

COUNTY AUDIT

# DELAWARE COUNTY

For the fiscal year ended June 30, 2011



*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, 2011**

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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

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, 2011. 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

**DELAWARE COUNTY, OKLAHOMA  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**TABLE OF CONTENTS**

INTRODUCTORY SECTION (Unaudited)

Statistical Information.....	iii
County Officials.....	iv
Ad Valorem Tax Distribution .....	v
Assessed Value of Property Trend Analysis.....	vi
County Payroll Expenditures Analysis .....	vii
County General Fund Analysis .....	viii
County Highway Fund Analysis .....	ix

FINANCIAL SECTION

Report of State Auditor and Inspector .....	1
Financial Statement:	
Statement of Receipts, Disbursements, and Changes in Cash Balances—Regulatory Basis (with Combining Information)—Major Funds.....	3
Notes to the Financial Statement.....	4

OTHER SUPPLEMENTARY INFORMATION

Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis—General Fund.....	9
Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis—County Health Department Fund .....	10
Combining Statement of Receipts, Disbursements, and Changes in Cash Balances—Regulatory Basis—Remaining Aggregate Funds .....	11
Notes to Other Supplementary Information .....	12

**DELAWARE COUNTY, OKLAHOMA  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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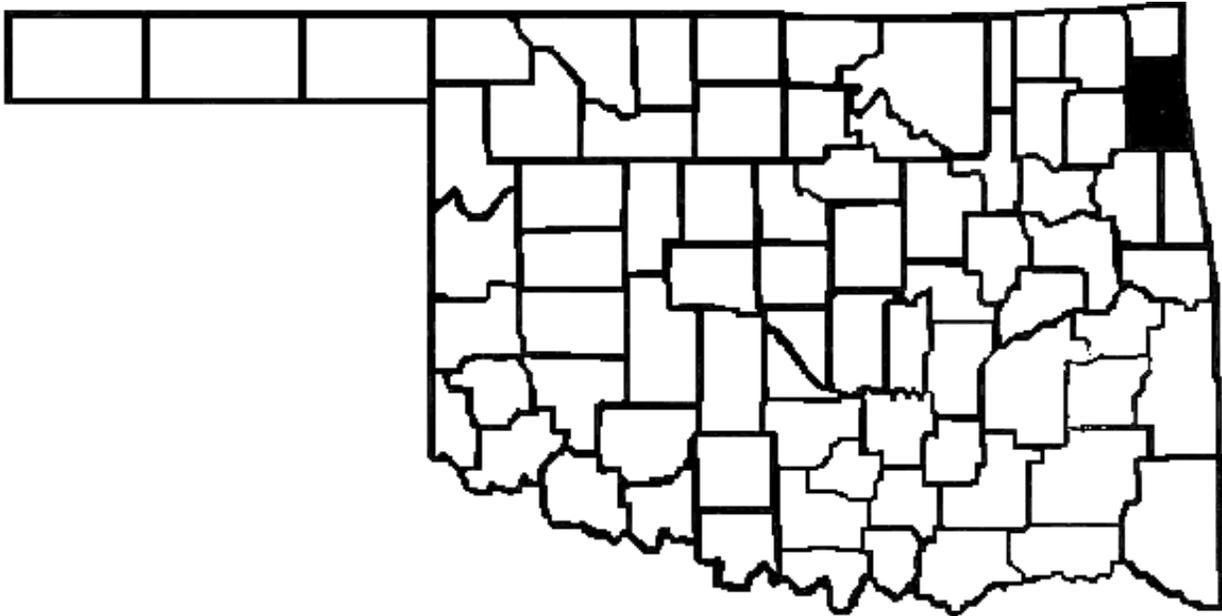
INTERNAL CONTROL AND COMPLIANCE SECTION

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> .....	16
Schedule of Findings and Responses.....	18

**INTRODUCTORY SECTION  
UNAUDITED INFORMATION ON PAGES iii - ix  
PRESENTED FOR INFORMATIONAL PURPOSES ONLY**

**DELAWARE COUNTY, OKLAHOMA  
STATISTICAL INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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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 – 40,555  
(2009 est.)

