		5.29	57.97
		Cleora	D-6	36.77	3.00		11.45	4.18		5.26	60.66
		Kenwood	D-30	37.19			11.45	4.18		5.31	58.13
		Moseley	D-34	36.77			11.45	4.18		5.25	57.65
		Leach	D-14	37.77			11.45	4.18		5.40	58.80
		Afton	J-26	35.95			11.45	4.18		5.14	56.72
		Ketchum	J-06	36.74				4.18	3.08	5.25	49.25
		Spavinaw	J-21	38.00				4.18		5.43	47.61
		Skelly	J-01	35.00				4.18		5.00	44.18
		Turkey Ford	J-10	36.27				4.18	4.11	5.18	49.74

**DELAWARE COUNTY, OKLAHOMA
 ASSESSED VALUE OF PROPERTY
 TREND ANALYSIS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

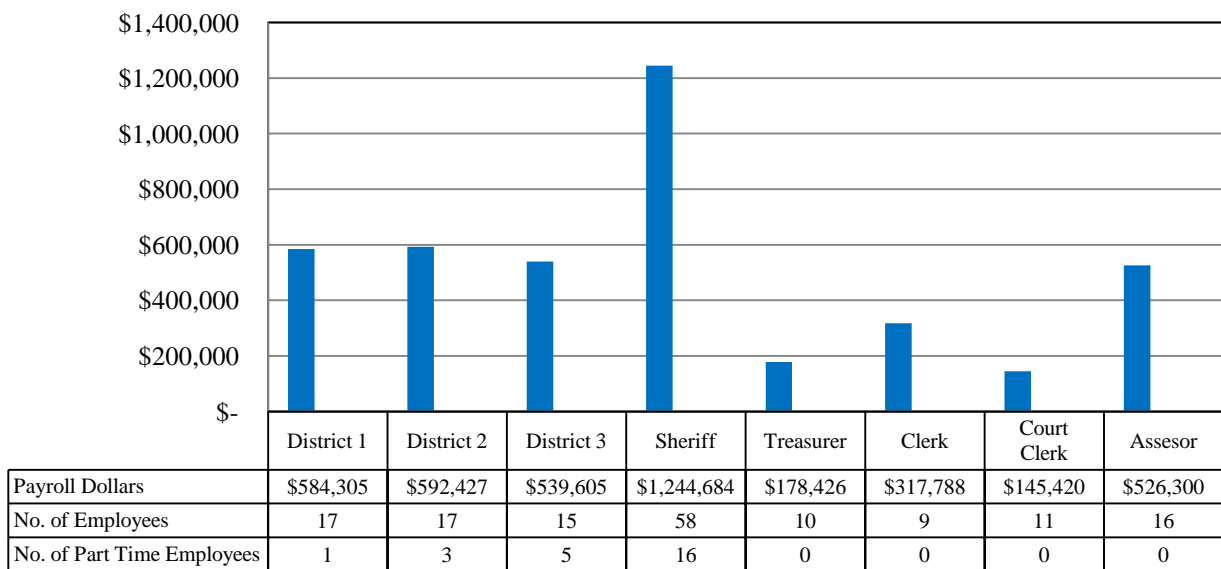
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2009	\$23,659,161	\$12,307,095	\$275,767,457	\$9,666,407	\$302,067,306	\$2,626,672,226
1/1/2008	\$22,912,714	\$11,911,329	\$262,619,831	\$9,489,253	\$287,954,621	\$2,503,953,226
1/1/2007	\$20,307,695	\$12,317,749	\$242,609,317	\$9,215,943	\$266,018,818	\$2,313,207,113
1/1/2006	\$19,539,874	\$13,336,680	\$224,324,475	\$9,030,683	\$248,170,346	\$2,158,003,009
1/1/2005	\$18,886,621	\$13,097,376	\$211,777,544	\$9,107,045	\$234,654,496	\$2,040,473,878



