

COUNTY AUDIT

DELAWARE COUNTY

For the fiscal year ended June 30, 2008



*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, 2008**

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Oklahoma State Auditor & Inspector

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July 25, 2011

TO THE CITIZENS OF
DELAWARE COUNTY, OKLAHOMA

Transmitted herewith is the audit of Delaware County, Oklahoma for the fiscal year ended June 30, 2008. A report of this type is critical in nature; however, we do not intend to imply that our audit failed to disclose commendable features in the present accounting and operating procedures of the County.

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

The Office of the State Auditor and Inspector is committed to serving the public interest by providing independent oversight and by issuing reports that serve as a management tool to the State to ensure a government which is accountable to the people of the State of Oklahoma.

Sincerely,

A handwritten signature in blue ink that reads "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

**DELAWARE COUNTY, OKLAHOMA
FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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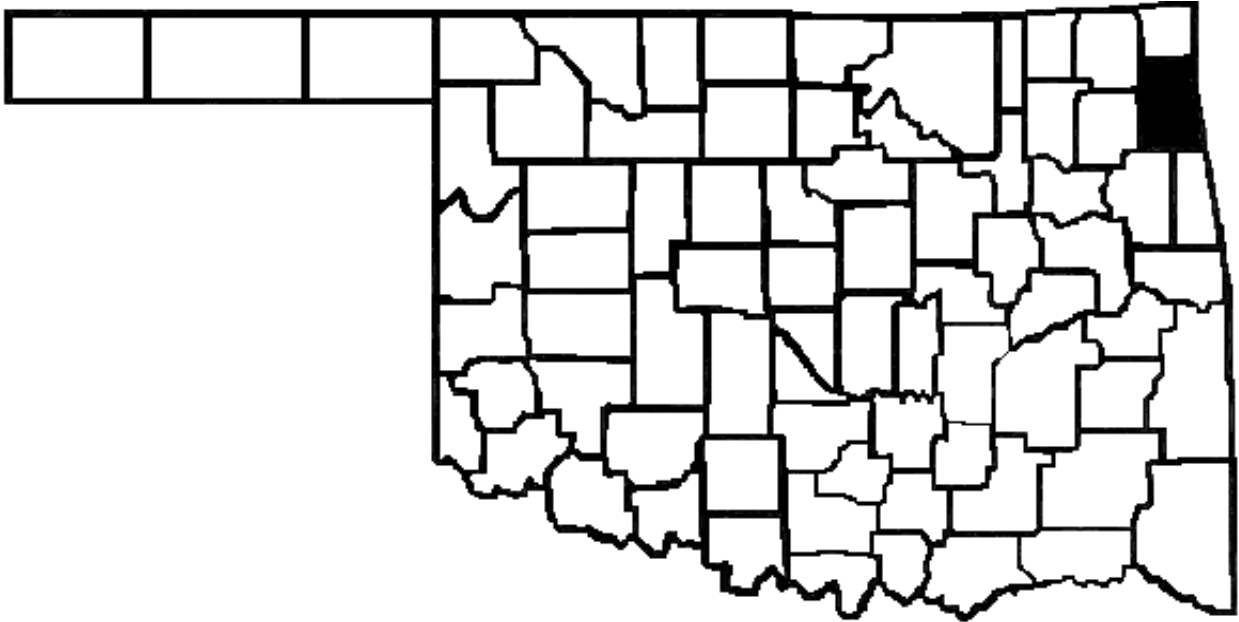
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**REPORT TO THE CITIZENS
OF
DELAWARE COUNTY, OKLAHOMA**



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 of interest include the Pelican Festival held in Grove every autumn and the Huckleberry Festival held in Jay every July.

For more information, call the county clerk's office at 918-253-4520

County Seat – Jay

Area – 792.33 Square Miles

County Population – 39,146
(2005 est.)

Farms – 1,393

Land in Farms – 282,106 Acres

Primary Source: Oklahoma Almanac 2007-2008

See independent auditor's report.

**DELAWARE COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

COUNTY ASSESSOR
Leon Hurt

The County Assessor has the responsibility to appraise and assess the real and personal property within the county for the purpose of ad valorem taxation. Also, the County Assessor is required to compute the ad valorem taxes due on all taxable property. The County Assessor appraises all the taxable real and personal property according to its fair cash value for which the property is actually being used as of January 1 of the taxable year at the percentages provided for in Article 10, § 8 of the Oklahoma Constitution.

The County Assessor is required to build and maintain permanent records of the taxable real property and tax exempt real property within the county. Information entered on each record includes the property's legal description, owner's name and address, and the homestead exemption status of the owner.

