

COUNTY AUDIT

DEWEY 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

**DEWEY COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
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

September 5, 2014

TO THE CITIZENS OF
DEWEY COUNTY, OKLAHOMA

Transmitted herewith is the audit of Dewey County, Oklahoma for the fiscal year ended June 30, 2013. The audit was conducted in accordance with 19 O.S. § 171.

A report of this type can be critical in nature. Failure to report commendable features in the accounting and operating procedures of the entity should not be interpreted to mean that they do not exist.

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

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

Sincerely,

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

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

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

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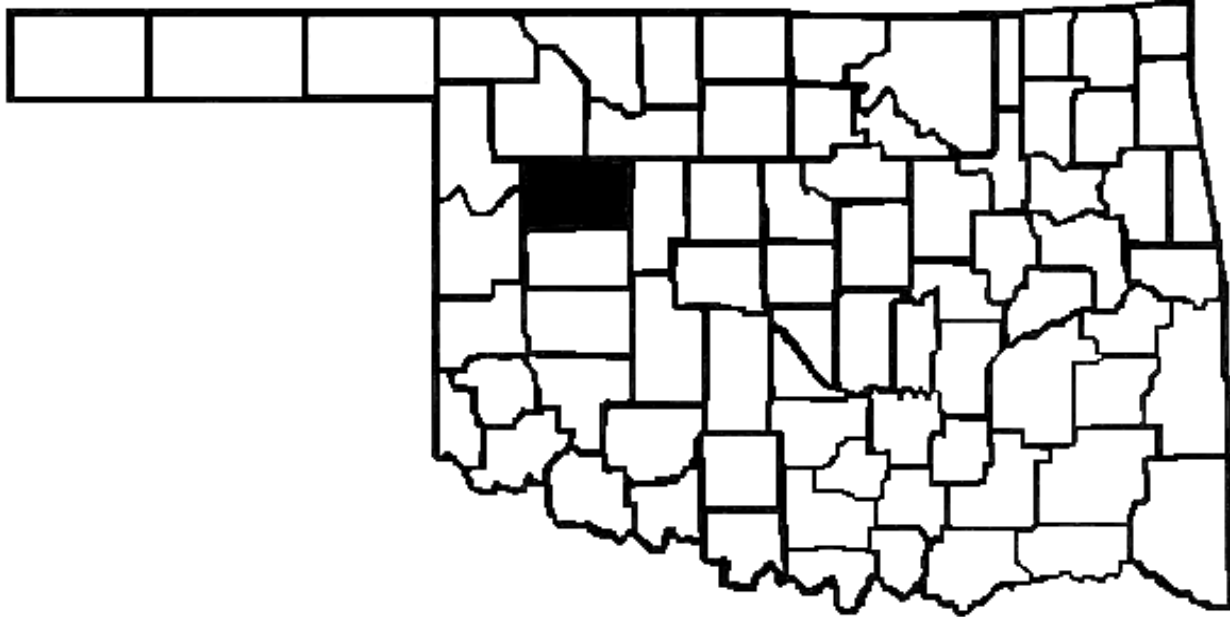
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PRESENTED FOR INFORMATIONAL PURPOSES ONLY**

**DEWEY COUNTY, OKLAHOMA
STATISTICAL INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**



Part of the original Cheyenne-Arapaho Reservation, Dewey County was designed by the Treaty of 1867 and opened to settlement by the Land Run of April 19, 1892. The county was named for Admiral George Dewey. Taloga, an Indian word meaning “beautiful valley,” is the county seat.

Divided from east to west by both the North and South Canadian rivers, the construction of bridges was important to the growth of the county but did not occur until later years. The development of transportation was slow and began with the construction of the Wichita Falls and Northwestern Railroad (later part of the Missouri-Kansas-Texas Railroad, known as the MKT - or Katy) in 1910. The railroad followed the old Western or Dodge Cattle Trail that cut through the county in the 1870s to the railhead at Dodge City.

Sparsely populated, the land is used for agriculture and cattle raising with some horse ranches and many oil and gas wells. People of note who have lived in Dewey County are former Oklahoma Supreme Court Justice Pat Irwin, TV climatologist Gary England, and prohibitionist Carry Nation.

For additional information, contact the Dewey County Historical Society in Taloga or call the county clerk’s office at 580/328-5361.

County Seat – Taloga

Area – 1,008.26 Square Miles

County Population – 4,783
(2012 est.)

Farms – 756

Land in Farms – 588,951 Acres

Primary Source: Oklahoma Almanac 2013-2014

Board of County Commissioners

District 1 – Stacy King
District 2 – Rupert Irving
District 3 – Melvin Salisbury, Jr.

