


OPERATIONAL AUDIT

DELAWARE COUNTY

For the fiscal year ended June 30, 2013



*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 OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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Oklahoma State Auditor & Inspector

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

June 24, 2016

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

Transmitted herewith is the audit report of Delaware County for the fiscal year ended June 30, 2013.

The goal of the State Auditor and Inspector is to promote accountability and fiscal integrity in state and local government. Maintaining our independence as we provide this service to the taxpayers of Oklahoma is of utmost importance.

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

Sincerely,

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

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

**DELAWARE COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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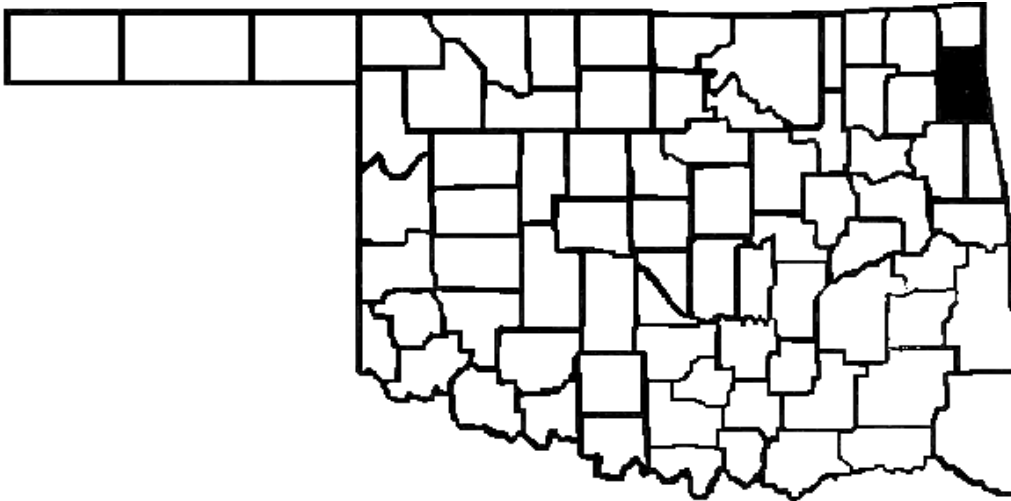
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**DELAWARE COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**



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.

Cattle ranches are abundant, although the principal industry is tourism. Har-Ber Village west of Grove, is a reconstructed, authentic village of the past. Honey Creek, a popular resort area just south of Grove, has all types of water sports, and excellent crappie fishing. Jay, the county seat of Delaware County, was named for Jay Washburn, the grandson of an early-day missionary. The principal industries are tourism and the raising and processing of chickens. Green beans and soybeans are raised throughout the area, as well as cattle. East of Jay is the Oak Hill Indian Center, where Cherokees weave blankets and other articles on hand looms.

Beck's Mill, northeast of the town of Kansas, supplied meal for whites and Indians, and was built in 1835. It was once used as a Union prison camp.

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

County Seat – Jay

Area – 792.33 Square Miles

County Population – 41,441
(2012 estimate)

Farms – 1,509

Land in Farms – 308,970 Acres

Primary Source: Oklahoma Almanac 2013-2014

**DELAWARE COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Board of County Commissioners

District 1 – Doug Smith
District 2 – Tom Sanders
District 3 – Danny Duncan

County Assessor

Leon Hurt

County Clerk

Barbara Barnes

County Sheriff

Harlan Moore

County Treasurer

Susan Duncan

Court Clerk

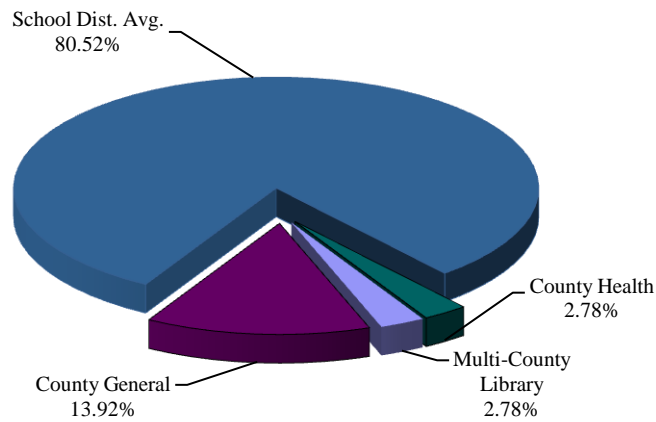
Caroline Weaver

District Attorney

Eddie Wyant

**DELAWARE COUNTY, OKLAHOMA
AD VALOREM TAX DISTRIBUTION
SHARE OF THE AVERAGE MILLAGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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



County-Wide Millages			School District Millages							
				Gen.	Bldg.	Skg.	Vo-Tech	Common	EMS	Total
County General	10.45									
County Health	2.09	Jay	I-1	36.61	5.23	10.91	11.45	4.18	-	68.38
Multi-County Library	2.09	Grove	I-2	36.40	5.20	12.82	11.45	4.18	2.67	72.72
		Kansas	I-3	37.06	5.29	28.43	11.45	4.18	-	86.41
		Colcord	I-4	37.74	5.39	17.28	11.45	4.18	-	76.04
		Oaks Mission	I-5	37.05	5.29	-	11.45	4.18	-	57.97
		Cleora	D-6	36.77	5.26	-	11.45	4.18	3.00	60.66
		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
		Leach	D-14	37.77	5.40	-	11.45	4.18	-	58.80
		Afton	J-26	35.95	5.14	-	11.45	4.18	-	56.72
		Ketchum	J-06	36.74	5.25	5.94	-	4.18	-	52.11
		Spavinaw	J-21	38.00	5.43	-	-	4.18	-	47.61
		Skelly	J-01	35.00	5.00	-	-	4.18	-	44.18
		Turkey Ford	J-10	36.27	5.18	3.17	-	4.18	-	48.80

**DELAWARE COUNTY, OKLAHOMA
SALES TAX DISTRIBUTION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Sales Tax

Sales Tax of March 8, 1988

The voters of Delaware County approved a permanent one-half of one percent (1/2%) sales tax on March 8, 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. These funds are accounted for in the ½ Cent Solid Waste Sales Tax fund.

Sales Tax of May 8, 2001

The voters of Delaware County approved a 4/10 of one percent (.4%) sales tax on May 8, 2001. This sales tax was established for the purpose of constructing or improving fire stations, purchase of equipment, training, education, and general maintenance and operation of nineteen (19) fire departments in Delaware County, Oklahoma. The monthly income of the sales tax was to be divided equally between the following nineteen (19) fire departments:

- | | |
|----------------------------------|---|
| 1. Bernice Fire Department | 11. Kenwood Fire Department |
| 2. Cleora Fire Department | 12. Lakemont Shores Fire Department |
| 3. Colcord Fire Department | 13. Leach Fire Department |
| 4. Cowskin Fire Department | 14. Monkey Island Fire Department |
| 5. Eucha Fire Department | 15. Oaks Fire Department |
| 6. Flint Ridge Fire Department | 16. Tia Juana Fire Department |
| 7. Grove Fire Department | 17. Tiff City Fire Department |
| 8. Hickory Grove Fire Department | 18. West Siloam Springs Fire Department |
| 9. Jay Fire Department | 19. Zena Fire Department |
| 10. Kansas Fire Department | |

On October 28, 2002 the Board of County Commissioners voted to allow Butler Fire Department to receive an equal share of the sales tax revenue. These funds are accounted for in the Fire Departments Sales Tax fund.

Sales Tax TIF District of June 30, 2008

On June 30, 2008, Grand Lake Economic Development Authority and Delaware County adopted a TIF (Tax Increment Financing) District for the purpose of “reversing the conditions of arrested economic development which occurred as a consequence of the failure and bankruptcy of the former Shangri-La Resort on Grand Lake” and to restore and enhance the property back to its previous status by a “Redeveloper”. The project costs authorized by this plan shall not exceed twenty-five (25) years.