COUNTY CLERK
Carol Fortner

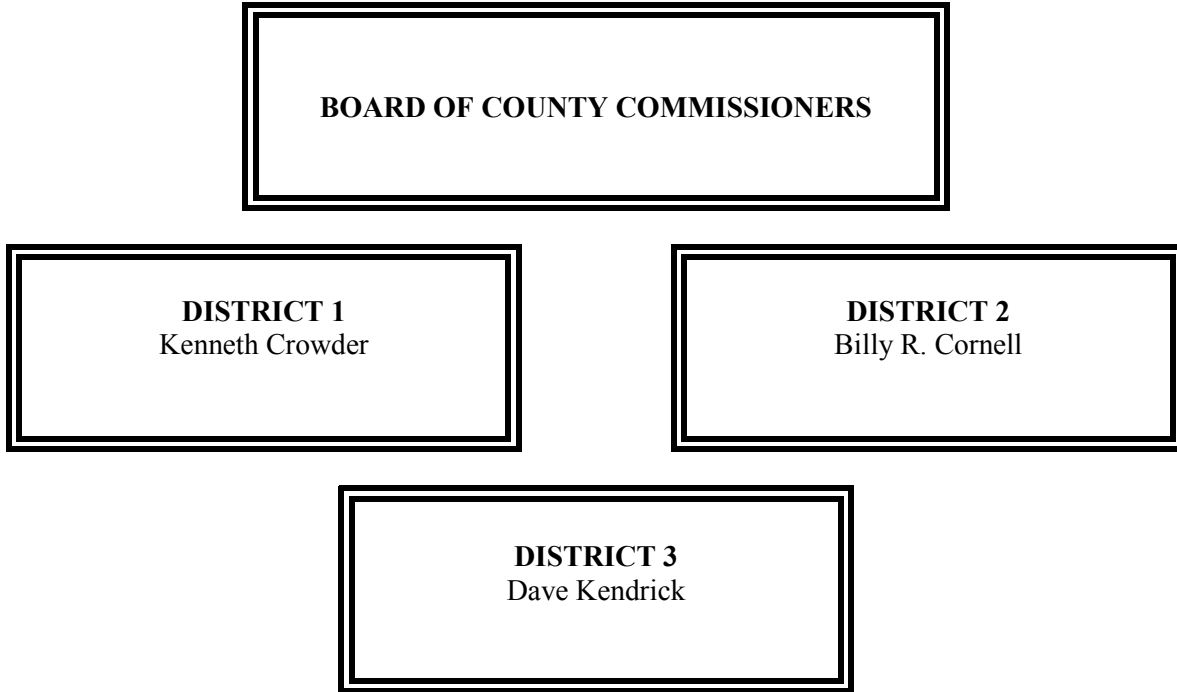
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

The County Clerk reviews all the claims for payment of goods and services purchased or contracted by the county, and prepares the proper warrants for payment of those goods and services and the county payroll. The County Clerk, or his or her designated deputy, serves as the purchasing agent for the county. This system is a means to ensure the public that tax dollars are being spent appropriately.

Various records within the different county offices are classified as “open records.” As such, they can be reviewed and mechanically copied by the public.

See independent auditor's report.

**DELAWARE COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**



The Board of County Commissioners is the chief administrative body for the county. County Commissioners are also responsible for maintaining and constructing the county roads and bridges.

The Commissioners must act as a Board when entering into contracts or other agreements affecting the county's welfare. Thus, actions taken by the Board are voted on and approved by a majority of the Commissioners. The Board of County Commissioners' business meetings are open to the public.

As the county's chief administrative body, the three County Commissioners must make major financial decisions and transactions. The Board has the official duty to ensure the fiscal responsibility of the other county officers who handle county funds. The review and approval procedures empowered to the Board of County Commissioners are a means to provide the public with a fiscally efficient system of county government.

See independent auditor's report.

**DELAWARE COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

COUNTY SHERIFF
Jay Blackfox

The County Sheriff is responsible for preserving the peace and protecting life and property within the county's jurisdiction. As the county's chief law enforcement officer, the Sheriff has the power and authority to suppress all unlawful disturbances, to apprehend and secure persons charged with felony or breach of peace, and to operate the county jail.

The County Sheriff has the responsibility of serving warrants and processing papers ordered by the District Court.

COUNTY TREASURER
Mary Jane Law

All collections by county government from ad valorem taxes and other sources are deposited with the County Treasurer. The County Treasurer collects ad valorem taxes for the county and its political subdivisions. The County Treasurer is authorized to issue delinquent personal property tax warrants and to impose tax liens on real property for delinquent taxes.

To account for county collections and disbursements, the County Treasurer is required to maintain an accurate record of all the monies received and disbursed.

See independent auditor's report.

**DELAWARE COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

COURT CLERK
Caroline Weaver

The Court Clerk has the primary responsibility to record, file, and maintain as permanent records the proceedings of the District Court.

Court proceedings are recorded in the appropriate journal or record docket. All the court proceedings are public information except those related to juvenile, guardianship, adoption, and mental health cases.

The Court Clerk issues marriage licenses, passports, notary certificates, beer and pool hall licenses, and private process server licenses.

Monies from the court fund are identified for distribution by the Court Clerk to the appropriate units of county and state government.

DISTRICT ATTORNEY
Eddie Wyant

As the chief attorney for county government, the District Attorney acts as the legal advisor to the county officers on matters related to their duties. The District Attorney represents the county in civil litigation. County officials may call upon the District Attorney to clarify a law or request an official interpretation from the Attorney General.

See independent auditor's report.