County Assessor

Julie Louthan

County Clerk

Gayla Holsapple

County Sheriff

L. Clay Sander

County Treasurer

Cindy Farris

Court Clerk

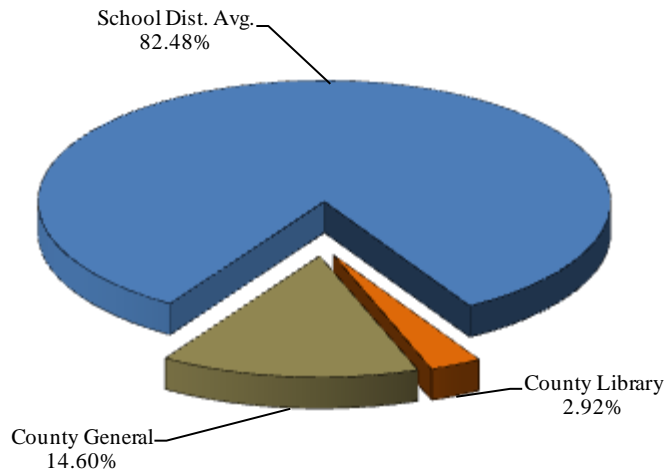
Rachelle Rogers

District Attorney

Hollis Thorp

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

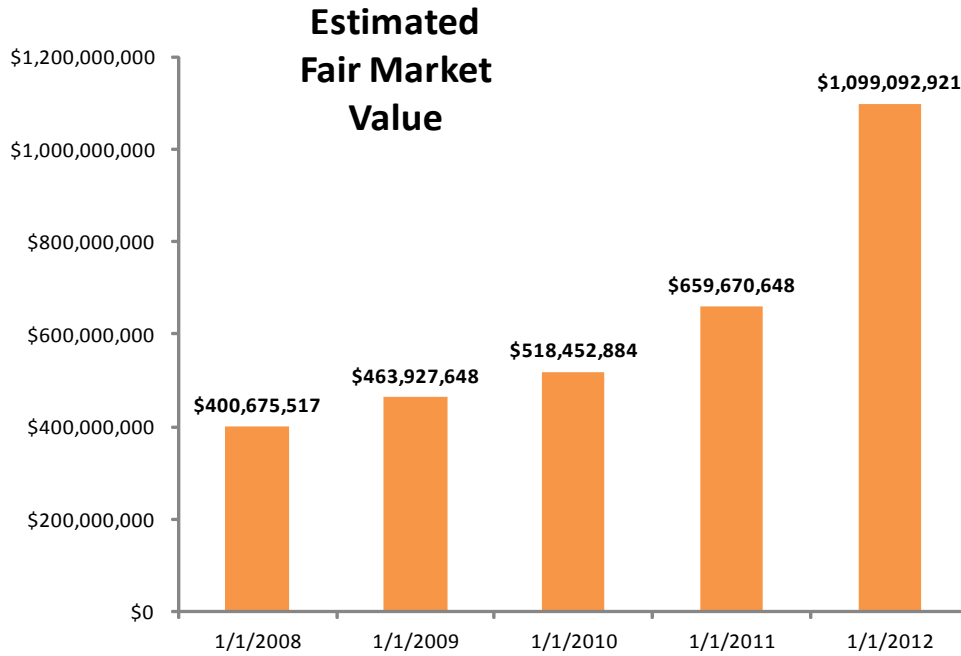
Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of a property is \$1,000.00 and the millage rate is 1.00, then the 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								
						Career				
				Gen.	Bldg.	Skg.	Tech	EMS	Common	Total
County General	10.35									
County Library	2.07	Vici	I-5	36.25	5.18	9.96	12.00	3.11	4.14	70.64
		Seling	I-8	36.18	5.17	3.99	-	3.75	4.14	53.23
		Taloga	I-10	36.17	5.17	-	-	-	4.14	45.48
		Thomas/Fay/Custer	JT-7	36.26	5.18	12.16	-	-	4.14	57.74
		Canton	JT-105	36.60	5.23	4.82	13.56	3.17	4.14	67.52
		Sharon-Mutual	JT-3W	35.00	5.00	12.59	12.00	-	4.14	68.73
		Leedey	JT-3W	36.30	5.19	-	-	3.11	4.14	48.74

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

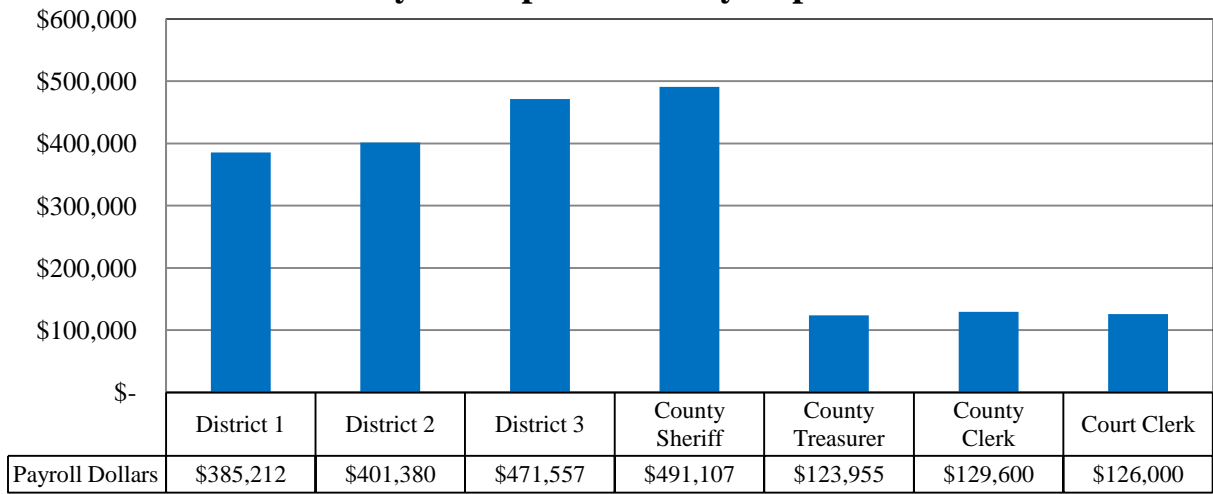
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2012	\$71,765,881	\$50,735,050	\$24,710,465	\$1,211,662	\$145,999,734	\$1,099,092,921
1/1/2011	\$40,862,702	\$16,933,101	\$23,549,467	\$1,211,688	\$80,133,582	\$659,670,648
1/1/2010	\$27,465,260	\$14,160,322	\$22,747,772	\$1,209,478	\$63,163,876	\$518,452,884
1/1/2009	\$24,143,349	\$9,274,236	\$22,424,071	\$1,192,777	\$54,648,879	\$463,927,648
1/1/2008	\$18,753,751	\$7,977,907	\$21,479,988	\$1,204,072	\$47,007,574	\$400,675,517