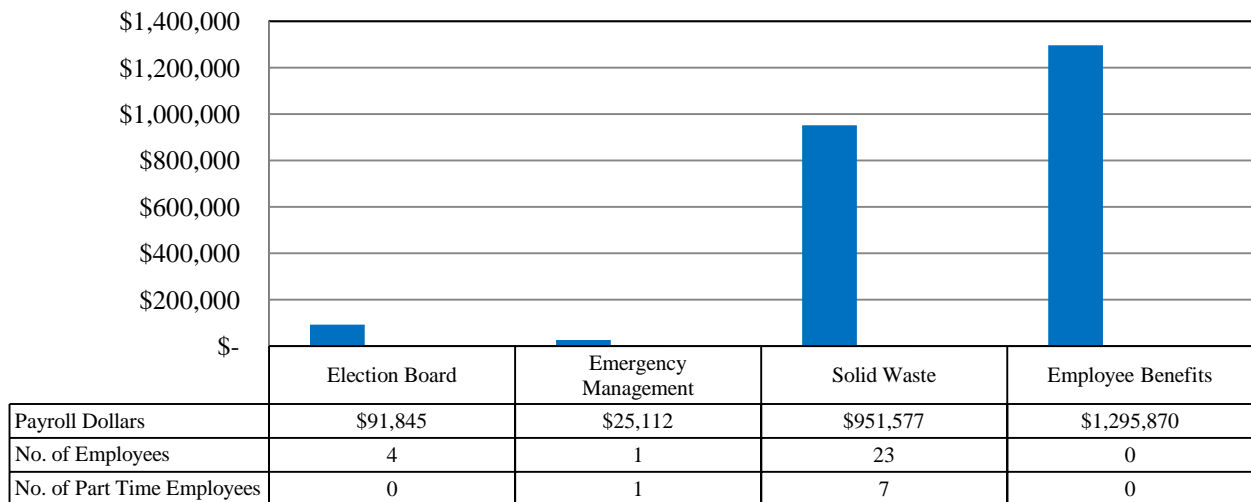
**DELAWARE COUNTY, OKLAHOMA
COUNTY PAYROLL EXPENDITURES ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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, 2010.