**DELAWARE COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

ELECTION BOARD SECRETARY
Dixie E. Smith

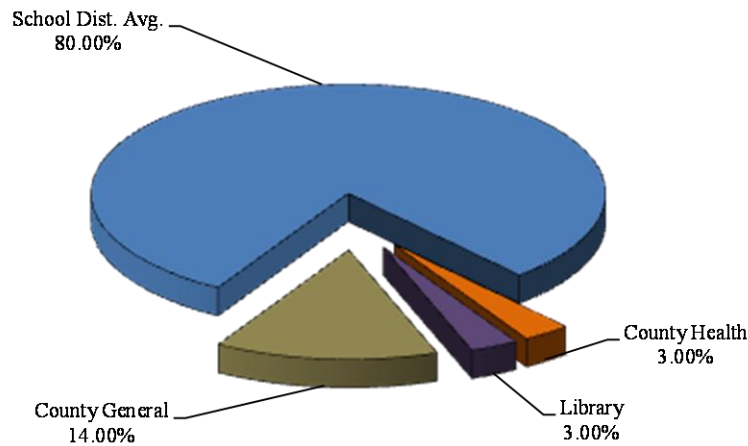
The Election Board Secretary is appointed by the State Election Board and is the chief administrative officer of the County Election Board. The County Election Board has direct responsibility for all the ballots used in all elections within the county. The Board also conducts all elections held within the county.

To finance the operation of the County Election Board, the County Excise Board must appropriate sufficient funds annually. The state and counties split the election costs, but counties must pay for any county elections not held concurrently with state elections.

See independent auditor's report.

**DELAWARE COUNTY, OKLAHOMA
AD VALOREM TAX DISTRIBUTION
SHARE OF THE AVERAGE MILLAGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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



County-Wide Millages		School District Millages										
				Career								
				Gen.	Bldg.	Skg.	Tech	EMS	Audit	Common	Total	
County General	10.45											
County Health	2.09	Jay	I-1	36.61	5.23	14.62	11.45			4.18	72.09	
County Library	2.09	Grove	I-2	36.40	5.20	6.62	11.45	2.69	0.10	4.18	66.64	
		Kansas	I-3	37.06	5.29	16.52	11.45			4.18	74.50	
		Colcord	I-4	37.74	5.39	13.48	11.45			4.18	72.24	
		Oaks Mission	I-5	37.05	5.29		11.45			4.18	57.97	
		Cleora	D-6	36.77	5.26		11.45	3.00		4.18	60.66	
		Leach	D-14	37.77	5.40		11.45			4.18	58.80	
		Kenwood	D-30	37.19	5.31		11.45			4.18	58.13	
		Moseley	D-34	36.77	5.25		11.45			4.18	57.65	
		Skelly	J-01	35.00	5.00					4.18	44.18	
		Ketchum	J-06	36.74	5.25	3.66				4.18	49.83	
		Turkey Ford	J-10	36.27	5.18	5.24				4.18	50.87	
		Spavinaw	J-21	38.00	5.43					4.18	47.61	
		Afton	J-26	35.95	5.14		11.45			4.18	56.72	

See independent auditor's report.

**DELAWARE COUNTY, OKLAHOMA
COMPUTATION OF LEGAL DEBT MARGIN
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)**

Total net assessed value as of January 1, 2007		<u>\$ 266,018,818</u>
Debt limit - 5% of total assessed value		13,300,941
Total bonds outstanding	-	
Total judgments outstanding	-	
Less cash in sinking fund	<u>-</u>	<u>-</u>
Legal debt margin		<u>\$ 13,300,941</u>

See independent auditor's report.

**DELAWARE COUNTY, OKLAHOMA
RATIO OF NET GENERAL BONDED DEBT TO ASSESSED
VALUE AND NET BONDED DEBT PER CAPITA
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)**

	2008
Estimated population	39,146
Net assessed value as of January 1, 2007	\$ 266,018,818
Gross bonded debt	-
Less available sinking fund cash balance	-
Net bonded debt	\$ -
Ratio of net bonded debt to assessed value	0.00%
Net bonded debt per capita	\$ -

See independent auditor's report.

**DELAWARE COUNTY, OKLAHOMA
ASSESSED VALUE OF PROPERTY
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)**

<u>Valuation Date</u>	<u>Personal</u>	<u>Public Service</u>	<u>Real Estate</u>	<u>Homestead Exemption</u>	<u>Net Value</u>	<u>Estimated Fair Market Value</u>
1/1/2007	\$20,307,695	\$12,317,749	\$242,609,317	\$9,215,943	\$266,018,818	\$2,313,207,113

See independent auditor's report.

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 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, 2008, listed in the table of contents as the basic financial statement. This financial statement is the responsibility of Delaware County's management. Our responsibility is to express an opinion 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 effects on the financial statement of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because 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, 2008, 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 of Delaware County, for the year ended June 30, 2008, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2011, 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 funds within the basic financial statement taken as a whole. The combining information is presented for purposes of additional analysis rather than to present the receipts, disbursements, and cash balances of the individual funds. Also, 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 basic financial statement. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statement and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statement taken as a whole. 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 that reads "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