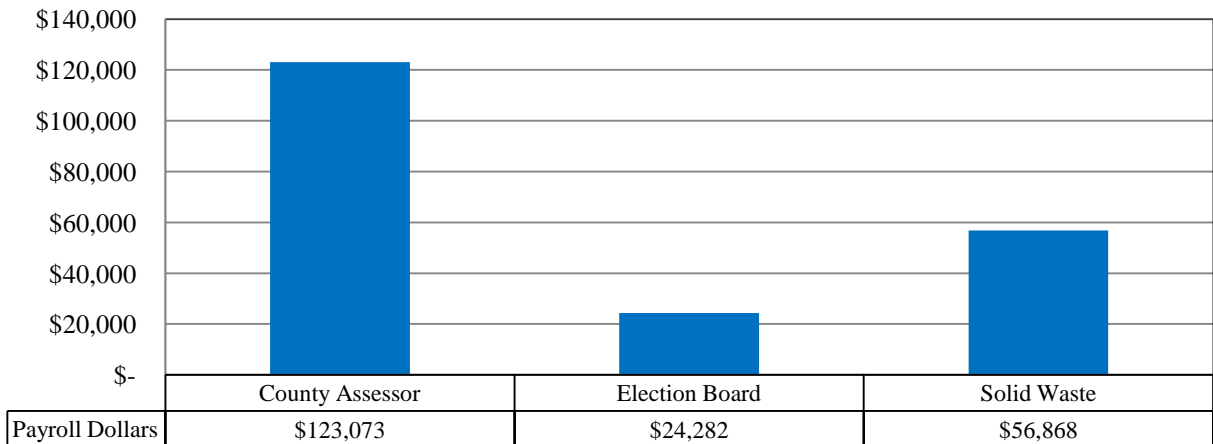
**DEWEY COUNTY, OKLAHOMA
COUNTY PAYROLL EXPENDITURES ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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



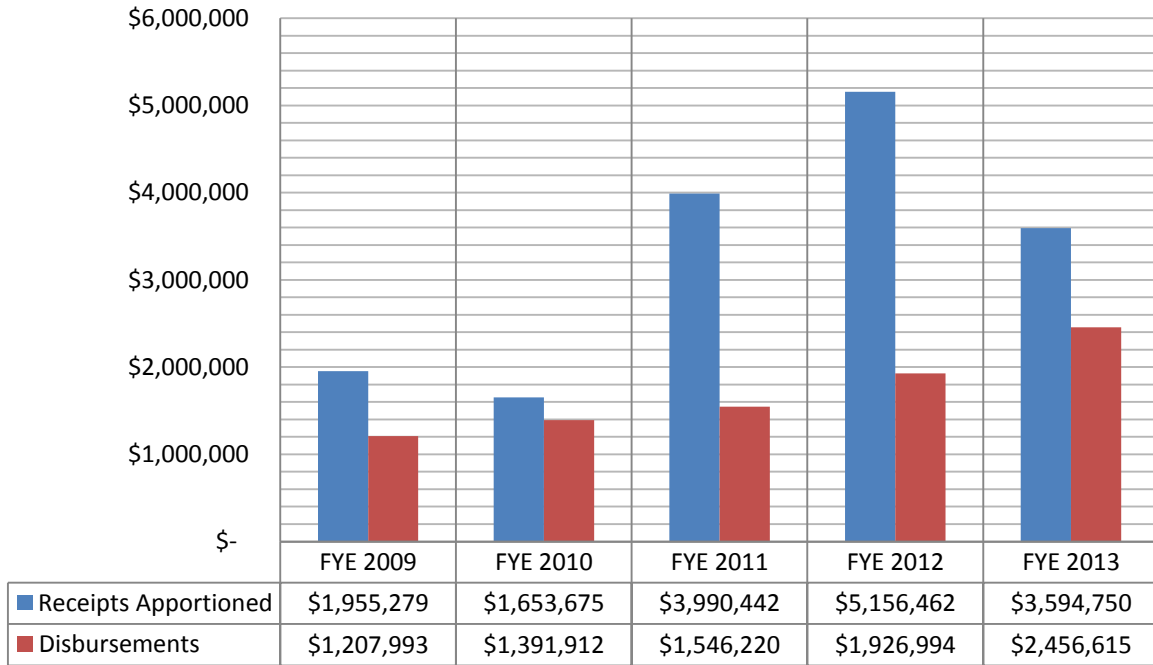
Payroll Expenditures by Department



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

County General Fund

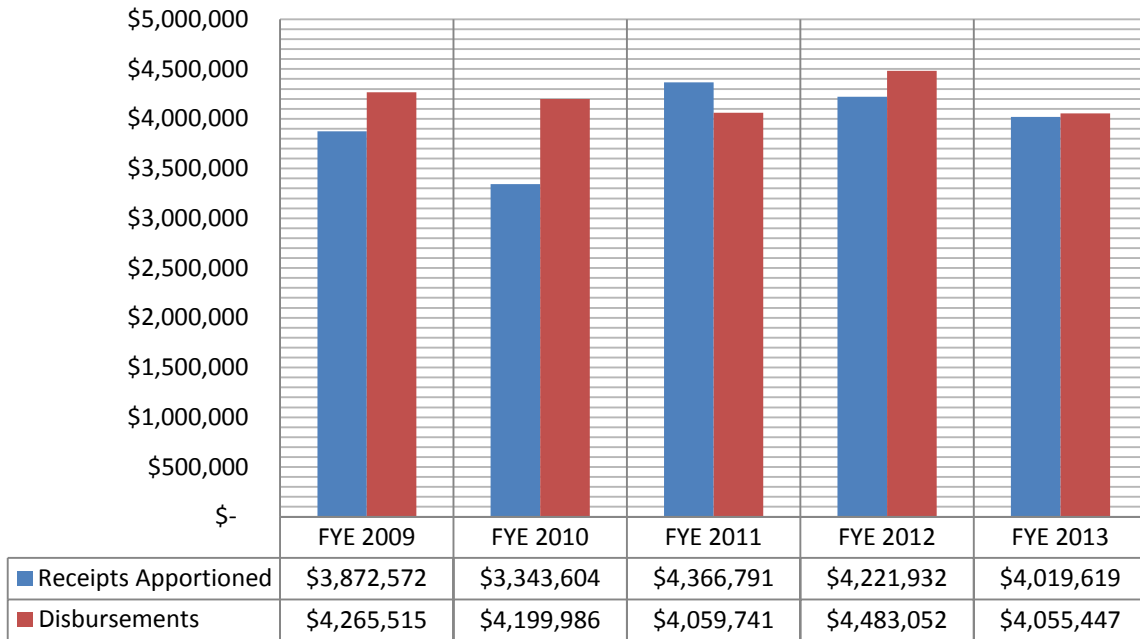
The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the county's primary source of operating revenue. The County General Fund is typically used for county employees' salaries plus many expenses for county maintenance and operation. It also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