Payroll Expenditures by Department



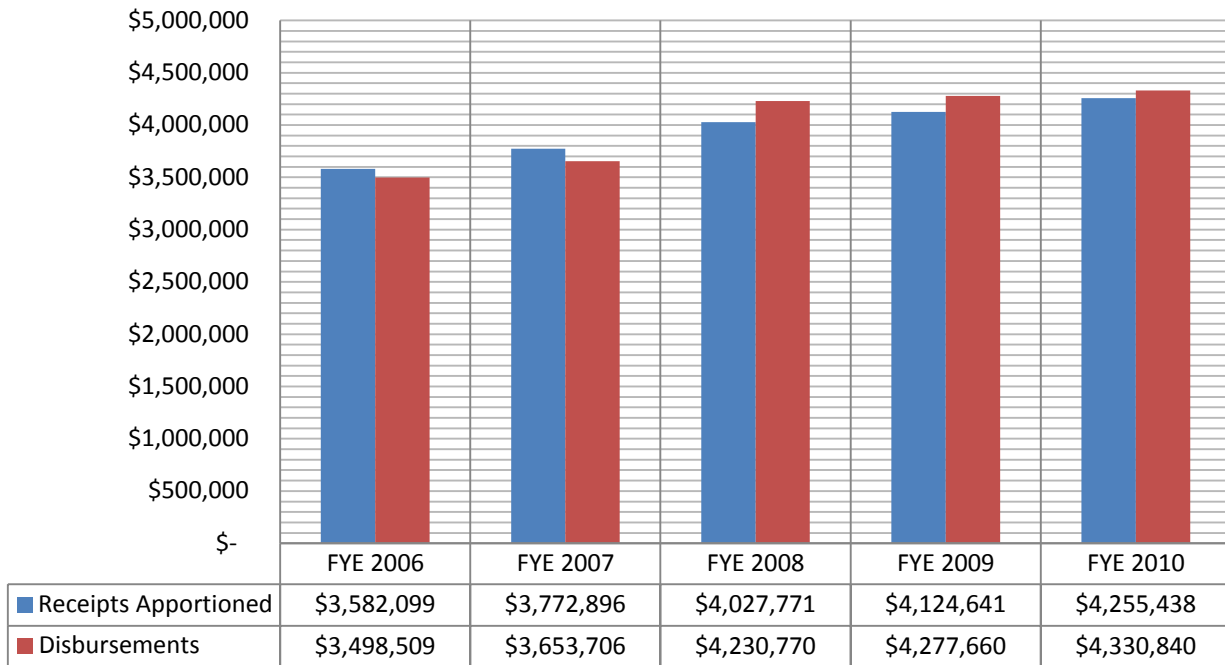
Payroll Expenditures by Department



**DELAWARE COUNTY, OKLAHOMA
COUNTY GENERAL FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

County General Fund

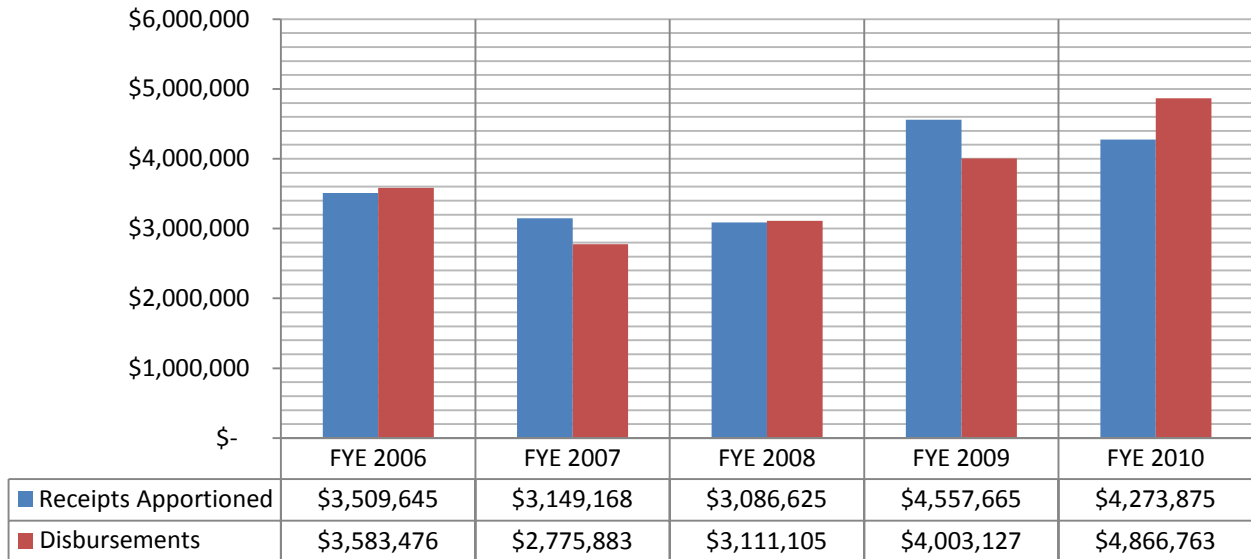
The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the County's primary source of operating revenue. The County General Fund is typically used for county employees' salaries plus many expenses for county maintenance and operation. It also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



**DELAWARE COUNTY, OKLAHOMA
COUNTY GENERAL FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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
DELAWARE 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 Delaware County, Oklahoma, as of and for the year ended June 30, 2010, listed in the table of contents as the financial statement. This financial statement is the responsibility of Delaware 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 Delaware County as of June 30, 2010, 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 Delaware County, for the year ended June 30, 2010, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2012, on our consideration of Delaware 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".

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

December 10, 2012

REGULATORY BASIS FINANCIAL STATEMENT

**DELAWARE 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, 2010**

	Beginning					Ending
	Cash Balances	Receipts	Transfers	Transfers	Disbursements	Cash Balances
	July 1, 2009	Apportioned	In	Out		June 30, 2010
Combining Information:						
Major Funds:						
County General Fund	\$ 456,237	\$ 4,255,438	\$ 1,205,000	\$ 1,205,000	\$ 4,330,840	\$ 380,835
T-Highway	1,612,227	4,273,875	1,035,000	1,035,000	4,866,763	1,019,339
County Health	556,091	639,008			570,522	624,577
1/2 Cent Solid Waste Sales Tax	856,464	2,040,628			2,195,138	701,954
Fire Districts	2,033,679	1,213,003			1,186,851	2,059,831
Sheriff Service Fee	92,387	473,282			490,439	75,230
Remaining Aggregate Funds	1,135,039	1,088,958	170,000	170,000	994,912	1,229,085
Combined Total - All County Funds	\$ 6,742,124	\$ 13,984,192	\$ 2,410,000	\$ 2,410,000	\$ 14,635,465	\$ 6,090,851

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

**DELAWARE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

1. Summary of Significant Accounting Policies

A. Reporting Entity

Delaware 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 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.

T-Highway - 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.

½ Cent Solid Waste Sales Tax - revenues are from a county sales tax. Disbursements are for solid waste services for the County.

Fire Districts - revenues are from a county sales tax. Disbursements are for fire districts within the County.

**DELAWARE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

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 on a regulatory basis. County governments (primary only) are required to present their financial statements on a fund basis format with, at a minimum, the general fund and all other county funds, which represent ten percent or greater of total county revenue. All other funds included in the audit shall be presented in the aggregate in a combining statement.

D. Budget

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

E. Cash and Investments

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

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

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.