Farms – 1,509

Land in Farms – 308,970 Acres

Primary Source: Oklahoma Almanac 2011-2012

**DELAWARE COUNTY OFFICIALS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**Board of County Commissioners**

District 1 – Doug Smith  
District 2 – Billy Cornell  
District 3 – Danny Duncan

**County Assessor**

Leon Hurt

**County Clerk**

Carol Fortner

**County Sheriff**

Jay Blackfox

**County Treasurer**

Susan Duncan

**Court Clerk**

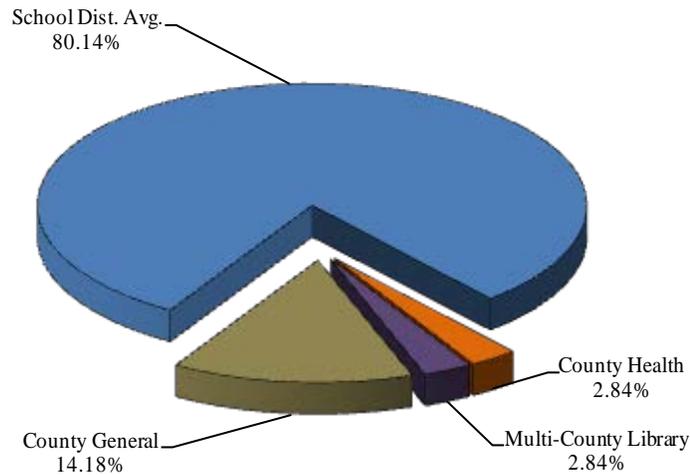
Caroline Weaver

**District Attorney**

Eddie Wyant

**DELAWARE COUNTY, OKLAHOMA  
AD VALOREM TAX DISTRIBUTION  
SHARE OF THE AVERAGE MILLAGE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

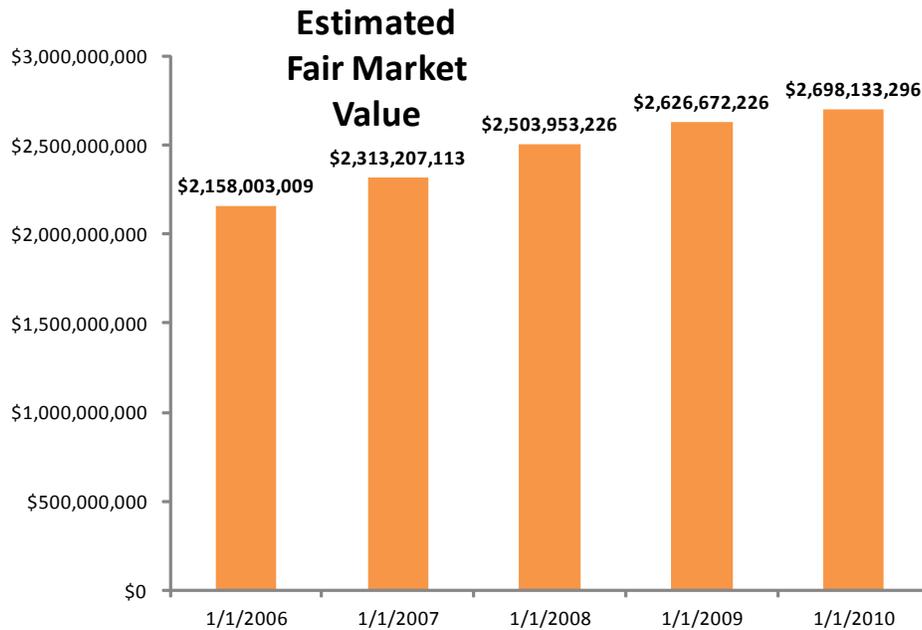
Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of a property is \$1,000.00 and the millage rate is 1.00, then the 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	11.65	5.23	69.12
Multi-County Library	2.09	Grove	I-2	36.40	2.53	0.10	11.45	4.18	14.30	5.20	74.16
		Kansas	I-3	37.06			11.45	4.18	26.15	5.29	84.13
		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	2.74	5.25	48.91
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	3.79	5.18	49.42		