**DEWEY 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.



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
DEWEY COUNTY, OKLAHOMA

Report on the Financial Statement

We have audited the combined total—all county funds on the accompanying regulatory basis Statement of Receipts, Disbursements, and Changes in Cash Balances of Dewey County, Oklahoma, as of and for the year ended June 30, 2013, listed in the table of contents as the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the regulatory basis of accounting described in Note 1, and for determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the financial statement is prepared by Dewey County using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted accounting Principles” paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Dewey County as of June 30, 2013, or changes in its financial position for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined total of receipts, disbursements, and changes in cash balances for all county funds of Dewey County, for the year ended June 30, 2013, on the basis of accounting described in Note 1.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the combined total of all county funds on the financial statement. The Other Supplementary Information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statement.

The Other Supplementary Information, as listed in the table of contents, is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Other Supplementary Information, as listed in the table of contents, is fairly stated, in all material respects, in relation to the combined total—all county funds.

The information listed in the table of contents under Introductory Section has not been subjected to the auditing procedures applied in the audit of the financial statement, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 25, 2014, on our consideration of Dewey 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 in considering Dewey County's internal control over financial reporting and compliance.

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

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

August 25, 2014

REGULATORY BASIS FINANCIAL STATEMENT

DEWEY COUNTY, OKLAHOMA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS
(WITH COMBINING INFORMATION)—MAJOR FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Beginning Cash Balances July 1, 2012	Receipts Apportioned	Transfer In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2013
Combining Information:						
Major Funds:						
County General Fund	\$ 7,856,724	\$ 3,594,750	\$ -	\$ 100	\$ 2,456,615	\$ 8,994,759
County Highway Cash	3,215,259	4,019,619	129,509	-	4,055,447	3,308,940
Dewey County Public Facilities Authority	188,628	1,521,038	-	-	1,590,808	118,858
County Road and Bridge Improvement Fund	1,028,585	267,006	-	129,509	178,327	987,755
Remaining Aggregate Funds	505,244	229,956	100	-	127,371	607,929
Combined Total - All County Funds	<u>\$ 12,794,440</u>	<u>\$ 9,632,369</u>	<u>\$ 129,609</u>	<u>\$ 129,609</u>	<u>\$ 8,408,568</u>	<u>\$ 14,018,241</u>

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

**DEWEY COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

1. Summary of Significant Accounting Policies

A. Reporting Entity

Dewey County is a subdivision of the State of Oklahoma created by the Oklahoma Constitution and regulated by Oklahoma Statutes.

The accompanying financial statement presents the receipts, disbursements, and changes in cash balances of the total of all funds under the control of the primary government. The general fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund, where its use is restricted for a specified purpose. Other funds established by statute and under the control of the primary government are also presented.

The County Treasurer collects and remits material amounts of intergovernmental revenues and ad valorem tax revenue for other budgetary entities, including emergency medical districts, libraries, school districts, and cities and towns. The cash receipts and disbursements attributable to those other entities do not appear in funds on the County's financial statement; those funds play no part in the County's operations. Any trust or agency funds maintained by the County are not included in this presentation.

B. Fund Accounting

The County uses funds to report on receipts, disbursements, and changes in cash balances. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

Following are descriptions of the county funds included as combining information within the financial statement:

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

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

Dewey County Public Facilities Authority – accounts for the collection of sales tax revenue for the payment of bond issues held by a local financial institution related to the construction of the Dewey County Courthouse. After receipt of the sales tax by Dewey County, the sales tax proceeds are transferred to a local financial institution where indebtedness is held for the Dewey County Public Facilities Authority.

County Bridge and Road Improvement Fund – accounts for state receipts and disbursements for the purpose of maintaining bridges and roads.

**DEWEY COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

C. Basis of Accounting

The financial statement is prepared on a basis of accounting wherein amounts are recognized when received or disbursed. This basis of accounting differs from accounting principles generally accepted in the United States of America, which require revenues to be recognized when they become available and measurable or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred. This regulatory basis financial presentation is not a comprehensive measure of economic condition or changes therein.

Title 19 O.S. § 171 specifies the format and presentation for Oklahoma counties to present their financial statement in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) or on a regulatory basis. The County has elected to present their financial statement on a regulatory basis in conformity with Title 19 O.S. § 171. County governments (primary only) are required to present their financial statements on a fund basis format with, at a minimum, the general fund and all other county funds, which represent ten percent or greater of total county revenue. All other funds included in the audit shall be presented in the aggregate in a combining statement.

D. Budget

Under current Oklahoma Statutes, a general fund and a county health department fund are the only funds required to adopt a formal budget. On or before May 31 of each year, each officer or department head submits an estimate of needs (budget) to the governing body. The budget is approved for the respective fund by office, or department and object. Within weeks, the County Budget Board may approve changes of appropriations within the fund by office or department and object.

E. Cash and Investments

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

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

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

**DEWEY COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

2. Ad Valorem Tax

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

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

3. Other Information

A. Pension Plan

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

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

B. Other Post Employment Benefits (OPEB)

In addition to the pension benefits described in the Pension Plan note, OPERS provides post-retirement health care benefits of up to \$105 each for retirees who are members of an eligible

**DEWEY COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

group plan. These benefits are funded on a pay-as-you-go basis as part of the overall retirement benefit. OPEB expenditure and participant information is available for the state as a whole; however, information specific to the County is not available nor can it be reasonably estimated.