**DELAWARE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

2. Ad Valorem Tax

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

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

3. Other Information

A. Pension Plan

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

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

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

**DELAWARE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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. Sales Tax

The voters of Delaware County approved a permanent one-half percent (1/2%) sales tax effective April 1, 1988. This sales tax was established to provide revenue to be used only for the acquisition, establishment, and operation of Solid Waste Services for the people of Delaware County.

On May 8, 2001, the voters of Delaware County approved, in addition to all other city, county, and state excise taxes, a 4/10 of one percent (.4%) sales tax to become effective July 1, 2001. The .4% sales tax is for the purpose of constructing or improving fire stations, purchase of equipment, training, education, general maintenance, and operation of 19 fire departments in Delaware County, Oklahoma. The sales tax may be terminated at any time after five years from its implementation by a simple majority vote of the voters of Delaware County.

E. Interfund Transfers

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

- In July 2009, \$250,000 was transferred from the Highway Cash Fund to the County General Fund.
- In August 2009, \$230,000 was transferred from the Highway Cash Fund to the County General Fund.
- In September 2009, \$275,000 was transferred from the Highway Cash Fund to the County General Fund.
- In October 2009, \$100,000 was transferred from the Highway Cash Fund and \$100,000 was transferred from the Resale Property Fund to the County General Fund.

**DELAWARE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

- In December 2009, \$180,000 was transferred from the Highway Cash Fund and \$70,000 was transferred from the Resale Property Fund to the County General Fund.
- In January 2010, \$1,205,000 was transferred from the County General Fund to the Highway Cash Fund (\$1,035,000) and the Resale Property Fund (\$170,000).

F. Subsequent Events

A judgment was awarded against Delaware County on November 2, 2011, in the amount of \$13,500,000. The voters of Delaware County passed a one-half of one percent sales tax effective for seventeen years to be used for the extinguishment of debt resulting from the lawsuit.

OTHER SUPPLEMENTARY INFORMATION

DELAWARE 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, 2010

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 456,237	\$ 456,237	\$ -
Less: Prior Year Outstanding Warrants	(145,900)	(145,900)	-
Less: Prior Year Encumbrances	(6,483)	(6,483)	-
Add: Prior Year Lapsed Appropriations	-	2,325	2,325
Beginning Cash Balances, Budgetary Basis	<u>303,854</u>	<u>306,179</u>	<u>2,325</u>
Receipts:			
Ad Valorem Taxes	3,013,308	3,042,880	29,572
Charges for Services	407,522	347,734	(59,788)
Intergovernmental Revenues	657,068	648,082	(8,986)
Miscellaneous Revenues	195,109	216,742	21,633
Total Receipts, Budgetary Basis	<u>4,273,007</u>	<u>4,255,438</u>	<u>(17,569)</u>
Expenditures:			
District Attorney	4,000	3,258	742
County Sheriff	849,951	849,352	599
County Treasurer	207,725	196,957	10,768
County Commissioners	197,771	189,191	8,580
County Commissioners O.S.U. Extension	57,681	56,962	719
County Clerk	271,991	271,976	15
Court Clerk	149,550	145,420	4,130
County Assessor	161,403	159,236	2,167
Revaluation of Real Property	488,920	403,469	85,451
General Government	1,726,760	1,639,866	86,894
Excise-Equalization Board	6,100	3,246	2,854
County Election Board	104,231	99,210	5,021
Welfare Agencies	-	-	-
Charity	1,000	800	200
Emergency Management	29,190	25,132	4,058
County Audit Budget Account	87,088	55,621	31,467
Free Fair Budget Account	12,000	11,995	5
E-911	220,000	217,523	2,477
Provision for Interest on Warrants	1,500	-	1,500
Total Expenditures, Budgetary Basis	<u>4,576,861</u>	<u>4,329,214</u>	<u>247,647</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	232,403	<u>\$ 232,403</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Cancelled Warrants		12	
Add: Current Year Encumbrances		17,938	
Add: Current Year Outstanding Warrants		130,482	
Ending Cash Balance		<u>\$ 380,835</u>	