June 15, 2011

Basic Financial Statement

**DELAWARE COUNTY, OKLAHOMA
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
(WITH COMBINING INFORMATION)
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	Cash Balances July 1, 2007	Receipts Apportioned	Disbursements	Cash Balances June 30, 2008
Combining Information:				
County General Fund	\$ 812,255	\$ 4,027,771	\$ 4,230,770	\$ 609,256
T-Highway	1,082,169	3,086,625	3,111,105	1,057,689
Trash Cop Fine	7,414	1,345		8,759
County Health	679,471	567,304	787,477	459,298
Sheriff Courthouse Security	7,227	43,813	26,990	24,050
Sheriff Stop Grant	2,281	23,863	24,933	1,211
Sheriff Service Fee	170,722	502,940	509,293	164,369
Resale Property	294,177	286,753	240,988	339,942
Sheriff Jail Fund	81			81
Sheriff Commissary Profit		7,279	5,381	1,898
County Clerk Lien Fee	22,327	15,196	26,014	11,509
1/2 Cent Courthouse Sales Tax	532,694	25,672	473,913	84,453
Mortgage Tax Certification Fee	39,798	14,585	9,646	44,737
1/2 Cent Solid Waste	899,369	2,100,802	2,209,887	790,284
Sheriff Service Fee Environmental Officer Account	5,681	1,345		7,026
County Assessor Revolving Fund	34,602	7,198	3,235	38,565
Sheriff DOC Fund	8,097	140,979	123,214	25,862
County Clerk Records Preservation	36,788	83,683	79,463	41,008
Fire Districts	1,693,169	1,276,162	902,806	2,066,525
County Use Tax	149,865	126,643	68,419	208,089
Emergency Management Operating Plan Grant (EOP)	1,060		1,053	7
Sheriff Special Forfeiture	3,461	28,341	22,467	9,335
Solid Waste Memorandum of Understanding Grant		50,000		50,000
Sheriff Grant Fund	85	13,570	13,544	111
Sheriff Training Fund	3,123		1,769	1,354
Community Center Cash	1,770	15,300	15,115	1,955
Emergency Management Performance Grant (EMPG)	7,035	9,875	3,479	13,431
County Commissioner Cash	64	9,778	7,775	2,067
Courthouse Donations	63,229			63,229
Flint Ridge 11819 Community Development Block Grant 05	623			623
Combined Total--All County Funds	\$ 6,558,637	\$ 12,466,822	\$ 12,898,736	\$ 6,126,723

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, 2008**

1. Summary of Significant Accounting Policies

A. Reporting Entity

Counties were created by the Constitution of Oklahoma. One county officer is appointed; however, most county officers are locally elected by their constituents. All county powers are delegated by the state.

The accompanying basic financial statement presents the receipts, disbursements, and changes in cash balances of the total of all funds of Delaware County, Oklahoma. The financial statement referred to includes only the primary government of Delaware County, Oklahoma, and does not include financial information for any of the primary government's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial information of the primary government. The funds presented as line items are not a part of the basic financial statement, but have been included as supplementary information within the basic financial statement. These separate funds are established by statute, and their operations are under the control of the County officials. 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. The other funds presented account for financial resources whose use is restricted for specified purposes.

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 funds included as supplementary 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.

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

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

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).

**DELAWARE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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

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

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

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.

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.

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

Sheriff Service Fee Environmental Officer Account - revenues are from a percentage of the fees collected from the 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.

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, 2008**

County Use Tax - revenues are from sales tax charged to out of county vendors on in county sales tax. 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 Commissioner Cash - balance of various donations and 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.

The County Treasurer collects and remits material amounts of intergovernmental revenues and ad valorem tax revenue for other budgetary entities, including county 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.

C. Basis of Accounting

The basic financial statement is prepared on a basis of accounting wherein amounts are recognized when received or disbursed. This basis of accounting differs from accounting

**DELAWARE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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 cash basis financial presentation is not a comprehensive measure of economic condition or changes therein.

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.

For the highway funds and other funds, which are not required to adopt a formal budget, appropriations are made on a monthly basis, according to the funds then available.

E. Cash

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).

G. Compensated Absences

Vacation benefits are earned by the employee during the year with no more than 5 days accumulated. Employees with service years up to 10 years earn 10 days per year. Employees with service years exceeding 10 years earn 15 days per year. Vacation leave is accrued monthly. Upon separation, an employee will be paid for the balance of the accrued annual leave up to the accumulation limit.

Sick leave benefits are accrued at the rate of 10 hours per month and employees may accumulate up to 30 days. Sick leave is not paid upon termination.

**DELAWARE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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."

The assessed property value as of January 1, 2007, was approximately \$266,018,818

Per Article 10, § 8A, with the repeal of personal property tax, the millages with the adjustment factor are 10.45 mills (the legal maximum) for general fund operations, 2.09 mills for county health department, and 2.09 mills for county library. In addition, the County collects the ad valorem taxes assessed by school districts and remits the ad valorem taxes collected to the appropriate taxing units.

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.

Current year tax collections for the year ended June 30, 2008, were approximately 96.13 percent of the tax levy.

3. Fuel Tax

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.