C. Contingent Liabilities

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

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

D. Sales Tax

The voters of Dewey County approved a three quarter of one-cent sales tax effective April 1, 2009. This sales is pledged toward the retirement of indebtedness incurred and is designated and used specifically for the construction and equipping of a new Dewey County Courthouse, demolition and related removal of existing courthouse and adjacent buildings, county jail improvements, and county fair building improvements. The sales tax has a limited duration of twenty-five years from the date of commencement, or until principal and interest upon indebtedness incurred is paid in full, whichever occurs earlier. These funds are accounted for in the Dewey County Public Facilities Authority fund.

On November 7, 2006 the voters of Dewey County passed an additional one-half (1/2) cent sales tax, adding to the previous one-half (1/2) cent sales tax, resulting in a total sales tax one (1)% allocated to the Dewey County General Government. The rate shall not be changed or terminated without approval of the qualified electors of Dewey County. These funds are accounted for in the County General Fund.

E. Interfund Transfers

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

- \$129,509 was transferred from the County Bridge and Road Improvement Fund to the County Highway Cash fund for the construction of roads and bridges.
- In July 2012, \$100 was transferred from the County General Fund to the County Treasurer Change Fund in order to accurately report the change fund on the financial records.

OTHER SUPPLEMENTARY INFORMATION

DEWEY 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, 2013

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 7,856,724	\$ 7,856,724	\$ -
Less: Prior Year Outstanding Warrants	(77,960)	(77,960)	-
Less: Prior Year Encumbrances	(68,163)	(61,256)	6,907
Beginning Cash Balances, Budgetary Basis	<u>7,710,601</u>	<u>7,717,508</u>	<u>6,907</u>
Receipts:			
Ad Valorem Taxes	1,373,725	1,236,311	(137,414)
Charges for Services	9,807	81,237	71,430
Intergovernmental Revenues	190,009	2,200,601	2,010,592
Miscellaneous Revenues	6,597	76,601	70,004
Total Receipts, Budgetary Basis	<u>1,580,138</u>	<u>3,594,750</u>	<u>2,014,612</u>
Expenditures:			
District Attorney	1,500	1,500	-
County Sheriff	734,690	717,687	17,003
County Treasurer	152,840	141,637	11,203
County Commissioners	184,820	177,292	7,528
OSU Extension	28,000	24,326	3,674
County Clerk	157,400	148,246	9,154
Court Clerk	134,400	130,800	3,600
County Assessor	97,400	96,850	550
Revaluation of Real Property	92,700	85,112	7,588
General Government	6,070,069	893,065	5,177,004
Excise-Equalization Board	8,100	5,981	2,119
County Election Board	67,319	66,920	399
Insurance Benefits	14,000	5,445	8,555
Charity	100	-	100
Recording Account	400	260	140
Civil Defense	7,500	1,285	6,215
Line Item	1,500,100	-	1,500,100
County Audit Budget Account	14,600	-	14,600
Free Fair	24,801	19,455	5,346
Total Expenditures, Budgetary Basis	<u>9,290,739</u>	<u>2,515,861</u>	<u>6,774,878</u>

Continued on next page

**DEWEY COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
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	\$ -	8,796,397	\$ 8,796,397
Operating Transfer Out		(100)	
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Cancelled Warrants		33	
Add: Current Year Outstanding Warrants		109,529	
Add: Current Year Encumbrances		88,900	
Ending Cash Balance		\$ 8,994,759	

DEWEY COUNTY, OKLAHOMA
COMBINING STATEMENT OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—REGULATORY BASIS—
REMAINING AGGREGATE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Beginning Cash Balances July 1, 2012	Receipts Apportioned	Transfers In	Disbursements	Ending Cash Balances June 30, 2013
Remaining Aggregate Funds:					
County Clerk Records Preservation Fee	\$ 100,379	\$ 24,460	\$ -	\$ 24,105	\$ 100,734
Sheriff Service Fee	31,193	57,644	-	38,533	50,304
Prisoner Revolving Fund	28,029	21,572	-	29,075	20,526
County Clerk Lien Fee	167,362	31,541	-	13,480	185,423
Resale Property	17,093	14,076	-	7,676	23,493
County Assessor Revolving	24,589	3,211	-	4,186	23,614
Sheriff Commissary Fund	7,328	-	-	6,618	710
Dewey County E911	95,088	58,600	-	-	153,688
Sheriff Training	1,300	-	-	-	1,300
Treasurer Mortgage Tax Certification Fee	1,907	1,425	-	772	2,560
County Assessor Change Fund	100	-	-	-	100
Reward Revolving Fund	100	-	-	-	100
Court Clerk Change Fund	150	-	-	-	150
Pre-Paid 911	3,279	3,267	-	-	6,546
County Treasurer Change Fund	200	-	100	-	300
Local Emergency Management	20,591	3,550	-	1,972	22,169
County Clerk Change Fund	400	-	-	-	400
Estray Cattle	-	1,910	-	-	1,910
Emergency Management Planning Grant	6,156	8,700	-	954	13,902
Combined Total - Remaining Aggregate Funds	\$ 505,244	\$ 229,956	\$ 100	\$ 127,371	\$ 607,929

**DEWEY COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

1. Budgetary Schedules

The Comparative Schedules of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis for the General Fund presents comparisons of the legally adopted budget with actual data. The "actual" data, as presented in the comparison of budget and actual, will differ from the data as presented in the Combined Statement of Receipts, Disbursements, and Changes in Cash Balances with Combining Information because of adopting certain aspects of the budgetary basis of accounting and the adjusting of encumbrances and outstanding warrants to their related budget year.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in these funds. At the end of the year unencumbered appropriations lapse.

2. Remaining County Funds

Remaining aggregate funds as presented on the financial statement are as follows:

County Clerk Records Preservation Fee – accounts for instruments filed with the Registrar of Deeds as restricted by statute.

Sheriff Service Fee – accounts for collection and disbursements of Sheriff process service fees as restricted by statute.

Prisoner Revolving Fund – accounts for the collection of monies from the Oklahoma Department of Corrections and disbursements are for the purpose of maintaining the jail.