**DELAWARE 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, 2010**

County Health Department Fund			
	Budget	Actual	Variance
Beginning Cash Balances	\$ 556,091	\$ 556,091	\$ -
Less: Prior Year Outstanding Warrants	(71,650)	(71,650)	-
Less: Prior Year Encumbrances	(4,593)	(4,593)	-
Add: Prior Year Lapsed Appropriations	-	142	142
Beginning Cash Balances, Budgetary Basis	<u>479,848</u>	<u>479,990</u>	<u>142</u>
Receipts:			
Ad Valorem Taxes	573,928	632,666	58,738
Charges for Services	-	6,324	6,324
Intergovernmental Revenues	-	18	18
Miscellaneous Revenues	6,342	-	(6,342)
Total Receipts, Budgetary Basis	<u>580,270</u>	<u>639,008</u>	<u>58,738</u>
Expenditures:			
County Health Budget Account	1,060,118	667,681	392,437
Total Expenditures, Budgetary Basis	<u>1,060,118</u>	<u>667,681</u>	<u>392,437</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	451,317	<u>\$ 451,317</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		57,707	
Add: Current Year Outstanding Warrants		115,553	
Ending Cash Balance		<u>\$ 624,577</u>	

DELAWARE COUNTY, OKLAHOMA
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS—
REMAINING AGGREGATE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Beginning Cash Balances July 1, 2009	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2010
Remaining Aggregate Funds:						
Trash Cop Fine	\$ 9,343	\$ 904	\$ -	\$ -	\$ 7,429	\$ 2,818
Sheriff Courthouse Security	32,289	29,820	-	-	36,985	25,124
Sheriff Stop Grant	2,226	24,426	-	-	25,452	1,200
Resale Property	255,062	278,603	170,000	170,000	262,995	270,670
Resale Property Investment	80,000	-	-	-	-	80,000
Sheriff Jail Fund	81	-	-	-	-	81
Sheriff Commissary Profit	6,586	33,581	-	-	36,471	3,696
County Clerk Lien Fee	21,025	11,475	-	-	22,178	10,322
1/2 Cent Courthouse Sales Tax	99,394	11,745	-	-	-	111,139
Mortgage Tax Certification Fee	51,816	10,835	-	-	9,064	53,587
Sheriff Service Fee Environmental Officer Account	7,610	904	-	-	-	8,514
County Assessor Revolving Fund	40,433	3,662	-	-	4,954	39,141
Sheriff DOC Fund	3,949	85,806	-	-	70,769	18,986
County Clerk Records Preservation	33,764	71,709	-	-	70,415	35,058
County Use Tax	329,292	204,921	-	-	187,862	346,351
Emergency Management Operations Plan Grant (EOP)	7	-	-	-	-	7
Sheriff Special Forfeiture	8,598	4,938	-	-	5,147	8,389
Solid Waste Memorandum of Understanding Grant	3,990	-	-	-	2,875	1,115
Sheriff Grant Fund	111	48,559	-	-	44,793	3,877
Sheriff Training Fund	425	-	-	-	214	211
Community Center Cash	821	12,700	-	-	13,151	370
Emergency Management Performance Grant (EMPG)	9,742	20,000	-	-	14,621	15,121
County Commissioners Cash	3,067	5,125	-	-	4,050	4,142
Courthouse Donations	63,229	-	-	-	-	63,229
Flint Ridge 11819 Comm. Dev. Block Grant 05	623	-	-	-	-	623
Sheriff K-9 Cash Account	-	12,452	-	-	1,783	10,669
Circuit Engineering District (CED)	13,213	-	-	-	4,280	8,933
Bradshaw Bridge Cash	-	-	-	-	-	-
Colcord/Flint Road CED	-	50,000	-	-	-	50,000
Tomahawk Road	394	-	-	-	-	394
Fairbarn	50,000	-	-	-	10,417	39,583
DCEM - Siren Fund	-	-	-	-	-	-
Civil Emergency Management	7,441	89,766	-	-	92,200	5,007
Delaware County Flood Planning	508	-	-	-	445	63
Safe Room Grant	-	46,200	-	-	46,200	-
Oklahoma Highway Safety Cash Account	-	23,627	-	-	12,962	10,665
REAP Grant	-	7,200	-	-	7,200	-
Combined Total - Remaining Aggregate Funds	\$ 1,135,039	\$ 1,088,958	\$ 170,000	\$ 170,000	\$ 994,912	\$ 1,229,085

**DELAWARE COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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:

Trash Cop Fine – revenues are from a percentage of the fees collected from littering tickets and disbursements are for the operation of the trash cop program.

Sheriff Courthouse Security – accounts for the fees collected by the Court Clerk and distributed to the Sheriff. Disbursements are used for security of the courthouse (i.e., security officer salary and security cameras).

Sheriff Stop Grant – federal grant money used for payroll and benefits of Sheriff's officers.

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

Resale Property Investment – accounts for invested excess resale property funds.

Sheriff Jail Fund – revenues are from bondsman fees. Disbursements are for operation of the jail.

Sheriff Commissary Profit – revenue is from profits from commissary sales to county prisons. Disbursements are for jail operations, administering the commissary, travel, or capital outlay.