**DELAWARE COUNTY, OKLAHOMA
SALES TAX DISTRIBUTION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

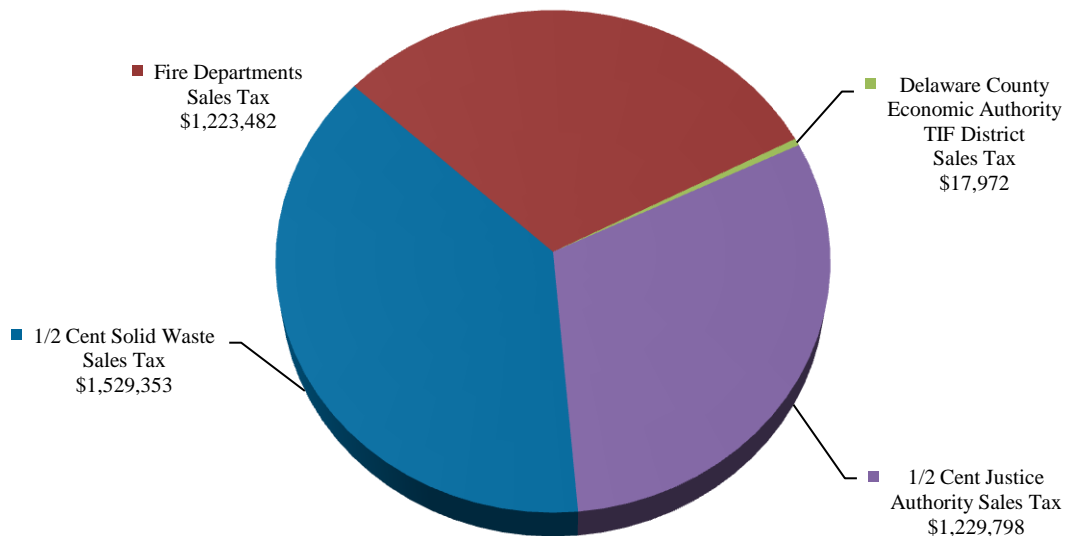
Sales Tax - Continued

The project area comprises approximately 415 acres and is known as Increment District Number 1 where the increment will be generated. Increment District Number 1 is an ad valorem, use, and sales tax increment district. These funds are accounted for in the Delaware County Economic Authority TIF District Sales Tax fund.

Sales Tax of April 3, 2012

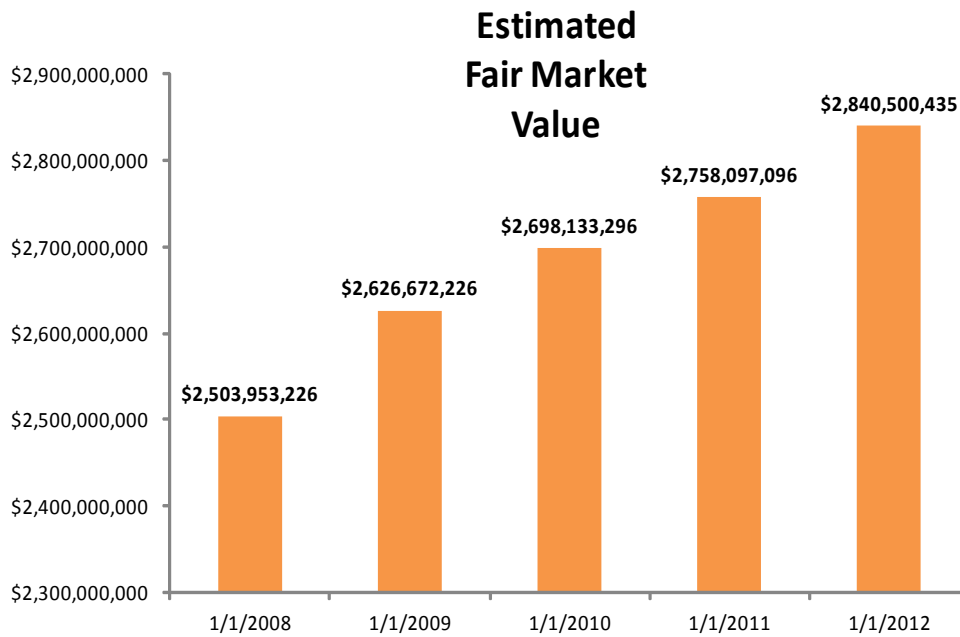
The voters of Delaware County approved a permanent one-half of one percent (1/2%) sales tax on April 3, 2012. This sales tax was established to satisfy a judgment entered against Delaware County. This sales tax remains in effect for 17 years or until debt issued by the County for this purpose, whichever comes sooner, has been satisfied. These funds are accounted for in the 1/2 Cent Justice Authority Sales Tax fund.

During the fiscal year the County collected \$4,000,605 in total sales tax.



**DELAWARE COUNTY, OKLAHOMA
 ASSESSED VALUE OF PROPERTY
 TREND ANALYSIS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

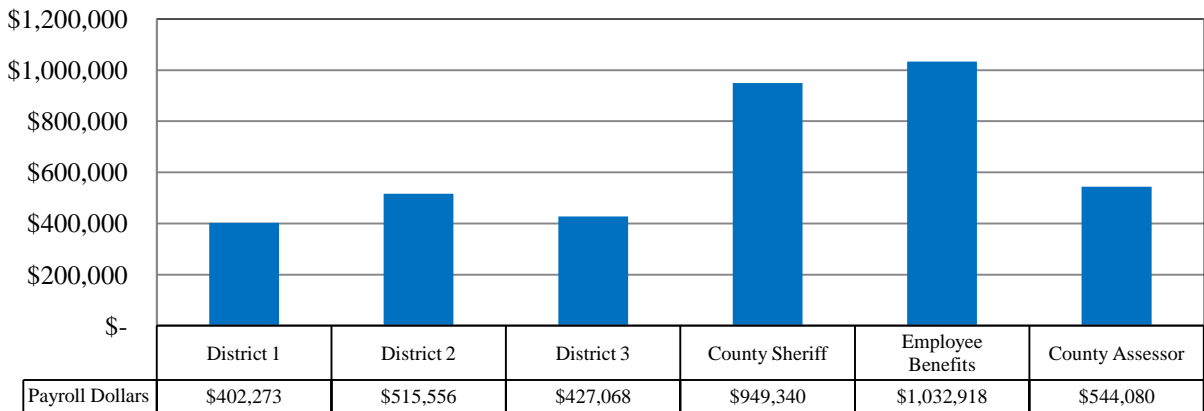
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2012	\$23,176,616	\$14,240,242	\$302,142,372	\$12,901,680	\$326,657,550	\$2,840,500,435
1/1/2011	\$22,888,166	\$14,019,538	\$290,044,183	\$9,770,721	\$317,181,166	\$2,758,097,096
1/1/2010	\$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



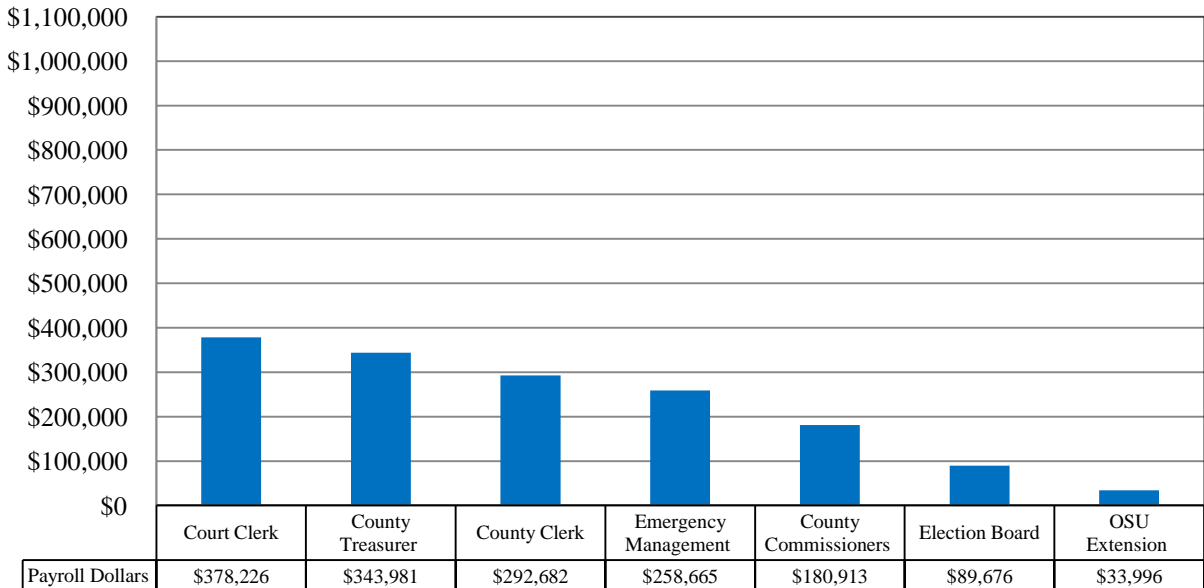
**DELAWARE COUNTY, OKLAHOMA
COUNTY PAYROLL EXPENDITURES ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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, 2013.