**DELAWARE COUNTY, OKLAHOMA  
 ASSESSED VALUE OF PROPERTY  
 TREND ANALYSIS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

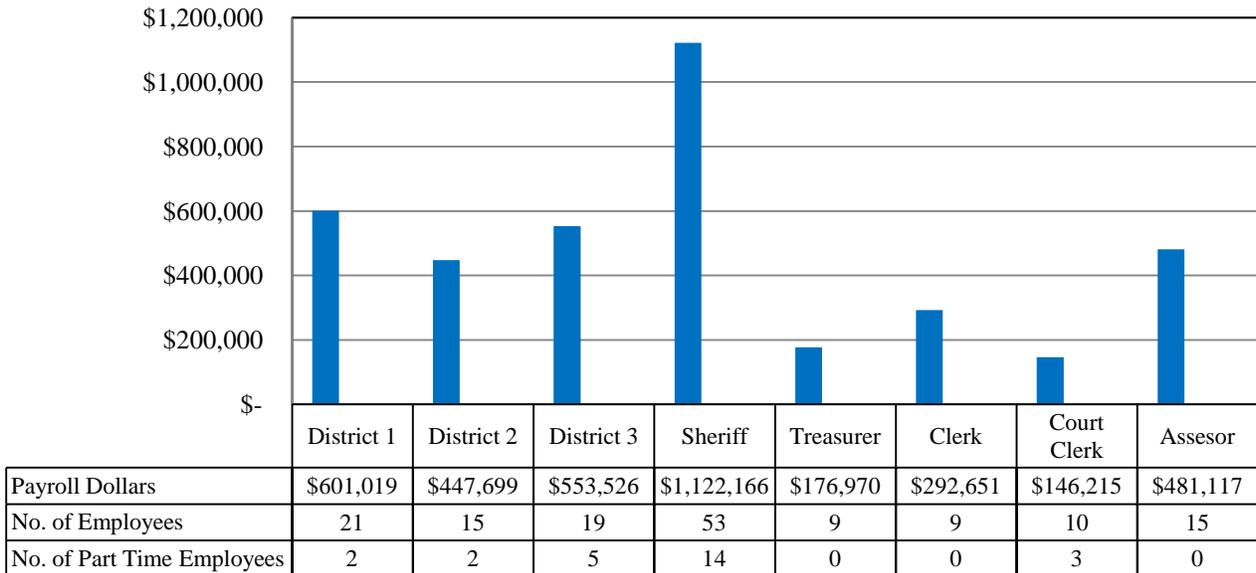
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2010	\$24,460,952	\$12,597,868	\$283,066,908	\$9,840,399	\$310,285,329	\$2,698,133,296
1/1/2009	\$23,659,161	\$12,307,095	\$275,767,457	\$9,666,407	\$302,067,306	\$2,626,672,226
1/1/2008	\$22,912,714	\$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