**DELAWARE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

4. Risk Management

The County is exposed to the various risks of loss shown in the following table:

Types of Loss	Method of Management	Risk of Loss Retained
General Liability <ul style="list-style-type: none"> ▪ Torts ▪ Errors and Omissions ▪ Law Enforcement Officers' Liability ▪ Vehicle 	The County participates in a public entity risk pool: Association of County Commissioners of Oklahoma-Self-Insurance Group. (See ACCO-SIG.)	If claims exceed the authorized deductibles, the County could have to pay its share of any pool deficit. A judgment could be assessed for claims in excess of the pool's limits.
Physical Plant <ul style="list-style-type: none"> ▪ Theft ▪ Damage to Assets ▪ Natural Disasters 		

ACCO-SIG – The pool operates as a common risk management and insurance program and is to be self-sustaining through member premiums. Each participating member chooses a deductible amount (\$10,000, \$25,000, or \$50,000). The County has chosen a \$25,000 deductible for each insured event as stated in the County's "Certificate of Participation." The risk pool will pay legitimate claims in excess of the County's deductible amount for replacement value up to \$100,000 for property and up to \$500,000 for general liability. The pool has acquired commercial reinsurance in the amount of \$1,000,000 to cover claims that exceed the pool's risk retention limits. Settled claims have not exceeded insurance coverage for each of the past three fiscal years. There have been no significant reductions in coverage from the prior fiscal year.

5. Long-term Obligations

Capital Leases

The County acquires road machinery and equipment through lease-purchase agreements financed by the Oklahoma Department of Transportation and/or the equipment vendors or their assignees pursuant to the provisions of 69 O.S. § 636.1 through § 636.7. Lease agreements entered into with the Oklahoma Department of Transportation (ODOT) are interest free, but have a one-time fee of 3% on all pieces of machinery acquired.

6. 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

**DELAWARE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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. County employees are required to contribute between 3.5% and 8.5% of earned compensation. The County contributes between 8.5% and 13.5% of earned compensation. Elected officials could contribute between 4.5% and 10% of their entire compensation. The County contributes 13.5% of earned compensation for elected officials. The County's contributions to the Plan for the years ending June 30, 2008, 2007, and 2006, were \$518,756, \$435,001, and \$421,317, respectively, equal to the required contributions for each year.

2.5% Step-Up. Members have the option to increase the benefit computation factor for all future service from 2.0% to 2.5%. The election is irrevocable, binding for all future employment under OPERS, and applies only to full years of service.

7. 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.

8. 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.

**DELAWARE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

9. Sales Tax

The voters of Delaware County voted a permanent ½ cent sales tax, which became effective April 1, 1988. The purpose of the sales tax is 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 5 years from its implementation by a simple majority vote of the voters of Delaware County.

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, 2008**

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 812,255	\$ 812,255	\$ 812,255	\$ -
Less: Prior Year Outstanding Warrants	(196,901)	(196,901)	(196,901)	
Less: Prior Year Encumbrances	(20,536)	(20,536)	(12,452)	8,084
Plus: Estopped Warrants			32	32
Beginning Cash Balances, Budgetary Basis	<u>594,818</u>	<u>594,818</u>	<u>602,934</u>	<u>8,116</u>
Receipts:				
Ad Valorem Taxes	2,610,220	2,613,860	2,811,873	198,013
Charges for Services	290,731	290,731	298,464	7,733
Intergovernmental Revenues	697,085	697,085	659,772	(37,313)
Miscellaneous Revenues	261,671	261,671	257,662	(4,009)
Total Receipts, Budgetary Basis	<u>3,859,707</u>	<u>3,863,347</u>	<u>4,027,771</u>	<u>164,424</u>
Expenditures:				
District Attorney	<u>4,000</u>	<u>4,000</u>	<u>3,855</u>	<u>145</u>
County Sheriff	<u>859,700</u>	<u>860,420</u>	<u>854,577</u>	<u>5,843</u>
County Treasurer	<u>208,378</u>	<u>208,878</u>	<u>208,259</u>	<u>619</u>
County Commissioners	<u>206,979</u>	<u>208,680</u>	<u>198,410</u>	<u>10,270</u>
OSU Extension	<u>66,371</u>	<u>66,371</u>	<u>55,076</u>	<u>11,295</u>
County Clerk	<u>272,911</u>	<u>274,762</u>	<u>274,538</u>	<u>224</u>
Court Clerk	<u>149,550</u>	<u>150,650</u>	<u>143,685</u>	<u>6,965</u>
County Assessor	<u>166,403</u>	<u>166,403</u>	<u>148,715</u>	<u>17,688</u>
Revaluation of Real Property	<u>471,816</u>	<u>471,816</u>	<u>435,887</u>	<u>35,929</u>
General Government	<u>1,612,575</u>	<u>1,593,460</u>	<u>1,431,801</u>	<u>161,659</u>
Excise-Equalization Board	<u>6,100</u>	<u>6,100</u>	<u>4,741</u>	<u>1 359</u>
County Election Board	<u>106,076</u>	<u>108,039</u>	<u>102,908</u>	<u>5,131</u>

continued on next page

The accompanying note to the other supplementary information is an integral part of this schedule.
See independent auditor's report.

**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, 2008**

continued from previous page

	Original Budget	Final Budget	Actual	Variance
Welfare Agencies	2,800	2,800	2,800	-
Charity	1,000	1,000	400	600
Civil Defense	19,190	67,252	65,779	1 473
County Audit Budget	55,459	55,459	29,566	25 893
Free Fair	12,000	12,000	11,935	65
E-911	221,637	198,575	192,710	5 865
Provision for Interest on Warrants	1,500	1,500	-	1,500
Total Expenditures, Budgetary Basis	<u>4,454,525</u>	<u>4,458,165</u>	<u>4,165,642</u>	<u>292,523</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	465,063	<u>\$ 465,063</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			8,851	
Add: Current Year Outstanding Warrants			<u>135,342</u>	
Ending Cash Balance			<u>\$ 609,256</u>	

The accompanying note to the other supplementary information is an integral part of this schedule.
See independent auditor's report.