Payroll Expenditures by Department



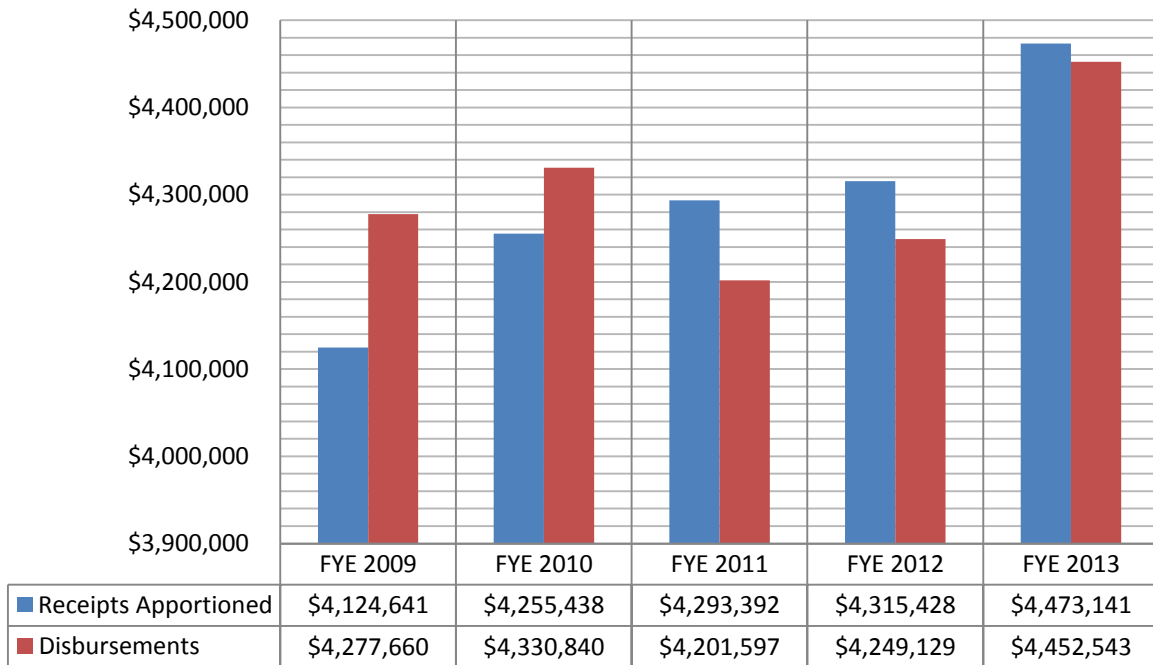
Payroll Expenditures by Department



**DELAWARE COUNTY, OKLAHOMA
COUNTY GENERAL FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

County General Fund

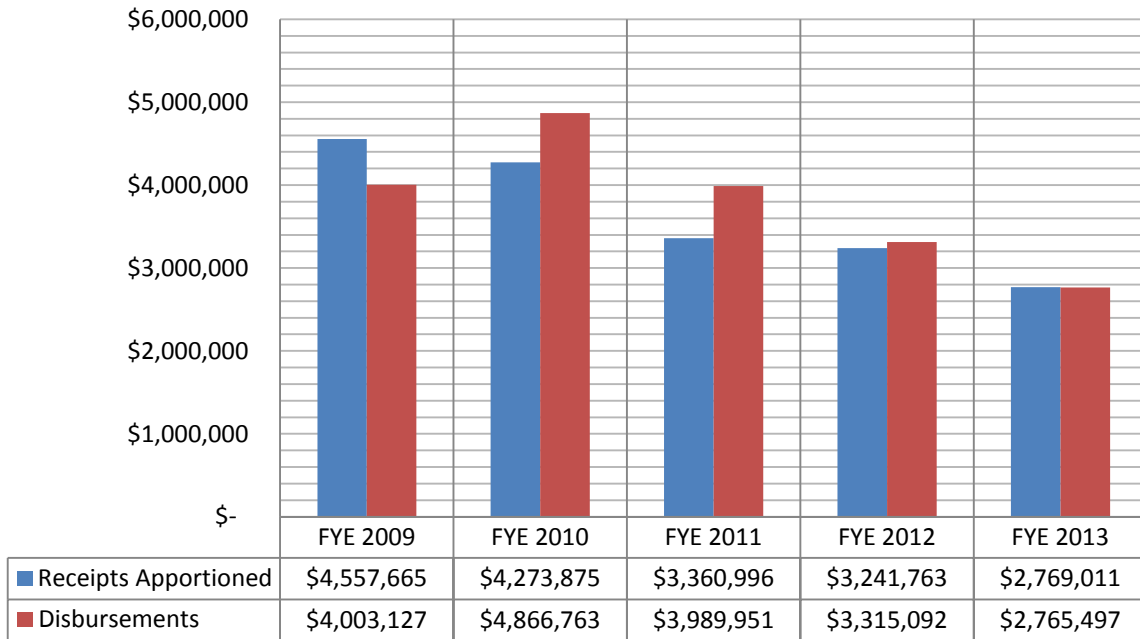
The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the county's primary source of operating revenue. The County General Fund is typically used for county employees' salaries plus many expenses for county maintenance and operation. It also 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, 2013**

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.



**DELAWARE COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Presentation of Apportionments, Disbursements, and Cash Balances of County Funds for Fiscal Year Ended June 30, 2013

	Beginning Cash Balances July 1, 2012	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2013
Combining Information:						
County Funds:						
County General Fund	\$ 545,263	\$ 4,473,141	\$ 1,120,000	\$ 1,150,000	\$ 4,452,543	\$ 535,861
County Highway Cash	1,027,268	2,769,011	675,000	675,000	2,765,497	1,030,782
County Health	1,136,339	688,538	-	-	464,311	1,360,566
½ Cent Solid Waste Sales Tax	-	1,529,353	-	-	1,529,353	-
Fire Departments Sales Tax	2,382,364	1,235,561	-	-	1,206,390	2,411,535
½ Cent Courthouse Sales Tax	122,753	3,224	-	-	-	125,977
Delaware County Economic Authority TIF District Sales Tax	-	17,972	-	-	17,972	-
½ Cent Courthouse Sales Tax Investment	440,000	-	-	-	-	440,000
½ Cent Justice Authority Sales Tax	-	1,231,689	-	-	921,978	309,711
County Bridge and Road Improvement Fund (CBRI 105)	379,557	275,352	-	67,180	143,892	443,837
County Bridge and Road Improvement Fund (CBRI 103)	35,152	-	-	-	35,152	-
Sheriff Service Fee	110,680	411,856	-	-	358,737	163,799
Trash Cop Fine	-	836	-	-	836	-
Sheriff Courthouse Security	8,658	18,419	-	-	22,191	4,886
Resale Property	389,968	321,711	375,000	375,000	269,223	442,456
Resale Property Investment	80,000	-	-	-	-	80,000
Sheriff Jail Fund	31	-	-	-	-	31
County Clerk Lien Fee	19,102	20,665	-	-	18,426	21,341
Treasurer Mortgage Tax Certification Fee	60,615	10,340	-	-	10,150	60,805
Sheriff Service Fee Environmental Officer						
Cash Account (SSFEOCA)	-	836	-	-	836	-
Assessor Revolving	25,335	1,417	-	-	1,170	25,582
Sheriff Department of Corrections	10,352	106,405	-	-	98,734	18,023
County Clerk Records Management and Preservation	47,545	76,726	-	-	69,388	54,883
Use Tax	587,294	263,859	70,000	70,000	294,473	556,680
Emergency Management Operations Plan Grant (EOP)	7	-	-	-	-	7
Sheriff Special Forfeiture	6,862	-	-	-	12	6,850
Sheriff Training	136	6,402	-	-	3,011	3,527
Community Center	1,040	12,650	-	-	5,637	8,053

Continued on next page

Source: County Treasurer's Monthly Reports (presented for informational purposes)

**DELAWARE COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Presentation of Apportionments, Disbursements, and Cash Balances of County Funds for Fiscal Year Ended June 30, 2013

	Beginning Cash Balances July 1, 2012	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2013
Combining Information Continued						
County Funds Continued:						
Emergency Management Performance Grant (EMPG)	3,956	31,615	-	-	28,579	6,992
Courthouse Renovation Donations	63,229	-	-	-	2,979	60,250
Flint Ridge 11819 Community Development Block Grant 05	623	-	-	-	-	623
Sheriff K-9	8,338	-	-	-	335	8,003
Sheriff Monitoring	375	10,310	-	-	9,918	767
Circuit Engineering District (CED 1-3-08)	4,030	55,511	-	-	-	59,541
Civil Emergency Management	10,838	60,676	-	-	60,534	10,980
Delaware County Flood Planning	1,143	3,430	-	-	1,070	3,503
Safe Room Grant	-	14,968	-	-	-	14,968
Oklahoma Highway Safety	5,028	1,688	-	-	6,716	-
Courthouse Maintenance and Operations	259	-	-	-	-	259
Law Enforcement Agreement	4	-	-	-	-	4
Sheriff Commissary Profit	7,599	30,955	-	-	37,714	840
Alternative to Detention of Juveniles	6,578	7,206	-	-	6,667	7,117
Court Clerk Special	3,860	235,047	-	-	235,407	3,500
Hazard Mitigation Grant Project (HMGP 006)	-	17,533	30,000	-	17,533	30,000
Combined Total - All County Funds	\$ 7,532,181	\$ 13,944,902	\$ 2,270,000	\$ 2,337,180	\$ 13,097,364	\$ 8,312,539

Source: County Treasurer's Monthly Reports (presented for informational purposes)

**DELAWARE COUNTY
DESCRIPTION OF COUNTY FUNDS AND TRANSFERS
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Description of County Funds

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 within the Presentation of Apportionments, Disbursements, and Cash Balances of County Funds:

County General Fund – accounts for the general operations of the government.

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

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

½ Cent Solid Waste Sales Tax – accounts for the collection of sales tax revenues for the purpose of providing solid waste services for the County as restricted by the sales tax resolution.