County Clerk Lien Fee – accounts for fees for copies and lien collections and disbursements 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.

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

Sheriff Commissary Fund – accounts for the collection of the sale of items to inmates and disbursements to purchase commissary goods from the vendor. Excess funds are used for maintenance and operations of the Sheriff's department to improve or provide jail services.

Dewey County E911 – accounts for the collection of state grant money to establish a 911 system.

**DEWEY COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Sheriff Training – accounts for the collection of miscellaneous receipts and disbursements for the training of Sheriff Deputies.

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

County Assessor Change Fund – accounts for funds used by the Assessor’s office to make change.

Reward Revolving Fund – accounts for monies collected and disbursed to citizens involved in the reporting of littering offenses.

Court Clerk Change Fund – accounts for funds used by the Court Clerk’s office to make change.

Pre-Paid 911 – accounts for the collection of fees by wireless users within the county for the operation of the Emergency 911 service.

County Treasurer Change Fund – accounts for funds used by the Treasurer’s office to make change.

Local Emergency Management – accounts for the proceeds received from the state to prepare an emergency awareness plan for the citizens of Dewey County.

County Clerk Change Fund – accounts for funds used by the County Clerk’s office to make change.

Estray Cattle – accounts for funds from the sale of unclaimed cattle after costs.

Emergency Management Planning Grant – accounts for federal funds for the purpose of the County’s emergency management program.

INTERNAL CONTROL AND COMPLIANCE SECTION



Oklahoma State Auditor & Inspector

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

Independent Auditor's 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
DEWEY COUNTY, OKLAHOMA

We have audited, in accordance with the 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, the combined total—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Dewey County, Oklahoma, as of and for the year ended June 30, 2013, which comprises Dewey County's financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated August 25, 2014.

Our report included an adverse opinion on the financial statement because the statement is prepared using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. However, our report also included our opinion that the financial statement does present fairly, in all material respects, the receipts, disbursements, and changes in cash balances – regulatory basis of the County for the year ended June 30, 2013, on the basis of accounting prescribed by Oklahoma state law, described in Note 1.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered Dewey County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of Dewey County's internal control. Accordingly, we do not express an opinion on the effectiveness of Dewey County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses: 2013-1, 2013-2, and 2013-3.

A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses to be a significant deficiency: 2013-4.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Dewey County's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Dewey County's Responses to Findings

Dewey County's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. Dewey County's responses were not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable 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.



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

August 25, 2014

**DEWEY COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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 2013-1 – Inadequate County Wide Controls (Repeat Finding)

Condition: County-wide controls regarding Risk Management and Monitoring have not been designed.

Cause of Condition: Procedures have not been designed to address risks of the County.

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

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

Management Response:

Chairman, Board of County Commissioners: We will meet at least on a quarterly basis with the other officers to discuss risks of the County.

County Treasurer: In order to manage these controls, the Dewey county officers will hold a monthly meeting.

County Clerk: The elected officials will meet once a month on the second meeting of the Board of County Commissioners to discuss a plan for the county-wide controls including risk management and monitoring to identify areas of risk and plan to decrease those risks.

Court Clerk: It is my understanding that we are going to hold meetings on a regular basis to discuss controls.

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.

**DEWEY COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Finding 2013-2 – Inadequate Segregation of Duties Over the Collection Process (Repeat Finding)

Condition: Upon discussion and observation of the County Treasurer and her staff, we noted the following weaknesses with regard to the collection process:

- The County Treasurer and the two deputies perform the duties of receipting, depositing, and reconciling collections to accounting records. These duties are not adequately segregated within the office of the County Treasurer.

Cause of Condition: Procedures have not been designed and implemented with regard to segregating the duties over all aspects of the collection process due to the officer being unaware of the need for such procedures.

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

Recommendation: OSAI recommends management be aware of these conditions and realize that a concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. The most effective procedures lie in management's overseeing of office operations and a periodic review of operations. OSAI recommends management provide segregation of duties so that one employee is unable to perform all accounting functions. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating procedures to mitigate the risks involved with a concentration of duties. Compensating procedures would include separating key processes and/or critical functions of the office, and having management review and approve the accounting functions.

Management Response:

County Treasurer: In order to improve our segregation of duties in the office, we have implemented several changes; including separating the duties so the employee performing the task of collection and depositing monies into the official depository account will not be the same person that posts to the daily reports and general ledger. Due to the limited number of employees in the office, a complete segregation of duties is a challenge; however, we are addressing the situation.

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

Finding 2013-3 – Inadequate Internal Controls Over the Disbursement Process Including Payroll (Repeat Finding)

Condition: A test of ten purchase orders requiring bid solicitation reflected the following exceptions:

**DEWEY COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

- A truck costing \$58,636 was purchased using the state contract bid price; however, the state contract was not included with the purchase order documentation.
- Cold lay Type C asphalt totaling \$17,840 was purchased without being bid. The vendor with the six-month bid for asphalt provided the Type C asphalt, but at a price of \$80 per ton, which was \$24 more per ton than the amount quoted on a bid modification of the six-month bid of \$56 per ton. The BOCC rejected the bid modification and subsequently used the same vendor to provide the Type C asphalt at the higher price of \$80 per ton.

Upon inquiry of County personnel and observation of the County's payroll process, the following was noted:

- One employee enrolls new hires, makes payroll changes, maintains personnel files, and prepares OPERS reports and state and federal tax reports.

Cause of Condition: Procedures with regard to segregating the duties over the disbursement process, including payroll have not been designed and compliance with purchasing laws have not been followed.

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

Recommendation: OSAI recommends the following:

- Designated requisitioning officers should initiate the purchase of goods and services.
- The County should comply with purchasing laws and ensure that adequate documentation is attached to all purchase orders such as the state contract when using it in lieu of bidding.
- The County should comply with the bidding law to ensure that the lowest and best price is obtained.

Furthermore, the duties of processing, authorizing, and payroll distribution should be segregated as follows:

- The duties of entering new hire information into the payroll system, posting withholdings, maintaining personnel files, posting to accounting records, preparing the monthly verification report, the direct deposit report, and initiating the direct deposit process with the financial institution should be adequately segregated.