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

½ Cent Courthouse Sales Tax – revenues are from a county sales tax. Disbursements are for renovation of the courthouse.

**DELAWARE COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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 statutes.

Sheriff Service Fee Environmental Officer Account – revenues are from a percentage of the fees collected from littering tickets and disbursements are for payroll for the environmental officer.

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

Sheriff DOC Fund – accounts for the monies received from the State of Oklahoma for the boarding and feeding of DOC prisoners and for service fees received for transportation of inmates and juveniles.

County Clerk Records Preservation – revenues are from a fee charged by the County Clerk for recording instruments. Disbursements are for the maintenance and preservation of public records.

County Use Tax – revenues are from sales tax charged to out-of-county vendors. Disbursements are for the legal expenses of the County.

Emergency Management Operations Plan Grant (EOP) – revenues are from grant funds received from the Federal Emergency Management Agency. Disbursements are for emergency management services.

Sheriff Special Forfeiture – revenues are from forfeited assets in drug related cases. Disbursements are for drug enforcement expenses.

Solid Waste Memorandum of Understanding Grant – revenues are from a federal grant. Disbursements were used for the building and maintenance of a convenience center.

Sheriff Grant Fund – revenues are from state and federal grants. Disbursements are for various crimes and domestic abuse prevention programs.

Sheriff Training Fund – revenues are from seized monies. Disbursements are for lodging and travel expenses incurred during officer training.

Community Center Cash – revenues are from donations from the City of Jay and Delaware County. Disbursements are for the general operations of the Jay Community Center.

Emergency Management Performance Grant (EMPG) – revenues are from a federal grant. Disbursements are for emergency management services.

County Commissioners Cash – balance is comprised of various donations and the copy fund.

**DELAWARE COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Courthouse Donations – revenues are from public donations. Disbursements are for improvements made to the courthouse.

Flint Ridge 11819 Community Development Block Grant 05 – revenues are from federal grants. Disbursements are for rural water improvements in the Flint Ridge area.

Sheriff K-9 Cash Account – revenues are from donations from the community. Disbursements are for K-9 training and upkeep.

Circuit Engineering District (CED) – revenues are from a pool of funds available from the Circuit Engineering District Board, funded through state/county funds. Disbursements are for road and bridge projects.

Bradshaw Bridge Cash – revenues are from the Seneca-Cayuga tribe. Disbursements are for construction of the Bradshaw Bridge.

Colcord/Flint Road CED – revenues are from a pool of funds available from the Circuit Engineering District Board, funded through state/county funds. Disbursements are for road and bridge projects.

Tomahawk Road – revenues are from the Seneca-Cayuga tribe. Disbursements are for construction of Tomahawk Road.

Fairbarn – revenues are from a grant from Grand Gateway Economic Development Authority. Disbursements are for the pavement of a parking lot at the Fairbarn.

DCEM - Siren Fund – revenues are from grant monies from Emergency Management. Disbursements are for the installation of storm sirens.

Civil Emergency Management – revenues are from grant monies from Emergency Management. Disbursements are for the acquisition of weather radios.

Delaware County Flood Planning – revenues are from permits and map charges. Disbursements are for supplies for Flood Plain.

Safe Room Grant – revenues are from grant monies from Emergency Management. Disbursements are for the rebate of tornado safe rooms.

Oklahoma Highway Safety Cash Account – revenues are from grant monies from the Department of Transportation. Disbursements are for payroll.

REAP Grant – revenues are from the Department of Commerce. Disbursements are for reimbursement of funds for expansion of water lines.

INTERNAL CONTROL AND COMPLIANCE SECTION



Oklahoma State Auditor & Inspector

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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
DELAWARE COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Delaware County, Oklahoma, as of and for the year ended June 30, 2010, which comprises Delaware County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated December 10, 2012. 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. 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 Delaware 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 Delaware 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 a certain deficiency in internal control over financial reporting that we consider to be a material weakness 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 deficiency in internal control described in the accompanying schedule of findings and responses to be a material weakness in internal control over financial reporting. 2010-2

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. 2010-1, 2010-3, and 2010-4.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Delaware 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2010-1.

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

Delaware County's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit Delaware 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

December 10, 2012

**DELAWARE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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 2010-1—Under-Collateralized Balances

Condition: The County's bank account balances and investments were under-collateralized in the amount of \$725,639.56 as of December 31, 2009.

Cause of Condition: Procedures have not been designed to adequately monitor bank balances to pledged collateral.

Effect of Condition: This condition could result in loss of County funds.