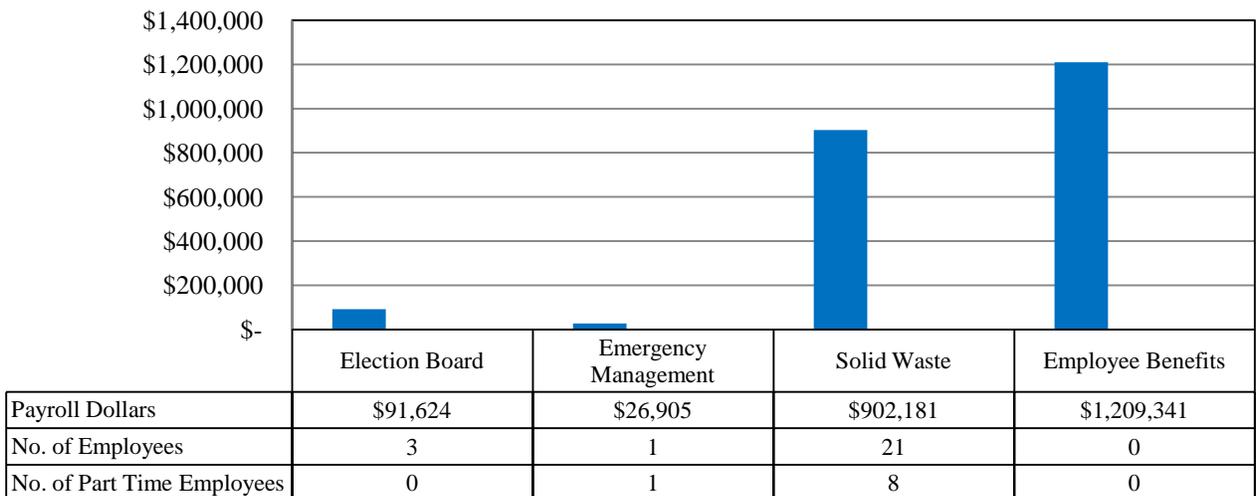
**DELAWARE COUNTY, OKLAHOMA  
COUNTY PAYROLL EXPENDITURES ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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, 2011.