Management Response:

County Clerk: The office will implement procedures for purchasing. The purchasing agent will assist the districts and the Sheriff in making all purchases. The County Clerk will reconcile disbursements to the County Treasurer's records on a monthly basis and mark warrants as paid on the computer system. Copies of these printouts will be maintained with evidence of review by the purchasing agent. This office will implement procedures to segregate the duties of the payroll clerk. The payroll clerk will continue to enroll new employees in the computer system. The purchasing agent or County Clerk will review payroll reports and compare them to the verification report. The distribution of warrants will be

**DEWEY COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

segregated between the purchasing agent and payroll clerk, and the individuals that pick up warrants will provide evidence of this process by signing for them.

County Clerk and Board of County Commissioners: The bid situation involved a six month bid that was handwritten in the bid packet by the vendor. The BOCC rejected the handwritten six month bid item and the modification. The Commissioner subsequently spent more than the bid limit for the same product. Exceeding the bid limit was an oversight on the part of the Commissioners and the County Clerk.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. Internal controls should be designed to analyze and check accuracy, completeness, and authorization of disbursements and/or transactions. To help ensure a proper accounting of funds, the duties of processing, authorizing, and distribution should be segregated with regard to both purchasing and payroll processes.

Further, 19 O.S. § 1505(B) requires the counties to solicit bids, compare them to the state contract price for the items, and select “the lowest and best bid based upon, if applicable, the availability of material and transportation cost to the job site within 30 days,” specifying the reason “any time the lowest bid was not considered to be the lowest and best bid.”

Further, 19 O.S. § 1505C requires county funds to be encumbered prior to the receipt of goods and/or services.

Finding 2013-4 – Inadequate Internal Controls and Lack of Segregation of Duties Over Accounting Records (Repeat Finding)

Condition: Upon inquiry and observation of the County Treasurer’s recordkeeping process, the following weaknesses were noted:

- There was no evidence that the County Clerk’s appropriation ledger was reviewed and reconciled to the County Treasurer’s accounting records on a monthly basis.
- The County Treasurer’s employees prepared monthly bank statement reconciliations; however there was no evidence that reconciliations were reviewed and approved for accuracy.
- One employee of the County Treasurer’s office prepared the daily report, prepared the general ledger, issued receipts, and prepared the deposit for the official depository account.
- The other employee prepared the monthly report, prepared the monthly apportionment ledger, issued receipts, and prepared the deposit for the general bank account.
- The County Treasurer issued receipts, prepared a deposit slip for ad valorem taxes received and took this deposit to the bank, along with the depository bank deposit to the bank.

Cause of Condition: Policies and procedures have not been designed and implemented to guard against unrecorded transactions, misstated financial reports, clerical errors, or misappropriation of funds. Also, procedures have not been implemented to adequately segregate key processes and/or critical functions of the office.

**DEWEY COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

Recommendation: OSAI recommends management be aware of these conditions and realize that a concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. The most effective procedures lie in management's overseeing of office operations and a periodic review of operations. OSAI recommends management provide segregation of duties so that no one employee is able to perform all accounting functions. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating procedures to mitigate the risks involved with a concentration of duties. Compensating procedures would include separating key processes and/or critical functions of the office, and having management review and provide evidence of approval of accounting functions.

Management Response:

County Treasurer: Each office will sign and date the appropriation ledger and any other document as they balance with each other in order to give evidence that monitoring and reviewing is taking place. This additional step will mitigate some of the risk associated with a limited number of employees.

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

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 2013-6 – Inadequate Internal Controls Over Court Fund and Court Clerk Revolving Fund Expenditures (Repeat Finding)

Condition: Upon inquiry and observation of the Court Clerk, her staff, and tests of records, we noted the following weaknesses with regard to internal controls related to the expenditure processes of the Court Fund and Court Clerk Revolving Fund:

- The Court Clerk prepared Court Fund claims, initiated the payment, printed vouchers, and reconciled monthly reports with the County Treasurer.

The test of twenty-five Court Fund claims detected the following weaknesses:

- One claim had inadequate supporting documentation for OCIS services.

**DEWEY COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Additionally, the test of twenty-six Court Clerk Revolving Fund claims detected the following weaknesses:

- Eight claims had inadequate supporting documentation for travel related reimbursements.
- Six claims did not reflect the voucher number.

Cause of Condition: Procedures have not been designed and implemented to adequately segregate the duties over the Court Fund expenditures process and adequately document expenditures of the Court Fund and Court Clerk Revolving Fund.

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

Recommendation: OSAI recommends the Court Clerk design and implement procedures to ensure a proper segregation of duties over the Court Fund and Court Clerk Revolving Fund expenditure processes.

The following key accounting functions of the expenditures process should be adequately segregated:

- Preparation of Court Fund claims.
- Initiation of payment.
- Printing and signing of vouchers.
- Monthly reconciliation with the County Treasurer.

Further, OSAI recommends that adequate supporting documentation be attached to all Court Fund and Court Clerk Revolving Fund Claims and that claims be prepared with a claim number, voucher number and date.

Management Response:

Court Clerk: Regarding the Court Fund, the Court Clerk has established segregation among the two deputies and herself to mitigate the risks involved with one employee performing all duties of purchasing and disbursing funds from the Court Fund. Regarding the Court Clerk Revolving Fund, the Court Clerk has also designated each deputy and herself different tasks within the process so as to separate the duties of purchasing and disbursing from that fund. Additionally, the Court Clerk will provide adequate documentation and complete voucher and claim information for each disbursement made from those two funds.

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.

**DEWEY COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Additionally, proper accounting of the claims for the Court Fund and Court Clerk Revolving Fund should include claim and voucher numbers, the date of the claim, and adequate supporting evidence of the expenditure to effectively document the expenditure.