Fire Departments Sales Tax – accounts for the collection of sales tax and miscellaneous revenue for the use of the Bernice, Cleora, Colcord, Cowskin, Eucha, Flint Ridge, Grove, Hickory Grove, Jay, Kansas, Kenwood, Lakemont Shores, Leach, Monkey Island, Oaks, Tia Juana, Tiff City, West Siloam Springs, and Zena rural fire districts as restricted by the sales tax resolution.

½ Cent Courthouse Sales Tax – accounts for monies held from an expired county sales tax and disbursed for improvements of the courthouse.

Delaware County Economic Authority TIF District Sales Tax – revenues are sales tax collections and disbursements to the Shangri-La Resort/TIF District.

½ Cent Courthouse Sales Tax Investment – accounts for the investment of collection from the five (5) year sales tax revenue for the renovation of the courthouse as restricted by the sales tax resolution.

½ Cent Justice Authority Sales Tax – accounts for the collection of sales tax revenues for the purpose of paying for a judgment against the County.

County Bridge and Road Improvement Fund (CBRI 105) – accounts for state funds to be used for the construction of roads and bridges throughout the County.

**DELAWARE COUNTY
DESCRIPTION OF COUNTY FUNDS AND TRANSFERS
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

County Bridge and Road Improvement Fund (CBRI 103) – accounts for state funds to be used for the construction of bridges throughout the County.

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

Trash Cop Fine – accounts for 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 receipt and disbursement of court fees for courthouse security.

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

Resale Property Investment – accounts for invested resale property funds.

Sheriff Jail Fund – accounts for revenues generated from bondsman fees. Disbursements are for the general operations of the jail.

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

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

Sheriff Service Fee Environmental Officer Cash Account (SSFEOCA) – accounts for a percentage of fines imposed for littering in accordance with Title 21 O.S. § 1753.3 and § 1761.1. The money is used to pay rewards for the arrest and conviction or for evidence leading to the arrest and conviction of any person who violates the provisions of the aforementioned sections and to offset the cost of any special enforcement programs originated by any law enforcement agency responsible for the arrest or prosecution of any person who violates the provisions of Title 21 O.S. § 1753.3 and § 1761.1.

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

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

**DELAWARE COUNTY
DESCRIPTION OF COUNTY FUNDS AND TRANSFERS
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

County Clerk Records Management and Preservation – accounts for fees collected for instruments filed in the County Clerk’s office. Disbursements are for the maintenance and preservation of public records as restricted by state statute.

Use Tax – accounts for revenues 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) – accounts for grant funds received from the Federal Emergency Management Agency. Disbursements are for emergency management services.

Sheriff Special Forfeiture – accounts for collections from the sale of property forfeited in drug related cases. Disbursements are for drug enforcement expenses.

Sheriff Training – accounts for collections from seized monies forfeited in drug cases. Disbursements are for lodging and travel expenses incurred during officer training.

Community Center – accounts for 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) – accounts for the receipt and disbursement of funds from state and local governments for the operations of the Emergency Management office.

Courthouse Renovation Donations – accounts for public donations to be used for improvements to the courthouse.

Flint Ridge 11819 Community Development Block Grant 05 – accounts for collections and disbursements of Community Development Block Grant monies used for rural water improvements in the Flint Ridge Area.

Sheriff K-9 – accounts for donations from the community for the purpose of K-9 training and upkeep.

Sheriff Monitoring – accounts for fees collected by the Sheriff from individuals with ankle monitoring. Disbursements are to the company with whom the County has contracted with to provide the monitoring services.

Circuit Engineering District (CED-1-3-08) – accounts for collections from a pool of funds available from the Circuit Engineering District Board, funded through state/county funds. Disbursements are for road and bridge projects.

**DELAWARE COUNTY
DESCRIPTION OF COUNTY FUNDS AND TRANSFERS
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Civil Emergency Management – accounts for collections from federal, state, and local governments. Disbursements are for the acquisition of weather radios.

Delaware County Flood Planning – accounts for revenues from fees collected from flood plain permits and map charges. Disbursements are for flood planning operations.

Safe Room Grant – accounts for federal grant funds received for the reimbursement of storm shelter installation.

Oklahoma Highway Safety – accounts for grant monies received from the National Highway Traffic Safety Administration to be used to reimburse the County Sheriff's office for extra law enforcement shifts put in place to enforce seatbelt usage and to deter impaired driving.

Courthouse Maintenance and Operations – accounts for funds for the maintenance and operation of the courthouse.

Law Enforcement Agreement – accounts for collections from towns that have contracted for law enforcement services through the Sheriff's Department to offset the County's expense of providing contracted services.

Sheriff Commissary Profit – accounts for profits on commissary sales to inmates in the County jail. Disbursements are for the operation of the jail as restricted by state statute.

Alternative to Detention of Juveniles – accounts for travel reimbursements from the State of Oklahoma for the transport of juvenile offenders.

Court Clerk Special – accounts for funds deposited to be used for payroll for the Court Clerk's office.

Hazard Mitigation Grant Project (HMGP 006) – accounts for the receipt and disbursement of funds from federal, state, and local governments for the operations of the Emergency Management Office.

Transfers

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

- \$675,000 was transferred from the County Highway Cash fund to the County General Fund to meet requirements of appropriations in accordance with 68 O.S. § 3021.
- \$675,000 was transferred from the County General Fund into the County Highway Cash fund for repayment of the loan in accordance with 68 O.S. § 3021.

**DELAWARE COUNTY
DESCRIPTION OF COUNTY FUNDS AND TRANSFERS
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Transfers - Continued

- \$375,000 was transferred from the Resale Property fund to the County General Fund to meet requirements of appropriations in accordance with 68 O.S. § 3021.
- \$375,000 was transferred from the County General Fund into the Resale Property fund for repayment of the loan in accordance with 68 O.S. § 3021.
- \$70,000 was transferred from the Use Tax fund to the County General Fund to meet requirements of appropriations in accordance with 68 O.S. § 3021.
- \$70,000 was transferred from the County General Fund into the Use Tax fund for repayment of the loan in accordance with 68 O.S. § 3021.
- \$30,000 was transferred from the County General Fund to the Hazard Mitigation Grant Project (HMGP 006) to pay for the County's Hazard Mitigation Plan.
- \$67,180 was transferred from the County Bridge and Road Improvement Fund (CBRI 105) to the Emergency and Transportation Revolving (a trust and agency fund) for repayment of loan.

DELAWARE COUNTY, OKLAHOMA
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
COUNTY GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 545,263	\$ 545,263	\$ -
Less: Prior Year Outstanding Warrants	(141,417)	(141,417)	-
Less: Prior Year Encumbrances	(23,699)	(22,732)	967
Beginning Cash Balances, Budgetary Basis	<u>380,147</u>	<u>381,114</u>	<u>967</u>
Receipts:			
Ad Valorem Taxes	3,251,020	3,412,319	161,299
Charges for Services	355,602	245,452	(110,150)
Intergovernmental Revenues	629,850	622,061	(7,789)
Miscellaneous Revenues	51,114	193,309	142,195
Total Receipts, Budgetary Basis	<u>4,287,586</u>	<u>4,473,141</u>	<u>185,555</u>
Expenditures:			
District Attorney	4,000	3,929	71
County Sheriff	889,404	890,461	(1,057)
County Treasurer	195,656	195,045	611
County Commissioners	233,365	209,441	23,924
OSU Extension	59,225	57,606	1,619
County Clerk	300,924	294,919	6,005
Court Clerk	148,983	148,672	311
County Assessor	170,778	163,009	7,769
Revaluation of Real Property	488,920	445,175	43,745
General Government	1,721,791	1,589,500	132,291
Excise-Equalization Board	3,800	3,924	(124)
County Election Board	103,216	101,175	2,041
Charity	1,000	600	400
Emergency Management	28,690	27,851	839
County Audit Budget Account	115,981	62,495	53,486
Free Fair Budget Account	12,000	11,952	48
E-911	190,000	214,688	(24,688)
Total Expenditures, Budgetary Basis	<u>4,667,733</u>	<u>4,420,442</u>	<u>247,291</u>

Continued on next page

Source: County Estimate of Needs (presented for informational purposes)

DELAWARE COUNTY, OKLAHOMA
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
COUNTY GENERAL FUND - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	General Fund		
	Budget	Actual	Variance
Continued from previous page			
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	433,813	\$ 433,813
Operating Transfers:			
Transfer In		1,120,000	
Transfer Out		(1,150,000)	
Net Operating Transfers		(30,000)	
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Cancelled Warrants		911	
Add: Current Year Outstanding Warrants		126,099	
Add: Current Year Encumbrances		5,038	
Ending Cash Balance		\$ 535,861	

Source: County Estimate of Needs (presented for informational purposes)