**Payroll Expenditures by Department**



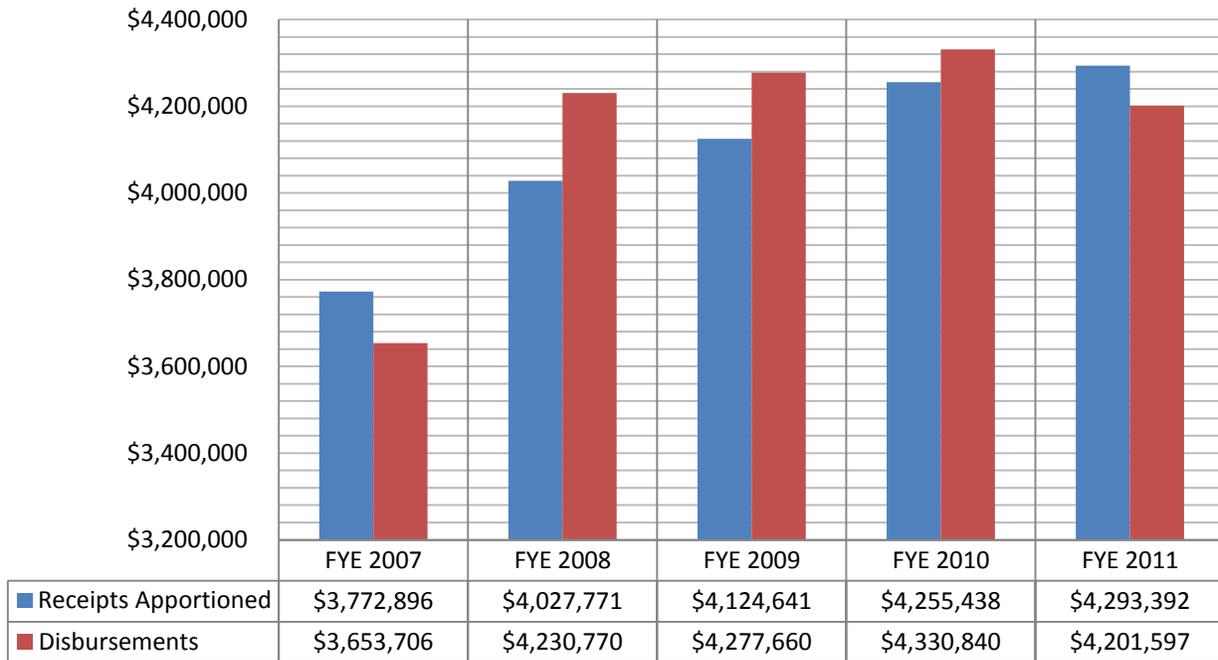
**Payroll Expenditures by Department**



**DELAWARE COUNTY, OKLAHOMA  
COUNTY GENERAL FUND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

## 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 HIGHWAY FUND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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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  
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, 2011, 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, 2011, 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, 2011, 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". The signature is fluid and cursive, with a long horizontal stroke at the end.

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, 2011**

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	Beginning Cash Balances July 1, 2010	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2011
Combining Information:						
Major Funds:						
County General Fund	\$ 380,835	\$ 4,293,392	\$ 1,235,000	\$ 1,235,000	\$ 4,201,597	\$ 472,630
T-Highway	1,019,339	3,360,996	1,512,213	1,005,000	3,989,951	897,597
County Health	624,577	650,956			423,614	851,919
1/2 Cent Solid Waste Sales Tax	701,954	1,745,393			2,447,347	
Fire Districts	2,059,831	1,212,823			944,456	2,328,198
CBRI 105		702,900	20,000	369,713		353,187
Sheriff Service Fee	75,230	455,030			441,393	88,867
Remaining Aggregate Funds	1,229,085	1,234,464	251,292	408,792	911,761	1,394,288
<b>Combined Total - All County Funds</b>	<b>\$ 6,090,851</b>	<b>\$ 13,655,954</b>	<b>\$ 3,018,505</b>	<b>\$ 3,018,505</b>	<b>\$ 13,360,119</b>	<b>\$ 6,386,686</b>

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, 2011**

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**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 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.

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, 2011**

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CBRI 105 - revenues are from the Oklahoma Department of Transportation. Disbursements are for roadways and bridges within the County.

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).

**DELAWARE COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

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

**2. Ad Valorem Tax**

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

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

**3. Other Information**

**A. Pension Plan**

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

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

**DELAWARE COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

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

**C. Contingent Liabilities**

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

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

**D. 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 2010, \$300,000 was transferred from the Highway Cash Fund to the County General Fund.
- In August 2010, \$70,000 was transferred from the Highway Cash Fund and \$175,000 from the Resale Property Fund to the County General Fund.
- In September 2010, \$200,000 was transferred from the Highway Cash Fund and \$25,000 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, 2011**

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- In October 2010, \$225,000 was transferred from the Highway Cash Fund to the County General Fund.
- In November 2010, \$190,000 was transferred from the Highway Cash Fund and \$50,000 from the Resale Property Fund to the County General Fund.
- In December 2010, \$125,000 was transferred from the County General Fund to the Highway Cash Fund (\$100,000) and the Resale Property Fund (\$25,000).
- In January 2011, \$1,110,000 was transferred from the County General Fund to the Highway Cash Fund (\$885,000) and the Resale Property Fund (\$225,000).
- In October 2010, \$169,594.65 was transferred from the CBRI 105 Fund to the Highway Cash Fund.
- In December 2010, \$159,084.79 was transferred from the CBRI 105 Fund to the Highway Cash Fund.
- In December 2010, \$154,965.49 was transferred from the CBRI 103 Fund to the Highway Cash Fund.
- In January 2011, \$7,350 was transferred from the CBRI 105 Fund to the Highway Cash Fund.
- In February 2011, \$12,916.13 was transferred from the CBRI 105 Fund to the Highway Cash Fund.
- In February 2011, \$1,292 was transferred from the CBRI 103 Fund to the Highway Cash Fund.
- In March 2011, \$10,000 was transferred from the CBRI 105 Fund to the Highway Cash Fund.
- In April 2011, \$1,292 was transferred from the CBRI 105 Fund to the CBRI 103 Fund.
- In May 2011, \$2,534.40 was transferred from the CBRI 103 Fund to the Highway Cash Fund.
- In June 2011, \$9,475.25 was transferred from the CBRI 105 Fund to the Highway Cash Fund.
- In June 2011, \$20,000 was transferred from the Highway Cash Fund to the CBRI 105 Fund.