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, 2008

	County Health Department Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 679,472	\$ 679,471	\$ 679,471	\$ -
Less: Prior Year Outstanding Warrants	(177,501)	(177,501)	(177,501)	
Less: Prior Year Encumbrances	(80)	(80)	(80)	
Beginning Cash Balances, Budgetary Basis	<u>501,891</u>	<u>501,890</u>	<u>501,890</u>	<u>-</u>
Receipts:				
Ad Valorem Taxes	505,436	505,436	562,375	56,939
Charges for Services		4,929	4,929	
Total Receipts, Budgetary Basis	<u>505,436</u>	<u>510,365</u>	<u>567,304</u>	<u>56,939</u>
Expenditures:				
Health and Welfare	910,886	915,815	644,617	271,198
Capital Outlay	96,440	96,440	27,497	68,943
Total Expenditures, Budgetary Basis	<u>1,007,326</u>	<u>1,012,255</u>	<u>672,114</u>	<u>340,141</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	397,080	<u>\$ 397,080</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			11,065	
Add: Current Year Outstanding Warrants			51,153	
Ending Cash Balance			<u>\$ 459,298</u>	

The accompanying note to the other supplementary information is an integral part of this schedule.
See independent auditor's report.

**DELAWARE COUNTY, OKLAHOMA
NOTE TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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.

See independent auditor's report.

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, 2008, 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 June 15, 2011. 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 the 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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies 2008-1, 2008-4, 2008-5, and 2008-10 described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider item 2008-10 to be a material weakness.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and responses as items 2008-2 and 2008-3.

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 the management of Delaware County and should not be used for any other purpose. This report is also a public document pursuant to the Oklahoma Open Records Act (51 O.S. § 24A.1 et seq.), and shall be open to any person for inspection and copying.

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

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

June 15, 2011

**DELAWARE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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 2008-1 – Bank Accounts not on General Ledger (Repeat Finding)

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, all banks identified with the County's tax identification number should be included on the general ledger.

Criteria: Title 19 O.S. § 642 states in part:

The county treasurer shall keep a cash book, in which he shall enter an account of all money by him received...

Condition: There were three bank accounts in the County's name and tax identification number that were not being accounted for on the Treasurer's general ledger. The accounts noted are as follows:

1. Delaware County Free Fair Board
2. Johnson Cemetery Fund Acct #XXXXX965
3. Johnson Cemetery Fund Acct #XXXXXX804

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

Recommendation: OSAI recommends that bank accounts in the County's name, identified with the County's tax identification number be included on the general ledger. Should accounts not be the County's fund, then the County's tax identification needs to be removed from the account.

Views of responsible officials and planned corrective actions:

Mary Jane Law, County Treasurer –

Bank accounts not on the General Ledger are accounts which are not in any way connected to the County. I have found these entities used the County's ID number to open said accounts. I have brought this to the County Commissioners' attention as well as the banks.

Finding 2008-2 – Investment Resolution (Repeat Finding)

Criteria: Title 62 O.S. § 348.1 states in part:

Except as otherwise provided for by law, a county treasurer, when authorized by the board of county commissioners by a written investment policy, ordinance or resolution or the treasurer of any city or town, when authorized by the appropriate governing body by a written investment policy, ordinance or resolution, shall invest monies in the custody of the treasurer...

**DELAWARE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Condition: A written investment policy was not approved by the Board of County Commissioners.

Effect: The County Commissioners may be unaware of the types of investments in which the County funds are invested.

Recommendation: OSAI recommends the County Treasurer prepare and submit to the Board of County Commissioners for approval a written investment resolution.

Views of responsible officials and planned corrective actions:

Mary Jane Law, County Treasurer –

Investment Resolution was not available and we do believe it was done but at this time unable to present the original document. In the future, plan to double check that this is done and available.

Finding 2008-3 – OPERS (Repeat Finding)

Criteria: Title 74 O.S. § 925 states:

All employees of participating employers who are eligible or may hereafter become eligible to be members of the system as provided by this act shall, as a condition of continuing employment or as a condition of obtaining employment with a participating employer, become members of the system.

Title 74 O.S. § 902(14) states in part:

"Employee" means any officer or employee of a participating employer, whose employment is not seasonal or temporary and whose employment requires at least one thousand (1,000) hours of work per year and whose salary or wage is equal to the hourly rate of the monthly minimum wage for state employees...

Condition: OSAI noted one part-time employee in the Sheriff's Office who worked more than 1,000 hours in a one-year period based on the employee's anniversary date, but did not receive eligible benefits.

Effect: All eligible employees may not have been participating in the pension plan. This could result in a possible liability to the County.

Recommendation: OSAI recommends the County contact OPERS regarding the status of benefits to which these employees were eligible.

Views of responsible officials and planned corrective actions:

Carol Fortner, County Clerk –

In response to the guideline for any employee working 1,000 hours or more being enrolled in OPERS, our Insurance Coordinator is checking all part time employees' time sheets to determine if any of them meet this eligibility. Anyone found meeting this requirement will immediately be enrolled. This process will be done each year to determine if there are any new employees that need to be enrolled.