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, 2013

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 1,136,339	\$ 1,136,339	\$ -
Less: Prior Year Outstanding Warrants	(25,848)	(25,848)	-
Less: Prior Year Encumbrances	(48,640)	(48,432)	208
Beginning Cash Balances, Budgetary Basis	1,061,851	1,062,059	208
Receipts:			
Ad Valorem Taxes	620,649	682,464	61,815
Charges for Services	-	6,061	6,061
Intergovernmental Revenues	-	13	13
Total Receipts, Budgetary Basis	620,649	688,538	67,889
Expenditures:			
County Health Budget Account	1,682,500	533,009	1,149,491
Total Expenditures, Budgetary Basis	1,682,500	533,009	1,149,491
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	1,217,588	\$ 1,217,588
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		91,095	
Add: Current Year Outstanding Warrants		51,883	
Ending Cash Balance		\$ 1,360,566	

Source: County Estimate of Needs (presented for informational purposes)

**DELAWARE COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

PURPOSE, SCOPE, AND SAMPLE METHODOLOGY

This audit was conducted in response to 19 O.S. § 171, which requires the State Auditor and Inspector's Office to audit the books and accounts of county officers.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

In planning and conducting our audit, we focused on the major financial related areas of operations based on assessment of materiality and risk for the fiscal year ended June 30, 2013. Our audit procedures included:

- Inquiries of appropriate personnel,
- Inspections of documents and records,
- Observations of the County's operations,
- Reconciling total apportionments, disbursements, and balances presented on the County's Presentation of Apportionments, Disbursements, and Cash Balances of County Funds for the fiscal year to the County Treasurer's and County Clerk's financial ledgers,
- Confirming third party confirmations to the financial ledgers,
- Selecting representative samples to determine disbursements were made in accordance with state statutes, approved ballots, and county purchasing procedures, and
- Gaining an understanding of the County's internal controls as it relates to each audit objective.

To ensure the samples were representative of the population and provided sufficient, appropriate evidence, both random sample and judgmental sample methodologies were used. We identified specific attributes for testing each of the samples and when appropriate, we projected our results to the population.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, errors or fraud may occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that conditions may change or compliance with policies and procedures may deteriorate.

This report is 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.

Objective 1: To determine the receipts apportioned, disbursements, and cash balances are accurately presented on the County Treasurer's monthly reports for FY 2013.

Conclusion: With respect to the items reconciled and reviewed; the receipts apportioned, disbursements, and cash balances are accurately presented on the County Treasurer's monthly reports. However, we noted some deficiencies regarding internal controls over the financial reporting process.

FINDINGS AND RECOMMENDATIONS

Finding 2013-1 – Inadequate Internal Controls Over the County Treasurer Operations (Repeat Finding)

Condition: Upon inquiry of the County Treasurer's staff and observation of records, we determined that there are inadequate internal controls within the office of the County Treasurer as follows:

- Cash drawers are not secured as to restrict access.
- The system does not log off users after every transaction, nor does the system time-out if computer is left unattended.
- Voided/Altered receipts:
 - All employees have the ability to void/alter receipts.
 - Voided receipts are considered "Reversed". The reversal of the receipt is performed without having to log in or override with a password of the person logged into the computer.
 - There is no indication on the receipt as to who voided the receipt; the only initials present are those of the deputy logged into the computer.
 - There is no signature stating who approved the reversal.
 - There is no report printed or reconciliation done for reversal receipts.
- There is no evidence of a reconciliation performed between the County Treasurer's general ledger balances and the County Clerk's appropriation ledger balances.
- There is no evidence the monthly reports are reconciled to the general ledger on a monthly basis.
- There is no evidence the apportionment is reviewed and approved by someone other than the preparer.
- For electronic transfers for County Clerk tax lien fees, the Treasurer obtains a cashier's check written on the EFTPS bank account, deposits the cashier's check into the official depository account, and issues a Treasurer's check to the County Clerk.

Cause of Condition: Policies and procedures have not been designed and implemented to review apportionments, disbursements, and cash balances to verify that these amounts are accurately presented on the monthly reports; to ensure a reconciliation of the County Clerk's appropriation ledger to the County Treasurer's general ledger was performed, and to accurately record electronic transfers.

**DELAWARE COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Additionally, policies and procedures have not been designed and implemented to ensure all voided receipts denote the individual voiding the receipt and that they are reviewed and approved by a secondary individual.

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

Recommendation: The Oklahoma State Auditor & Inspector's Office (OSAI) recommends that the County Treasurer implement a system of internal controls to provide reasonable assurance that receipts apportioned, disbursements, and cash balances are accurately presented on the County Treasurer's monthly reports. To improve controls over the County Treasurer's monthly reports, we recommend the following:

- Cash drawers should be secured when employees are away from their station.
- Computers should log off after periods of inactivity.
- The ability to void receipts should be limited to only a select few employees.
- Voided receipts should be independently reviewed.
- The funds presented on the County Clerk's appropriation ledger and the County Treasurer's general ledger should be reconciled monthly. The reconciliation should be reviewed and approved by someone other than the preparer and show indication of review.
- Monthly reports and apportionments should be reviewed by someone other than the preparer and show indication of review.
- Receipts should be issued for all collections including electronic transfers.

Management Response:

County Treasurer: We acquired a new computer system that now times out after a period of time, requires passwords to be re-entered upon timing out, indicates the users initials on all transactions, generates voided receipt reports that will be checked regularly for unusual activity, and calculates apportionments that I will be reviewing for accuracy and initialing and dating. Additionally, we will be locking the cash drawers when the person is gone (lunch or break) and starting in July of 2016 a reconciliation between the County Clerk's appropriation ledger and the County Treasurer's general ledger will be performed monthly. We have always reconciled the monthly report to the general ledger but I will start dating and initialing the monthly report when reconciled to the general ledger. Lastly, we will seek the advice of the auditor's office on the course of action to take to ensure accurate accounting of electronic transfers for County Clerk tax liens.

County Clerk: We have been reconciling with the County Treasurer's general ledger balances at the end of each fiscal year. It is our understanding that there is a form being created to be utilized monthly in balancing with the Treasurer's office that we will begin using when finalized. All forms will be prepared and signed by the first deputy and then reviewed and signed by the County Clerk.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. An important 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,

**DELAWARE COUNTY
OPERATIONAL AUDIT
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designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions, and safeguarding assets from misappropriation. To help ensure a proper accounting of funds, all reconciliations should be reviewed and approved by someone other than the preparer, reconciliation should denote review, voided receipts should be reviewed for accuracy, and receipts should be issued for all collections.

Objective 2: To determine the County's financial operations complied with 68 O.S. § 1370E, which requires the sales tax collections to be deposited in the general revenue or Sales Tax Revolving Fund of the County and be used only for the purpose for which such sales tax was designated.

Conclusion: With respect to the items tested, the County did not comply with 68 O.S. § 1370E, which requires the sales tax collections to be deposited in the general revenue or Sales Tax Revolving Fund of the County and be used only for the purpose for which such sales tax was designated.

FINDINGS AND RECOMMENDATIONS

Finding 2013-2 – Transfer of Solid Waste Trust Authority Sales Tax and Noncompliance with State Statute (Repeat Finding)

Condition: On a monthly basis sales tax is apportioned according to the sales tax ballots with 1/2 of the one cent sales tax going to the Solid Waste Trust Authority. Sales tax collections apportioned to 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 until October 2012. No purchase orders were used for these expenditures. As a result, apportionments and disbursements were understated by \$457,707.24 on the financial statement.

Cause of Condition: Policies and procedures have not been designed and implemented to oversee and review County sales tax collections to ensure they are apportioned and expended in accordance with the sales tax ballot.

Effect of Condition: This condition resulted in noncompliance with state statute. By failing to accurately account for sales tax apportionments and 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 apportionments and disbursements on the financial statement.

Recommendation: OSAI recommends management design and implement procedures to oversee and ensure sales tax apportionments and disbursements are recorded accurately on the County's financial

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statements and all sales tax expenditures are issued by purchase order, are supported by adequate documentation, and reviewed for accuracy and warrants are for the proper amounts.

Management Response:

Chairman of the Board of County Commissioners: The policy and procedures for disbursing these tax funds have been addressed and corrected as of October 2012.

County Clerk: As of October 2012, the policy and procedures for receipting, apportioning, and expending these sales tax funds have been corrected.

County Treasurer: This has been corrected since October, 2012.

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."

Finding 2013-3 – Unallowable Fire Departments Sales Tax Appropriations and Noncompliance with State Statute (Repeat Finding)

Condition: In a special election on May 8, 2001, the voters of Delaware County passed a 4/10 of one percent (.4%) sales tax specifically to be divided equally between the following nineteen (19) fire departments:

- | | |
|----------------------------------|---|
| 1. Bernice Fire Department | 11. Kenwood Fire Department |
| 2. Cleora Fire Department | 12. Lakemont Shores Fire Department |
| 3. Colcord Fire Department | 13. Leach Fire Department |
| 4. Cowskin Fire Department | 14. Monkey Island Fire Department |
| 5. Eucha Fire Department | 15. Oaks Fire Department |
| 6. Flint Ridge Fire Department | 16. Tia Juana Fire Department |
| 7. Grove Fire Department | 17. Tiff City Fire Department |
| 8. Hickory Grove Fire Department | 18. West Siloam Springs Fire Department |
| 9. Jay Fire Department | 19. Zena Fire Department |
| 10. Kansas Fire Department | |

On October 28, 2002, the Board of County Commissioners voted to authorize the Butler Fire Department to be added to the list of Fire Departments receiving equal funding from revenues derived from the sales tax without another special election being held. In fiscal year 2013, this resulted in Butler Fire Department receiving \$61,174.11 in sales tax collections and each of the nineteen fire departments defined in the sales tax ballot receiving \$3,219.69 less than required.