Recommendation: We recommend the office of the County Treasurer monitor county pledges routinely to ensure that deposits are adequately secured.

Management Response:

County Treasurer: This was a one-time oversight and has not happened since. The bank closely monitors along with our investment clerk.

Criteria: Title 62 O.S. § 511 states:

Any custodian of public funds of any kind or character, required by law to secure proper collateral before depositing public funds in a bank or trust company, shall hereafter, in depositing public funds in a bank or trust company whose deposits are insured by the Federal Deposit Insurance Corporation, be required to secure proper collateral only for sums deposited in excess of the amount of deposit insured by such Federal Deposit Insurance Corporation.

Title 62 O.S. § 513 states:

...treasurers of counties...having custody, control and management of any public or trust fund or funds charged with the safekeeping and deposit of said fund...are hereby specifically authorized to deposit said fund or funds...in an amount and to the extent that such deposit is fully insured by the Federal Savings and Loan Insurance Corporation or any other instrumentality of the United States Government." Title 62 O.S. § 517.3.A. states in part, "All public deposits made by a treasurer of a public entity in financial institutions shall be secured as provided for in the Security for Local Public Deposits Act." Also, 19 O.S. § 121 states in part, "the county treasurer shall take from each of such banks security in a sum equal to the largest approximate amount that may be deposited in each bank respectively at any one time.

**DELAWARE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Finding 2010-2—Preparation of the SEFA (Repeat Finding)

Condition: During our review and reconciliation of the Schedule of Expenditures of Federal Awards, as initially prepared by the County, the amounts reported as expenditures and receipts were misstated as follows:

1. CFDA 16.588 – STOP/Violence Against Women – A one-time Sheriff's Grant was missed when preparing the SEFA that understated expenditures by \$11,700 and receipts by \$14,576.
2. CFDA 97.036 – FEMA Disaster Assistance Grants – Expenditures were determined to be understated by \$158,466.46 and receipts were determined to be understated by \$158,466.46.
3. CFDA 97.039 – Hazard Mitigation – A grant was not recorded as fully expended and received during the year, resulting in an understatement of both expenditures and receipts for \$25,325.63.

Furthermore, documentation for 34 individual Project Worksheets (PW's) totaling \$253,035.72 could not be provided to substantiate what fiscal year certain public assistance grant funds were expended in for CFDA 97.036 – FEMA Disaster Assistance Grants.

Cause of Condition: Adequate records were not maintained or well organized. Procedures have not been designed to ensure compliance with *OMB Circular A-133*.

Effect of Condition: This condition resulted in misstatements of the Schedule of Expenditures of Federal Awards. Districts 1, 2, and 3 were unable to document how they met applicable compliance requirements for specific projects.

Recommendation: OSAI recommends the County establish procedures to ensure all federal awards are properly accounted for and reported on the Schedule of Expenditures of Federal Awards. OSAI further recommends that FEMA files be maintained for each FEMA project to provide evidence that the auditee is properly managing the federal awards and is in compliance with *OMB Circular A-133's* Compliance Requirements and *OMB Circular A-87*. FEMA files should include adequate documentation to demonstrate when funds were received and expended and which projects and districts they pertain to.

Management Response:

Chairman of the Board of County Commissioners – The BOCC will appoint the Board of Commissioner's Secretary as the primary "data collector" and the Chairman's Secretary as alternate. Both individuals will keep records separately so that there are two reconcilable databases. They will be responsible for preparing the SEFA and reconciling reports no less than semi-annually.

Criteria: 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.

**DELAWARE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

OMB A-133, Subpart C, §__.300 reads as follows:

Subpart C—Auditees

§__.300 Auditee responsibilities.

The auditee shall:

(b) Maintain internal control over Federal programs that 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.

Additionally, FEMA Public Assistance Guide; Chapter 5, page 137, Project Management, Record Keeping states in part:

It is critical that the applicant establish and maintain accurate records of events and expenditures related to disaster recovery work...This information should include the completed PW; completed Special Considerations Questions form; estimated and actual costs; force account labor; force account equipment, materials, and purchases; photographs of damage, work underway, and work completed; insurance information; environmental and/or historic alternatives and hazard mitigation opportunities considered; environmental review documents; receipt and disbursement documents; and records of donated goods and services, if any.

Finding 2010-3 - Operational Transfers (Repeat Finding)

Condition: It was noted that the Treasurer's office had been making operational transfers from one county fund to another without the written approval of the presiding officer of the fund being transferred or notifying the Board of County Commissioners.