**DELAWARE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Sheriff Jay Blackfox –

The Office Manager has contacted the County Clerk's office and we are currently working with the Payroll Coordinator to get this matter resolved for the employees in question. Office Manager is now tracking all PT employees on a monthly basis to ensure this problem does not happen in the future, and if any of these employees do incur more than the 1000 hours, this info will be submitted to the Payroll Coordinator for action to be taken.

Finding 2008-4 – Timesheets (Repeat Finding)

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, employees' timesheets should be signed by both the employee and the supervisor.

Condition: Our test work of timesheets revealed the following exceptions:

- Clerk's Office – No signature approval on an employee's timesheets for the months of August 2007 and January through March 2008.
- District #3 – No signature approval on an employee's timesheets for the months of September 2007 through April 2008.
- Court Clerk – No signature approval on an employee's timesheet for the months of July 2007 and May 2008.

Effect: These conditions could result in misappropriation of county funds.

Recommendation: OSAI recommends all employees and supervisors sign timesheets to provide proper accounting of funds disbursed for payroll claims.

Views of responsible officials and planned corrective actions:

Carol Fortner, County Clerk –

To ensure all time sheets are signed by the Department Head, our Payroll Coordinator is reviewing past years time sheets to insure all required signatures are in place. Our time sheets will be reviewed each month as they are completed before they are filed.

Finding 2008-5 – Negative Sick Leave (Repeat Finding)

Criteria: According to the Delaware County Employee Handbook all full-time Delaware County employees shall be entitled to sick leave with pay that is accrued on a monthly basis. Sick leave shall accumulate at a rate of 10 hours for each full calendar month of service to the County. Sick leave may be accrued up to a maximum of 130 days.

**DELAWARE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Condition: From test work performed, it was noted one employee employed at the Court Clerk's Office had negative sick leave balances in the months of July 2007 through November 2007 and January 2008 through June 2008.

Effect: Employees with negative leave balances have received leave payments in advance of accrual. This is in conflict with the County's Policy for leave.

Recommendation: OSAI recommends the Court Clerk's Office follow the County Personnel Policy for leave and ensure employees are not receiving benefits until accrued.

Views of responsible officials and planned corrective actions:

Caroline Weaver, Court Clerk –

I did have a deputy clerk who was showing negative balances on her time sheet, however all the time showing with a negative balance has been resolved by deducting from either other available time such as her vacation or personal and also by just deducting hours from her paycheck. All negative balances were taken care of at the end of the calendar year.

Finding 2008-10 – Segregation of Duties – Payroll (Repeat Finding)

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.

Condition: A lack of segregation of duties exists in the Court Clerk's office because one deputy collects payroll verification forms from the departments, enters payroll information including new hires into the system, reconciles the warrant registers to the verification forms, and prints and distributes payroll warrants.

Effect: 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.

**DELAWARE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Views of responsible officials and planned corrective actions:

Carol Fortner, County Clerk –

In regard to our Payroll check handling procedures, we are establishing the following process:

Our Payroll Coordinator will process and create the payroll checks. She will then deliver them to the Treasurer's Office for their processing and signature. The checks will then be returned to a designated Second Deputy. The Second Deputy will then sort by departments, oversee the required signatures on our Warrant Register, and release the checks to the appropriate Department Head.

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 2008-6 – Sheriff's Inmate Trust Account Receipts and Reconciliations (Repeat Finding)

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, receipts should be pre-numbered, issued in sequential order and deposited daily. Voided receipts should be retained and all deposits should be posted to the accounting records. Also, reconciliations should be performed on the inmate trust account and should be reviewed and approved by someone other than the preparer.

Condition: An examination of the inmate trust account revealed the following exceptions:

- One receipt book was used for Inmate Trust Receipts, Commissary Receipts, and Cash Bond Receipts.
- Deposits were not made daily.
- Receipts were missing.
- Receipts were not being posted to the accounting records.
- Reconciliations were not reviewed and approved by someone other than the preparer.

Effect: These conditions could result in undetected errors, unrecorded transactions, or misappropriation of funds.

Recommendation: OSAI recommends that different receipt books be used for each type of receipt. Deposits should be made daily and receipts should be retained. Also, receipts should be posted to the accounting records. Reconciliations should be reviewed and approved by someone other than the preparer.

**DELAWARE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Views of responsible officials and planned corrective actions:

Sheriff Jay Blackfox –

1. Different receipt books are now being used for different accounts, example: commissary, cash bonds, etc. (Voided receipts are maintained in receipt book)
2. Daily deposits if funds come in.
3. Receipts are being stored in the administration building where accessible and to ensure not being misplaced.
4. All receipts are being tracked on a daily deposit ledger by month in sequential order and matched to depository ledger deposits.
5. Reconciliations (deposits) are prepared by the Receiving Clerk, being reviewed by the Office Manager and deposits are then delivered by the Office Manager to appropriate agency.

Finding 2008-7 – Inmate Trust Disbursements (Repeat Finding)

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, vouchers should have disbursement authorizations and be issued in sequential order and voided vouchers should be retained.