Cause of Condition: Policies and procedures have not been designed and implemented to oversee and review County sales tax collections to ensure they are apportioned and expended in accordance with the sales tax ballot.

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Effect of Condition: These conditions resulted in noncompliance with state statute and the sales tax revenue being apportioned to a fire department not included on the sales tax ballot.

Recommendation: OSAI recommends management design and implement policies and procedures to ensure sales tax apportionments and expenditures are made in accordance with the sales tax ballot that was approved by the citizens of the county. OSAI also recommends the County cease apportioning and appropriating sales tax collections to the Butler Fire Department.

Management Response:

Chairman of the Board of County Commissioners: Delaware County is asking for an Attorney General's Opinion on this particular issue, however, in the mean time the District Attorney's office renders the following opinion that Butler was justly added as a recipient.

County Clerk: We have asked our District Attorney to obtain an Attorney General's opinion on this matter. At this time, the District Attorney's office is of the opinion that the addition of the Butler Fire Department as a recipient of the sales tax was allowable.

County Treasurer: Our district attorney is checking into this.

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."

Objective 3: To determine the County's financial operations complied with 68 O.S. § 2923, which requires the ad valorem tax collections to be apportioned and distributed monthly among the different funds to which they belong.

Conclusion: With respect to the items tested, the County complied with 68 O.S. § 2923, which requires the ad valorem tax collections to be apportioned and distributed monthly among the different funds to which they belong. However, we noted some deficiencies in internal controls regarding ad valorem tax levies.

FINDINGS AND RECOMMENDATIONS

Finding 2013-4 – Inadequate Internal Controls Over Ad Valorem Tax Levies (Repeat Finding)

Condition: Upon inquiry and observation of the recordkeeping process of apportioning ad valorem collections, the following was noted:

- There was no evidence that certified levies input into the ad valorem tax system were reviewed for accuracy by someone other than the person who input the data.

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Cause of Condition: Policies and procedures have not been designed and implemented to document and retain evidence of procedures performed to ensure ad valorem tax levies are accurately entered into the ad valorem system.

Effect of Condition: This condition could result in ad valorem tax collections being incorrectly apportioned and remitted.

Recommendation: OSAI recommends that the County Treasurer implement a system of internal controls to provide reasonable assurance that the tax levies are entered into the County Treasurer's system accurately and to maintain evidence of these controls.

Management Response:

County Treasurer: I have always verified my conversion reports to the levy sheets.

Auditor Response: Levy sheet do indicate a review by the County Treasurer; however, she is also the person inputting the data. There needs to be an indication of an independent review.

Criteria: Accountability and stewardship are overall goals in evaluating management's accounting of funds. Internal controls should be designed to analyze and check accuracy and completeness. To help ensure proper accounting of funds, the duties of allocating, and apportioning ad valorem tax should be segregated or reviewed by an independent party.

Objective 4: To determine whether the County's internal controls provide reasonable assurance that expenditures (including payroll) were accurately reported in the accounting records and financial operations complied with significant laws and regulations.

Conclusion: The County's internal controls do not provide reasonable assurance that expenditures, including payroll, were accurately reported in the accounting records.

The County's financial operations did not comply with 19 O.S. § 1505, which requires that disbursements be properly supported and timely encumbered.

FINDINGS AND RECOMMENDATIONS

Finding 2013-5 – Inadequate Internal Controls Over Time Records (Repeat Finding)

Condition: During review of the County's time records, we noted the following:

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- In the offices of the County Treasurer, County Clerk, County Commissioners, Highway Departments, County Assessor, Election Board, timesheets were not always signed by both the employee and a supervisor.
- Annual and sick leave accruals and balances are not made in accordance with county policy.
- Timesheets for the Commissioners' Secretary were not always prepared timely and presented to the County Clerk for retention purposes.

Cause of Condition: County policies are not being followed and policies and procedures have not been designed to ensure time records are approved by both the employee and a supervisor and are completed in a timely manner and presented to the County Clerk for retention.

Effect of Condition: These conditions resulted in noncompliance with county policies and could result in the County issuing payroll that is not supported by adequate documentation.

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

Management Response:

Chairman of the Board of County Commissioners: Delaware County hired a part-time Human Resource Director in the fiscal year 14-15 and her contributions have been invaluable. The following response was prepared by her.

Human Resource Director: Delaware County is in the process of reviewing policies and procedures regarding time accruals and leave times and reviewing timesheets and processes regarding time collection and payroll processes in general. At present, all leave time policies are being reviewed, policies updated or written, and enacted to resolve issues that were presented by the Human Resource Director. These actions should resolve the issues noted in this finding.

County Commissioner District 1: We will not submit any time cards for payment without the appropriate evaluation and signatures in the future.

County Commissioner District 3: I did not take office until January of 2015; but at the present time I am working to resolve this issue.

County Treasurer: Delaware County has hired a part-time Human Resource Director. See response noted above.

County Clerk: The County Clerk, Payroll Director, and Human Resource (HR) Director will continue to work closely with all County Departments to ensure time sheets are properly signed and submitted in a

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timely manner and in accordance with County policy. The HR Director is currently working to review and revamp current policies.

County Assessor: Signed employee timesheets submitted to me will now be signed by me before being copied to the County Clerk. Annual sick leave accrual over 1,040 hours will no longer be submitted to the County Clerk as to be in accordance with current county policy.

County Sheriff: The employee in charge of maintaining time records for the Sheriff's office in fiscal year 2013 is no longer employed by the Delaware County Sheriff's Office. Going forward the current employee in charge of maintaining time records will make sure all timesheets are signed by both the employee and supervisor.

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

Finding 2013-6 – Inadequate Internal Controls and Noncompliance Over Purchasing (Repeat Finding)

Condition: Of the forty-five (45) disbursements tested, the following exceptions were noted:

- Ten (10) disbursements were not timely encumbered.

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

Effect of Condition: These conditions resulted in noncompliance with state statutes and could result in inaccurate records, incomplete information, or misappropriation of assets.

Recommendation: OSAI recommends that the County adhere to state purchasing guidelines. Purchase orders should be encumbered before goods or services are ordered. All purchases should be properly requisitioned, encumbered, approved, and reviewed with proper supporting documentation attached.

Management Response:

Chairman Board of the County Commissioners: The Commissioners approve the method of payment and the acceptance of the premium assessed for Workers Compensation each spring for the following fiscal year. Evidently in the past, there was not a purchase order encumbering those funds prior to disbursement. The Commissioners just approved this process in our last BOCC meeting and it was noted that the purchase order should be encumbered prior to the disbursement.

County Clerk: The County Purchasing Agent will make every effort to work more closely with County Departments adhering to state purchasing guidelines. We will continue encouraging departments to

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request purchase orders prior to receiving goods or services. In addition, we will follow up with a memorandum to every department outlining the responsibilities as required by the purchasing statutes.

County Commissioner District 3: I did not take office until January of 2015; but at the present time I am working to resolve this issue.

County Treasurer: The encumbrance error noted by the auditor's office was a one-time error for my office.

Criteria: Effective internal controls require that management properly implement procedures to ensure that purchases are made in compliance with 19 O.S. § 1505.

All Objectives:

The following findings are not specific to any objective, but are considered significant to all of the audit objectives.

Finding 2013-7 – Inadequate County-Wide Controls (Repeat Finding)

Condition: County-wide controls regarding Risk Management and Monitoring have not been designed. Also, we noted the following concerning the design and implementation of Disaster Recovery Plans:

- A County-wide Disaster Recovery Plan has not been designed and implemented by County management.
- The County Sheriff has not designed and implemented a Disaster Recovery Plan.
- The County Assessor's Disaster Recovery Plan was not up-to-date with accurate information.

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

Effect of Condition: These conditions could result in unrecorded transactions, undetected errors, or misappropriation of funds. These conditions could also result in the loss of data, the unreliability of data, and increase the risk that county business could continue uninterrupted in the event of a disaster.

Recommendation: OSAI recommends that the County design procedures to identify and address risks. OSAI also recommends that the County design monitoring procedures to assess the quality of performance over time. These procedures should be written policies and procedures and could be included in the County's policies and procedures handbook.

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Further, a County-wide Disaster Recovery Plan should be designed and implemented with the inclusion of all information systems used by individual offices in order to maintain operations in the event of an emergency situation and/or disaster.

Management Response:

Chairman of the Board of County Commissioners: After searching the available information from OSU Extension on Disaster Recovery Planning and with the help of ACCO we found a template of another County's plan and will be presenting a revised plan to the BOCC then to the Budget Board. The goal will be to have all eight offices submit their plan to be included with the master plan for Delaware County. Completion date is expected to be by September 1, 2016.