Cause of Condition: Procedures have not been established or implemented to notify the Board of County Commissioners or to obtain approval from the presiding officer in regards to operational transfers.

Effect of Condition: Monies could be transferred between county funds without the consent or knowledge of the individuals who have oversight of the funds.

Recommendation: OSAI recommends obtaining Board approval for a specific amount as determined by the Treasurer and the presiding officer over a given fund prior to initiating the transfer.

Management Response:

County Treasurer: We have now corrected this and have new policy and procedures in place.

**DELAWARE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Criteria: Title 68 O.S. § 3021 states in part:

If at any time during the budget year it appears to the county treasurer that there is temporarily insufficient money in a particular fund to meet the requirements of appropriation in the fund, the excise board, upon request of the county treasurer and upon notification to the county commissioners, may temporarily transfer money from one fund to any other fund with the permission of the county officer in charge of the fund that the money will be temporarily transferred from.

Finding 2010-4—Sheriff’s Office Segregation of Duties (Repeat Finding)

Condition: The following concerns were noted in regards to recording, authorization, custody, and execution of expenditure transactions:

- A single employee is one of three co-signers on checks issued to inmates, reconciles the bank statements, picks up daily inmate receipts, logs the receipts and purchases into the O.T.I.S. system, prepares the daily deposits, and occasionally takes the deposits to the bank.

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

Recommendation: OSAI recommends management be aware of these conditions and realize that concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. The most effective controls lie in management’s overseeing of office operations and a periodic review of operations. 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 Sherriff’s Office – Office staff has implemented the following solutions: A verification log is utilized when funds are receipted into the safe. This verification log must be signed by two staff: the individual who receipted the funds and a staff who witnessed the receipting of funds. Two staff members also pull the funds from the safe and complete an audit to ensure that all monies and receipts are accounted for and are in sequential order. Monies are then logged by another staff member, and deposit is verified and counted by that staff member, along with the Office Manager. Deposit is delivered by the Office Manager on a daily basis if funds are received. Check writing requires two signatures at all times

**DELAWARE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

before disbursement. We are currently in the process of installing a kiosk within sixty days. This would allow the inmates to be in control of their own accounts.

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

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 2010-5—Court Clerk Segregation of Duties (Repeat Finding)

Condition: The following concerns were noted in regards to recording, authorization, custody, and execution of expenditure transactions:

- A single deputy prepares (writes) and signs vouchers, authorizes purchases, prepares related claims, and approves claims for payment.

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

Recommendation: OSAI recommends management be aware of these conditions and realize that concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. The most effective controls lie in management’s overseeing of office operations and a periodic review of operations. 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 Court Clerk: I have always approved claims and vouchers before and after my deputy processed them, however, I did not initial and date my approval for documentation so the auditors could be aware I did oversee this process and not just one single deputy. Beginning late 2010-2011, I began documenting with initials and dates, showing I verified the claims and vouchers. My deputy signed my name, by her

**DELAWARE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

name and I felt since she was processing the claim after she obtained a judge's signature and my approval, then she should sign. I will make sure once the judge has signed, I will be the one signing/showing my approval and she will no longer put her signature on the claims.

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

Finding 2010-7—Court Clerk Signature Stamp (Repeat Finding)

Condition: Upon inquiry and observation, it was noted that the Delaware County District Judge has a signature stamp that is kept in the Court Clerk's office.

Cause of Condition: Procedures have not been designed to ensure signature stamps are used only by the owner.

Effect of Condition: This condition could result in misappropriation of funds.

Recommendation: OSAI recommends signature stamps only be used by the official and the officials ensure that signature stamps are adequately safeguarded from unauthorized use.

Management Response:

County Court Clerk: The signature stamp in our office is kept by the clerks who work the front counter/window. The signature stamp is used on copies of documents in which the original document has been signed by the Judge. The clerks verify the original was signed and then confirm the attorney's copies with the signature stamp for certification. The stamps are only used for that sole purpose and none other. I certainly understand your position of how this could be used for other purposes as stated on your effect of condition, but all of the claims and documents that have been reviewed, it was not found that the signature stamp had been used on any original claims or documents in my office. I do not feel it should be a reportable finding upon my office due to the fact that there was no finding of the signature stamp ever being used on original documents or claims. When we use the signature stamp on a copy, the original is on file with our office with an original signature. I will definitely take your recommendation and take the Judge's stamps out of my office and return them back to the appropriate owner. The auditors did not observe the signature stamps in my office; I volunteered this information and now it is being used as a reportable finding.

Auditor's Response: Signature stamps should only be used by the owner of the stamp.

**DELAWARE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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



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