**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, 2011**

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 380,835	\$ 380,835	\$ -
Less: Prior Year Outstanding Warrants	(130,482)	(130,482)	-
Less: Prior Year Encumbrances	(17,938)	(17,938)	-
Add: Prior Year Lapsed Appropriations	-	1,899	1,899
Beginning Cash Balances, Budgetary Basis	<u>232,415</u>	<u>234,314</u>	<u>1,899</u>
Receipts:			
Ad Valorem Taxes	3,099,188	3,094,273	(4,915)
Charges for Services	324,970	355,629	30,659
Intergovernmental Revenues	635,580	641,675	6,095
Miscellaneous Revenues	184,205	201,815	17,610
Total Receipts, Budgetary Basis	<u>4,243,943</u>	<u>4,293,392</u>	<u>49,449</u>
Expenditures:			
District Attorney	4,000	3,824	176
County Sheriff	840,259	834,188	6,071
County Treasurer	193,879	192,943	936
County Commissioners	187,404	187,404	-
County Commissioners O.S.U. Extension	55,681	51,573	4,108
County Clerk	265,491	265,419	72
Court Clerk	146,551	146,215	336
County Assessor	175,406	169,626	5,780
Revaluation of Real Property	478,920	356,088	122,832
General Government	1,694,112	1,637,390	56,722
Excise-Equalization Board	4,199	3,781	418
County Election Board	99,876	94,287	5,589
Welfare Agencies	-	-	-
Charity	1,000	200	800
Emergency Management	25,190	24,977	213
County Audit Budget Account	63,479	2,726	60,753
Free Fair Budget Account	12,000	11,850	150
E-911	227,411	218,996	8,415
Provision for Interest on Warrants	1,500	-	1,500
Total Expenditures, Budgetary Basis	<u>4,476,358</u>	<u>4,201,487</u>	<u>274,871</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	326,219	<u>\$ 326,219</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		268	
Add: Current Year Outstanding Warrants		146,143	
Ending Cash Balance		<u>\$ 472,630</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, 2011**

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 624,577	\$ 624,577	\$ -
Less: Prior Year Outstanding Warrants	(115,553)	(115,553)	-
Less: Prior Year Encumbrances	(57,707)	(57,707)	-
Add: Prior Year Lapsed Appropriations	-	444	444
Beginning Cash Balances, Budgetary Basis	<u>451,317</u>	<u>451,761</u>	<u>444</u>
Receipts:			
Ad Valorem Taxes	589,902	645,497	55,595
Charges for Services	-	5,445	5,445
Intergovernmental Revenues	-	14	14
Miscellaneous Revenues	6,131	-	(6,131)
Total Receipts, Budgetary Basis	<u>596,033</u>	<u>650,956</u>	<u>54,923</u>
Expenditures:			
County Health Budget Account	<u>1,047,350</u>	<u>325,227</u>	<u>722,123</u>
Total Expenditures, Budgetary Basis	<u>1,047,350</u>	<u>325,227</u>	<u>722,123</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	777,490	<u>\$ 777,490</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		35,749	
Add: Current Year Outstanding Warrants		38,680	
Ending Cash Balance		<u>\$ 851,919</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, 2011**