County Assessor: A Level 3 Disaster Recovery Plan originally prepared January 7, 2005 was updated with current information and a copy is stored off-site.

County Sheriff: We are in the process of collecting pertinent information and utilizing the information from the State Auditor's website on Disaster Recovery Plan guidelines. Once the plan is completed a copy will be kept off-site, copies will be given to the County Clerk, County Treasurer and all Sheriff Office Administration.

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

An important aspect of internal controls is the safeguarding of assets which includes adequate Disaster Recovery Plans. Internal controls over safeguarding of assets constitute a process, affected by an entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention in a County being unable to function in the event of a disaster. Disaster Recovery Plan(s) are an integral part of county operations to ensure that business can be continued as usual in the event of a disaster. Each office or the county as a whole should have a current, detailed Disaster Recovery Plan on file and should be aware of its content.

Other Item(s) Noted:

Although not considered significant to the audit objectives, we feel the following issues should be communicated to management.

Finding 2013-8 – Work on Private Property (Repeat Finding)

Condition: We noted the following regarding work performed by the County on private property:

- Multiple instances where work was performed on private property.
- One instance in which work was performed on public school property.
- There were no easements on record for the County to perform work on private property.
- Agreements approved by the Board of County Commissioners were not completed in a manner as to always include the agreement date, legal description of land work was to be performed on, work to be performed, and reason for work.
- There was no record that the local Conservation District had approved the proposed improvements.
- The Commissioner did not obtain written legal counsel regarding the work performed on private property.

Cause of Condition: The Board of County Commissioners have not implemented policies and procedures to ensure work on private and public school property is performed in accordance with state statute.

Effect of Condition: This condition resulted in noncompliance with state statute. Additionally, easements were not obtained to perform work on private property; therefore, putting the County at risk for liability of errors/accidents that may have occurred during the performance of work. Further, because proper procedures were not followed regarding work on private property, this work could be perceived as having the appearance of personal gain and/or using County-owned property for personal use.

Recommendation: OSAI recommends that the Commissioner refrain from using County-owned equipment and resources to perform work on private property without guidance from legal counsel to ensure compliance with state statute, and without obtaining proper easements.

Management Response:

County Commissioner District 1: Delaware County will draft new forms allowing use of borrow pits and work on private property that will define the reason for work performed, as well as the exact location. All permits will be in compliance with state statute. Delaware County will employ the local District Attorney for advice on this issue.

County Commissioner District 2: There are two agreements the County has used in the past that involve private property. After looking at both forms in detail it is obvious we do not include enough information to meet all the state statutes. The Borrow Permit Agreement is used to recover road materials from private property. That agreement will be restructured to meet state statutes. The second form is Agreement for Work on Private Property and is used when access is needed to perform work on adjacent county property. That form will also be restructured to meet state statutes.

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County Commissioner District 3: I did not take office until January of 2015; but at the present time I am work to resolve this issue.

Criteria: Title 69 O.S. § 643.1 states, “The board of county commissioners is authorized to enter onto private property adjoining county roads and to perform work by county employees or by contractors working for the county, on such private property, when:

1. The available right-of-way does not provide enough space for needed conservation works of improvement to diminish erosion and siltation of the right-of-way;
2. The owner, or owners, of the adjoining property sign a cooperative agreement permitting such works, which agreement shall state the amount of land to be treated, and the works of improvement to be constructed. Any work performed will be restricted solely to that specified in the cooperative agreement;
3. The local Conservation District has approved the proposed works of improvement; and
4. A copy of the cooperative agreement and a statement of approval from the local Conservation District have been filed with the records of the county commissioners in the office of the county clerk and the cooperative agreement and statement from the local Conservation District have become a part of the minutes of the county commissioners' proceedings.”

Additionally, Title 19 O.S. § 1503 states, (a) All monies raised for use on the county highways in each county, or apportioned to each county for road purposes, from any source, including all funds and monies derived by law, levy, taxation, or apportionment shall, unless otherwise provided by law, be placed in the county treasury in a fund to be known as the county highway fund, to be expended on order of the board of county commissioners on county highways as defined herein, or on state highways within their respective counties including the lighting thereof, if, in the judgment of the board of county commissioners, such expenditure would be just and equitable and for the best interest of the county.

REPORT ON STATUTORY COMPLIANCE – OTHER MATTERS



Oklahoma State Auditor & Inspector

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Delaware County
Board of County Commissioners
Delaware County Courthouse
Jay, Oklahoma 74346

Dear Chairman:

For the purpose of complying with 19 O.S. § 171 and 20 O.S. § 1312, we have performed the following procedures:

- All County Offices - Fixed Assets procedures (19 O.S. § 178.1 and 69 O.S. § 645).
- All County Offices - Consumable Inventories procedures (19 O.S. § 1502 and 19 O.S. § 1504).
- Court Clerk procedures (20 O.S. § 1304 and 19 O. S. § 220).
- Inmate Trust Fund procedures (19 O.S. § 531 and 19 O.S. § 180.43)

Our statutory compliance engagement was limited to the procedures performed above and was less in scope than an audit performed in accordance with generally accepted auditing standards. Accordingly, we do not express an opinion on any basic financial statement of Delaware County.

Based on our procedures performed, we have presented our findings in the accompanying schedule.

This report is intended for the information and use of the management of the County. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

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

June 21, 2016

**DELAWARE COUNTY, OKLAHOMA
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

SCHEDULE OF FINDINGS AND RESPONSES

Finding 2013-10 – Inadequate Internal Controls and Noncompliance Over Fixed Assets Inventory (Repeat Finding)

Condition: During the observation and testing of Delaware County’s fixed assets inventory, we noted the following:

District 1

- There appears to be a lack of segregation of duties over fixed assets in that one person is responsible for maintaining fixed asset records and performing physical counts.
- Updated inventory records were not filed with the County Clerk.
- Of the ten (10) items tested, five (5) were not recorded on the district’s inventory records: D-302-0128 – Kenworth Truck, D-302-0113 – Freightliner Dump Truck, D-301-0116 – Chevrolet Pickup, D-301-0117 – Dodge Pickup, and D-404-0102 – Welder.
- The barn and yard are not secured by a fence.

District 2

- Physical count of fixed assets inventory is not performed.
- All employees have keys to the barn.
- A mileage record for each vehicle in use is not being maintained.

District 3

- Physical count of fixed assets inventory is not performed.
- Updated inventory records were not filed with the County Clerk.
- Of the ten (10) fixed asset items tested, the following was noted:
 - One (1) item: D-302-0327 was defined incorrectly on the inventory list as an International Dump Truck.
 - Five (5) items: D-301-0317 – Chevrolet Pickup, D-301-0318 – Ford F-350 Pickup, D-323-0301 - Caterpillar Bulldozer, D-307-0335 – Motor Grader and D-325-0317 – Sand Spreader were not recorded on the Districts inventory records.
 - Four (4) items: D-441-0305 – Brush Hog, D-323-0301 - Caterpillar Bulldozer, D-307-0335 – Motor Grader, and D-325-0317 – Sand Spreader were not clearly identified as “Property of Delaware County.”
- The new barn and yard are not secured by a fence.
- A mileage record for each vehicle in use is not being maintained.

Sheriff

- There is no record for when the last physical inventory of fixed assets was performed.

Emergency Management

- There is no record for when the last physical inventory of fixed assets was performed.

**DELAWARE COUNTY, OKLAHOMA
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Court Clerk

- Inventory list filed in the County Clerk's office was not up to date.

Cause of Condition: Policies and procedures have not been designed and implemented with regard to effective internal controls over safeguarding of fixed assets by performing an annual physical inventory count and creating and maintaining a fixed assets inventory record.

Effect of Condition: These conditions resulted in noncompliance with state statutes. Failure to maintain accurate records of fixed asset inventories and perform a periodic physical count of fixed asset inventories could result in inaccurate records, unauthorized use, or misappropriation of fixed asset inventories.

Recommendation: OSAI recommends management implement internal controls to ensure compliance with 19 O.S. § 178.1 and 69 O.S. § 645 by maintaining inventory records and marking assets with county identification numbers and "Property of." OSAI recommends the performing and documenting a periodic inventory of fixed assets. Additionally, the key functions of receiving duties and inventory control duties should be performed by separate employees in order to effectively segregate those duties.

Management Response:

County Commissioner District 1: With regards to the lack of segregation of duties, this issue has been resolved. The district secretary is responsible for maintaining records and road foreman performs inventory. Additionally, the last inventory was performed in August of 2014; up to date inventory records have been filed with the County Clerk. Funding is not available to purchase fencing but will be considered when funding is available.

County Commissioner District 2: Going forward we will pass a resolution to the effect that each road district will perform an annual inventory of fixed assets and consumable inventory as compared to the inventory on hand at the end of each calendar year and that inventory will be kept at each district office as well as filed with the county clerk. This is my first auditing experience with the county. We have always stressed the importance of timely and accurate record keeping and will keep working to improve in these areas.