Condition: An examination of the inmate trust account disbursements revealed the following exceptions:

- Of the nine inmate trust disbursements reviewed, none were supported by a signed disbursement authorization form.
- Checks were not issued in sequential order.
- Voided checks were not retained.

Effect: These conditions could result in misappropriation of funds.

Recommendation: OSAI recommends disbursement authorizations be used for all disbursements. Vouchers should be issued in sequential order and voided vouchers should be retained.

Views of responsible officials and planned corrective actions:

Sheriff Jay Blackfox –

All disbursements are issued in sequential order, signed by receiving party (disbursements are issued only at written request of property release by inmate, court minutes or order from judge, etc.) Voided checks are retained in sequential order as voided along with all checks.

Finding 2008-8 – Annual Report, Commissary Contract and Commissary Fund (Repeat Finding)

Criteria: Title 19 O.S. § 180.43.D states:

Each county sheriff may operate, or contract the operation of, a commissary for the benefit of persons lawfully confined in the county jail under the custody of the county sheriff. Any funds received pursuant to said operations shall be the funds of the county

**DELAWARE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

where the persons are incarcerated and shall be deposited in the Sheriff's Commissary Account. The sheriff shall be permitted to expend the funds to improve or provide jail services. The sheriff shall be permitted to expend any surplus in the Sheriff's Commissary Account for administering expenses for training equipment, travel or for capital expenditures. The claims for expenses shall be filed with and allowed by the board of county commissioners in the same manner as other claims. The sheriff shall receive no compensation for the operation of said commissary. The sheriff shall file an annual report on any said commissary under his or her operation no later than January 15 of each year. The State Auditor and Inspector shall conduct an audit of the report in the same manner as other public records of the county. Nothing in this subsection shall circumvent the provisions of Section 73 of Title 7 of the Oklahoma Statutes.

Condition: The County Sheriff has not set up a commissary account, did not have a current contract on file with the commissary vendor, and had not filed a timely annual report of the commissary with the Board of County Commissioners.

Effect: This could result in misappropriation of funds.

Recommendation: OSAI recommends the County Sheriff set up a commissary account to deposit funds received pursuant to the commissary operations and to update the commissary contract. OSAI further recommends that an annual report of commissary operations be submitted to the BOCC no later than January 15th of each year.

Views of responsible officials and planned corrective actions:

Sheriff Jay Blackfox –

1. Contract updated with third party in response to this audit.
2. Currently Sheriff now has set up Commissary Account and has an in house commissary.
3. Annual reports are being filed with the County Commissioners' office by deadline, January 15th. Official is aware of corrective action taken.

Finding 2008-9 – Segregation of Duties (Repeat Finding)

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.

Condition: Official depository accounts are not reported on the basic financial statement; however, a lack of segregation of duties exists with respect to the official depository account in the following offices:

**DELAWARE COUNTY, OKLAHOMA
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A lack of segregation of duties exists in the County Assessor's office because three deputies can open the mail, receipt money, balance the cash drawer with the daily receipts, prepare the deposit, and take the deposit to the Treasurer's Office.

A lack of segregation of duties exists in the County Sheriff's office because one employee opens the mail, writes the receipts, balances the cash drawer to daily receipts, prepares the depository ticket, takes deposits to the Treasurer's office, posts receipts, and reconciles the official depository account with the Treasurer. This same employee prepares, signs, posts, and distributes vouchers.

Effect: 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.

Views of responsible officials and planned corrective actions:

Leon Hurt, County Assessor –

This is to clarify and further affirm the assignment of duties concerning the Official Depository account in the Delaware County Assessor's Office. One Deputy has the responsibility of opening the mail and receipting all monies received. One Deputy has the responsibility of depositing all receipted money daily.

Finding 2008-11 – Incomplete Inventory

Criteria: Title 19 O.S. § 178.1 states in part:

The board of county commissioners in each county of this state shall take, or cause to be taken, an inventory of all working tools, apparatus, machinery and equipment belonging to the county or leased or otherwise let to it or to any department thereof, other than that which is affixed to and made a part of lands and buildings, the cost of which as to each complete working unit thereof is more than Five Hundred Dollars (\$500.00), and thereafter maintain or cause to be maintained a continuous inventory record... biennially thereafter, or oftener...

**DELAWARE COUNTY, OKLAHOMA
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Condition: From test work performed, it appears equipment inventory lists for the following offices were not up-to-date.

OFFICES	EQUIPMENT NOT INCLUDED
District 1	<ul style="list-style-type: none"> ▪ Komatsu Excavator
District 3	<ul style="list-style-type: none"> ▪ Kubota Tractor ▪ John Deere Backhoe ▪ Chipspreader ▪ 3 John Deere Graders ▪ Chevy Pickup ▪ Ford Pickup
Sheriff	<ul style="list-style-type: none"> ▪ Chevy Trailblazer ▪ 2 Crown Victorias

Effect: Inventory items were not accurately accounted for and the County's inventory may not be safeguarded.

Recommendation: OSAI recommends the equipment inventory information be periodically reviewed, reconciled, and updated to detect errors and to maintain an accurate inventory record. We also recommend that these inventories be documented and filed with the County Clerk.

Views of responsible officials and planned corrective actions:

Danny Duncan, Commissioner, District 3 –

We have since the time of this specific audit, met with the Commissioner's Secretary numerous times to verify and confirm that our equipment inventories match up.



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