	Beginning					Ending
	Cash Balances July 1, 2010	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Cash Balances June 30, 2011
Remaining Aggregate Funds:						
Trash Cop Fine	\$ 2,818	\$ 599	\$ -	\$ -	\$ 3,417	\$ -
Sheriff Courthouse Security	25,124	17,482	-	-	26,476	16,130
Sheriff Stop Grant	1,200	14,726	-	-	12,086	3,840
Resale Property	270,670	312,646	250,000	250,000	259,541	323,775
Resale Property Investment	80,000	-	-	-	-	80,000
Sheriff Jail Fund	81	-	-	-	-	81
Sheriff Commissary Profit	3,696	50,868	-	-	42,105	12,459
County Clerk Lien Fee	10,322	10,006	-	-	12,284	8,044
1/2 Cent Courthouse Sales Tax	111,139	7,388	-	-	-	118,527
Mortgage Tax Certification Fee	53,587	9,960	-	-	7,269	56,278
Sheriff Service Fee Environmental Officer Account	8,514	599	-	-	9,113	-
County Assessor Revolving Fund	39,141	1,066	-	-	14,943	25,264
Sheriff DOC Fund	18,986	69,579	-	-	78,121	10,444
County Clerk Records Preservation	35,058	73,373	-	-	54,110	54,321
County Use Tax	346,351	189,428	-	-	52,255	483,524
Emergency Management Operations Plan Grant (EOP)	7	-	-	-	-	7
Sheriff Special Forfeiture	8,389	1,092	-	-	1,534	7,947
Solid Waste Memorandum of Understanding Grant	1,115	-	-	-	1,115	-
Sheriff Grant Fund	3,877	-	-	-	239	3,638
Sheriff Training Fund	211	-	-	-	-	211
Community Center Cash	370	12,350	-	-	12,665	55
Emergency Management Performance Grant (EMPG)	15,121	35,000	-	-	36,311	13,810
County Commissioners Cash	4,142	9,053	-	-	6,025	7,170
Courthouse Donations	63,229	-	-	-	-	63,229
Flint Ridge 11819 Community Development Block Grant 05	623	-	-	-	-	623
Sheriff K-9 Cash Account	10,669	6,752	-	-	7,100	10,321
Private Cemetery Fund	-	500	-	-	500	-
CBRI 103	-	232,448	1,292	158,792	-	74,948
Circuit Engineering District (CED)	8,933	-	-	-	4,903	4,030
Bradshaw Bridge Cash	-	-	-	-	-	-
Colcord/Flint Road CED	50,000	-	-	-	49,914	86
Tomahawk Road	394	-	-	-	-	394
Fairbarn	39,583	-	-	-	39,583	-
Delaware County Economic Authority	-	64,173	-	-	61,205	2,968
DCEM - Siren Fund	-	-	-	-	-	-
Civil Emergency Management	5,007	97,800	-	-	93,370	9,437
Delaware County Flood Planning	63	35	-	-	-	98
Safe Room Grant	-	-	-	-	-	-
Oklahoma Highway Safety Cash Account	10,665	17,541	-	-	25,577	2,629
REAP Grant	-	-	-	-	-	-
<b>Combined Total - Remaining Aggregate Funds</b>	<b>\$ 1,229,085</b>	<b>\$ 1,234,464</b>	<b>\$ 251,292</b>	<b>\$ 408,792</b>	<b>\$ 911,761</b>	<b>\$ 1,394,288</b>

**DELAWARE COUNTY, OKLAHOMA  
NOTES TO OTHER SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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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:

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.

**DELAWARE COUNTY, OKLAHOMA  
NOTES TO OTHER SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

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.

**DELAWARE COUNTY, OKLAHOMA  
NOTES TO OTHER SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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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.

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.

Private Cemetery Fund –revenues are from monies set aside from individuals who wish to put a private cemetery on their property. Disbursements are for the refunding of the deposit once the process is completed.

CBRI 103 – revenues are from the Oklahoma Department of Transportation. Disbursements are for roadways and bridges within the County as specified by the State.

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.

Delaware County Economic Authority – revenues are from the Shangri-La Resort/TIF. Disbursements are for related attorney fees.

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

**DELAWARE COUNTY, OKLAHOMA  
NOTES TO OTHER SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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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, 2011, 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. 2011-3

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. 2011-1, 2011-4, and 2011-5.