County Commissioner District 3: The bulk of the inventory for District 3 is stored at the shop location, which is some distance from the office. Due to this, devising a schedule to properly manage the inventory has been troublesome. We are in the process of relocating the office to the shop location and in the future will have the necessary recordkeeping procedures in place to resolve the situation.

County Sheriff: The employee in charge of maintaining inventory records during this time is no longer employed at the Delaware County Sheriff's office. The current employee in charge of inventory will update the inventory list and provide it to the County Clerk.

Court Clerk: I am currently in the process of updating the inventory by transferring everything into the software inventory tracking system on the computer.

**DELAWARE COUNTY, OKLAHOMA
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Criteria: Title 19 O.S. § 178.1 requires the maintenance of inventory records and periodic inventory verifications.

Title 69 O.S. § 645 states in part, "...equipment shall be conspicuously and legibly marked
PROPERTY OF (name of county) COUNTY..."

An important 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 fixed assets, and safeguard fixed assets from loss, damage, or misappropriation.

**Finding 2013-11 - Inadequate Internal Controls and Noncompliance Over Consumable Inventories
(Repeat Finding)**

Condition: Upon inquiry and observation of the recordkeeping process regarding consumable inventories, the following was noted:

District 1

- The barn and yard are not secured by a fence.
- There were no records indicating when the last physical inventory of consumable assets was taken.
- Off-site fuel tanks are not locked.
- Transfer documents for two (2) of the three (3) items were tested (grader tires on 10/30/14 and grader blades on 11/13/14) could not be traced to consumable record. Additionally, the date on the transfer document for the snow blades did not match the date on the stock card.
- Of the six (6) consumable items tested, all six (6) had variance of the actual quantity compared to the amount noted on the consumable item inventory stock card.

District 2

- All employees have keys to the barn.
- There were no records indicating when the last physical inventory of consumable assets was taken.
- There is no evidence of the reconciliation of fuel records to actual fuel on hand.
- Mobile fuel tanks are not measured and records are not maintained documenting fuel usage from those tanks.

District 3

- The new barn and yard are not secured by a fence.
- There were no records indicating when the last physical inventory of consumable assets was taken.
- Consumable records and transfer documents are not being used.

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- The fuel usage of the mobile tanks is not tracked and reconciliation of fuel is only performed if the District believes there is a significant variance.
- For the stationary tanks there is no evidence of the reconciliation of fuel records to actual fuel on hand, this only appears to be done when they feel there is a significant discrepancy.

Cause of Condition: Policies and procedures have not been implemented to ensure the accurate reporting of consumable inventories.

Effect of Condition: These conditions resulted in noncompliance with state statutes and could result in inaccurate records, unauthorized use, or loss of consumable inventories.

Recommendation: OSAI recommends management implement internal controls to ensure compliance with 19 O.S. § 1504A. These controls would include:

- Maintaining cards or records of actual consumables on hand.
- Visually inspecting and maintaining documentation for periodic reviews of consumable inventory. Verification should be performed by an individual independent of the consumable recordkeeping process.
- Maintaining a fuel log with all pertinent information including a current balance.
- Reconciling fuel log periodically to fuel on hand and explain any variance or adjustments.

OSAI also recommends the performing and documenting of a monthly consumable inventory count. Counts should be initialed and dated by the employee performing the physical count and retained to show the design and implementation of internal controls by the County Commissioners. Additionally, the key functions of receiving duties and consumable inventory control duties should be performed by separate employees in order to effectively segregate those duties.

Management Response:

County Commissioner District 1: On August 14, 2014 we suffered a computer crash. This was two weeks after taking inventory. We did not back up data and lost all consumable inventory records. Staff reconstructed the consumable inventory records to the best of their ability. This accounts for the small variances found by the auditor. We have installed an automatic back up device to our system to prevent such an occurrence from happening in the future. Additionally, we have now installed locks on the off-site fuel tanks and all fuel in the fuel tanks will be measured regularly from this time forward. We are in the process of learning fuel conversion charts.

County Commissioner District 2: Going forward we will pass a resolution to the effect that each road district will perform an annual inventory of fixed assets and consumable inventory as compared to the inventory on hand at the end of each calendar year and that inventory will be kept at each district office as well as filed with the County Clerk. Additionally, our receiving officer will begin measuring fuel tanks prior to delivery and immediately after delivery of fuel to make sure that reconciliation takes place. As for the mobile tanks, they hold approximately 100 gallons of fuel. The amount of fuel maintained in these tanks is always recorded and fuel usage for equipment is also reported. At most two pieces of machinery can be filled from one mobile tank, so we know how much fuel went into those two pieces of machinery.

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Since there is no gauge on the mobile tank to know exactly what is being pumped into any one piece of machinery, this is as accurate as we can be with the mobile tanks. We have always stressed the importance of timely and accurate record keeping and will keep working to improve in these areas.

County Commissioner District 3: The bulk of the inventory for District 3 is stored at the shop location, which is some distance from the office. Due to this, devising a schedule to properly manage the inventory has been troublesome. We are in the process of relocating the office to the shop location and in the future will have the necessary recordkeeping procedures in place to resolve the situation.

Criteria: Effective internal controls include designing and implementing procedures to ensure that all supplies, materials, and equipment received, disbursed, stored and consumed by their department comply with 19 O.S. § 1504A.

Finding 2013-12 – Inadequate Internal Controls and Noncompliance Over Inmate Trust Fund Checking Account and Sheriff’s Commissary Fund (Repeat Finding)

Condition: Upon inquiry and observation of the Inmate Trust Fund Checking Account and Sheriff Commissary Fund, the following exceptions were noted:

- One employee is responsible for accessing and balancing the drop box, preparing deposit slips, posting payments and disbursements to inmate records, issuing checks, signing checks, and performing bank reconciliations. In addition, deposits and reconciliations are not reviewed or approved by someone other than the preparer for accuracy.
- Deposits are not made daily.
- Receipts for inmate collections are not issued in sequential order by the software program, therefore not ensuring that all collections received have been deposited.
- Inmate balances in total by individual could not be reconciled to bank balances.
- Expenditures are made from the Inmate Trust Fund Checking Account for purposes other than to the Sheriff Commissary Fund or refund to inmates.
- Jailers have physical control of the Sheriff’s signature stamp which they used as one of the two required signatures for check issuance.
- Several instances were noted when a check was issued with only one approving signature.
- The Sheriff’s office does not file an annual report for the Commissary Fund with the Board of County Commissioners by January 15th of each year.
- Inmate telephone commissions were deposited into the Commissary Fund.

Cause of Condition: Policies and procedures have not been designed and implemented regarding the Inmate Trust Fund Checking Account and Sheriff Commissary Fund.

Effect of Condition: These conditions resulted in noncompliance with state statutes. Also, without proper accounting and safeguarding of the Inmate Trust Fund Checking Account, there is an increased risk of misappropriation of funds.

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Recommendation: OSAI recommends management be aware of these conditions and determine if duties can be properly segregated. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risk involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office, and having management review and approval of accounting functions.

OSAI further recommends the Sheriff implement procedures to ensure:

- All collections are deposited daily.
- Receipts are reconciled to collections/deposits.
- Deposits and bank reconciliations be prepared accurately, and reviewed and approved by someone other than the preparer.
- Inmate Trust Fund Checking Account expenditures are made only to reimburse an inmate upon being released from jail or to the Sheriff's Commissary.
- Inmate Trust Fund Checking Account checks are to be signed by two individuals and a signature stamp is not to be used by anyone other than the owner.
- The Sheriff prepares and files an annual commissary report with the County Commissioners by January 15th of each year.
- Inmate telephone commissions should be deposited into the Sheriff's Service Fee Account.

Management Response:

County Sheriff: Our office has implemented policies to ensure everything is now checked by two 2 employees, deposits are made daily, Inmate Trust Fund Checking Account checks are only issued to the Sheriff's Commissary Fund or to an inmate upon release, signature stamps are no longer used and checks are being signed by two employees. Additionally, we have changed commissary vendors to ensure receipts are issued in sequential order and inmate balances can be reconciled to bank balances.

Until January of 2015, we were not aware of the required filing of the Commissary report with the Board of County Commissioners. All commissary reports from 2011 through 2014 have been filed and will continue to file going forward.

As of 2014, we have stopped depositing telephone commissions into the commissary account.

Criteria: Accountability and stewardship are overall goals of management in 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. All collections should be deposited daily, receipts should be reconciled to the collections/deposits, expenditures should only be made for authorized expenditures, checks should be signed by two individuals, and bank reconciliations should be reviewed and approved by someone other than the preparer.

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

**DELAWARE COUNTY, OKLAHOMA
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by the inmate during his or her incarceration and to the inmate from unencumbered balances due the inmate upon his or her discharge.”

Title 19 O.S. § 180.43 D. states in part, “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 sheriff shall file an annual report on any said commissary under his or her operation no later than January 15 of each year.”

Title 19 O.S. § 180.43 E. states in part, “Each county sheriff may operate, or contract the operation of, a telephone system... Any funds received pursuant to said operations shall be the funds of the county where the persons are incarcerated and shall be deposited in the Sheriff’s Service Fee Account.”



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