#### 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 2011-1.

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, 2011**

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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 2011-1—Transfer of Solid Waste Trust Authority**

**Condition:** On a monthly, basis sales tax was apportioned according to the sales tax ballots with 1/2 of the one cent sales tax going to the Solid Waste Trust Authority. Beginning in February 2011, all sales tax collections for the Solid Waste Trust Authority were transferred via electronic funds transfer into a bank account operated by the Solid Waste Trust Authority as a separate legal entity. No purchase orders were used for these expenditures. As a result, receipts and disbursements were understated \$574,195.91 on the financial statement. An adjustment was proposed to management and this misstatement was corrected.

**Cause of Condition:** Procedures have not been established or implemented to oversee and review County sales tax collections and expenditures.

**Effect of Condition:** By failing to accurately account for sales tax disbursements on the County's financial statements and ensuring that County sales tax is expended using the proper procedures and in the appropriate amounts, the County increased the risk for misappropriation of assets and understated the receipts and disbursements on the financial statement.

**Recommendation:** OSAI recommends management establish procedures to oversee and ensure sales tax receipts and disbursements are recorded accurately on the County's financial statement. Further, all sales tax expenditures should be made by purchase order, be supported by adequate documentation, and be reviewed for accuracy.

**Management Response:**

**County Treasurer:** A month after the auditors presented me with the finding, we changed the way in which funds are disbursed to the Solid Waste Trust Authority. Now when monies are received from OTC we do a special apportionment for 100% of the Solid Waste's portion. We take the special apportionment to the County Clerk's office. They issue a P.O. for 100% of the monies receipted for Solid Waste. The Coordinator for Solid Waste picks up the check.

**Chairman of the Board of County Commissioners:** Chair is currently working with the District Attorney's Office to draft a contract that will reflect the procedures presented by the Treasurer.

**Criteria:** Title 68 O.S. § 1370.E states in part:

... the proceeds of any sales tax levied by a county shall be deposited in the general revenue or sales tax revolving fund of the county and shall be used only for the purpose for which such sales tax was designated.

**DELAWARE COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**Finding 2011-3—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:

CFDA 97.036 – FEMA Disaster Assistance Grants – Expenditures were determined to be understated by \$5,015.81 and receipts were determined to be overstated by \$184,602.14.

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.

*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

**DELAWARE COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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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 2011-4—Operational Transfers (Repeat Finding)**

**Condition:** Operational transfers were made between county funds 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.

**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.

**DELAWARE COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**Finding 2009-5—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 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.

**DELAWARE COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

**Finding 2011-2—Sheriff’s Office Annual Report**

**Condition:** The County Sheriff’s office had not filed a timely annual report of the commissary with the Board of County Commissioners.

**Cause of Condition:** Procedures have not been implemented to ensure the annual report of the commissary is completed and filed in a timely manner.

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

**Recommendation:** OSAI recommends that an annual report of commissary operations be submitted to the Board of County Commissioners no later than January 15th of each year.

**Management Response:**

**Sherriff’s Office:** The staff member that was responsible for filing this report is no longer with the Sheriff’s Department. Steps have been taken for a staff member to research and complete this report as soon as possible. Audit was conducted in November 2011, and all commissary functions were in compliance per auditor on site. Every effort will be made to meet this requirement in the future.

**Criteria:** Title 19 O.S. § 180.43.D states in part:

The sheriff shall file an annual report on any said commissary under his or her operation no later than January 15 of each year. The State Auditor and Inspector shall conduct an audit of the report in the same manner as other public records of the county.

**Finding 2011-6—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,

**DELAWARE COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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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 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 2011-7—Signature Stamps – Court Clerk**

**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 and unauthorized use of another's signature.

**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

**DELAWARE COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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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 Response:** Signature stamps should only be used by the owner of the stamp.

**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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