Finding 2013-7 – Inadequate Internal Controls and Noncompliance Over Sheriff Inmate Trust Checking Account and Sheriff Commissary Fund (Repeat Finding)

Condition: Based on discussions with the County Sheriff and his staff and observation of Inmate Trust Checking Account and Sheriff Commissary Fund records, the following weaknesses were noted:

- Inmate Trust Checking Account collections were not deposited daily.
- The same employee posts to inmate accounts, maintains ledger reconciliations and prepares deposit slips.
- There was no evidence of a bank statement reconciliations being performed from January 1, 2013 through June 30, 2013.
- One deposit slip was dated and deposited forty-one days after the transaction was printed and signed by the Jail Administrator and County Sheriff. The same deposit slip had a ten cent variance from the transaction sheet amount documented.
- The Inmate Trust Fund Checking Account reflects outstanding checks, which were issued over a year prior to June 30, 2013.
- The memo portion of the check was left blank on three of the checks tested; thus providing no indication for the purpose of the check.
- The Sheriff's office did not file an annual report of the Sheriff Commissary Fund activity with the Board of County Commissioners by January 15th, of each year.

Cause of Condition: Procedures with regard to segregation of duties, depositing daily and accurately reporting activity and policies to safeguard inmate funds in the Inmate Trust Checking Account have not been designed and resulted in noncompliance with regard to the Inmate Trust Checking Account and Sheriff Commissary Fund.

Effect of Condition: These conditions resulted in noncompliance with state statutes and could result in unrecorded transactions, misstated financial reports, undetected errors, and misappropriation of funds.

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

OSAI recommends that collections of funds held in trust for inmates be deposited daily to safeguard against loss or misappropriation. Further, OSAI recommends implementing procedures to ensure checks outstanding for one year, are removed from the Inmate Trust Checking Account and deposited with the County Sheriff in a special account in accordance with Title 22 O.S. § 1325(F).

**DEWEY COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Further, an annual report of the Sheriff Commissary Fund is required to be filed annually with the Board of County Commissioners as provided by Title 19 O.S. § 180.43.

Management Response:

County Sheriff: Due to the operation of the office, there are sometimes when the funds cannot be deposited daily with the bank. With regard to segregation of duties, the Sheriff utilizes software that maintains itself. The Sheriff maintains that these duties cannot be separated. The outstanding checks can be considered abandoned and transferred to a Sheriff's Special Fund for exclusive use of the Sheriff's office.

Auditor Response: While it may not be possible to deposit funds on the weekends, we continue to recommend that inmate funds are best safeguarded when deposited in a timely manner with the local bank. Additionally, the duties of receipting, depositing, and reconciling the bank statement to computerized records should be separated if possible, or mitigating controls such as monitoring and reviewing the accounting records should be evident.

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

Title 22 O.S. § 1325(F) provides guidance with regard to depositing unclaimed outstanding checks of the Inmate Trust Checking Account into a special account of the County Sheriff.

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

Finding 2012-8 – Inadequate Internal Controls and Noncompliance Over Fixed Assets Inventory (Repeat Finding)

Condition: Upon inquiry and observation of documents maintained by each officer relating to the fixed assets inventory and test of those inventory items, we determined the following weaknesses were present:

- District 1, District 2, District 3 Commissioners, and the County Sheriff were able to provide an inventory list; however, there is insufficient audit evidence to indicate that an inventory count was performed.
- The District 2 Commissioner's test of thirty-three items, resulted in two inventory items that were not marked "Property of" Dewey County.
- The District 3 Commissioner's test of thirty-one items, resulted in seven inventory items that were not marked "Property of" Dewey County and four items that were not labeled with an inventory number.

**DEWEY COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
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- The County Sheriff's test of twenty-nine items resulted in ten inventory items that were not labeled with an inventory number. Additionally, one item was not marked with an inventory number and was not listed on the inventory list.
- The County Treasurer provided documentation of an inventory count performed on September 25, 2012 with signature and/or initials of who performed the count. However, four of the seven items were not marked with an inventory number.
- The County Clerk was unable to provide audit evidence to indicate that an inventory count was performed for general government inventory, of which the County Clerk is responsible. Three items of the four items selected were not marked with an inventory number.
- The County Clerk's test of ten items tested, resulted in one item that was not marked with an inventory number. Additionally, one item selected was not marked with an inventory number and was not listed on the inventory list.

Cause of Condition: Policies and procedures have not been designed to ensure compliance with state statutes regarding the identification and accounting of fixed assets.

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

Recommendation: OSAI recommends that management implement internal controls to ensure compliance with 69 O.S. § 645, 19 O.S. § 1502, and 19 O.S. § 178.1.

Management Response:

District 1 Commissioner: We are now doing a visual inspection the first working day of the new calendar year.

District 2 Commissioner: Property of Dewey County decals are on order and will be affixed to items when received by the District.

District 3 Commissioner: Property of Dewey County decals are on order and will be affixed to items when received by the District and inventory items will be labeled with the inventory number.

County Sheriff: The Sheriff's office conducts a complete inventory count at the end of each fiscal year. The Sheriff's office has taken corrective action to ensure that items are properly marked with an inventory number in accordance with the auditor's recommendations.

County Treasurer: The inventory items will be marked with inventory numbers.

**DEWEY COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

County Clerk: This office will make sure to retain proper documentation of an inventory count of the general government inventory. The County Clerk will print an inventory list and check items. The person doing the inventory will sign and date the document. The County Clerk has taken action to mark inventory items that did not have inventory numbers and make sure all items to be on the inventory are listed.

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

Title 69 O.S. §645 provides the manner in which County-owned automobiles, trucks, road machinery and equipment be conspicuously and legibly marked PROPERTY OF (name of county) COUNTY, and leased automobiles, trucks, road machinery and equipment shall be conspicuously and legibly marked LEASED BY (name of county) COUNTY, on each side, in upper case letters, on a background of sharply contrasting color.”

Title 19 O.S. §1502 provides that the County prescribe a uniform system of accounting for fixed assets, including numbering those items.

Title 19 O.S. §178.1 provides guidance with regard to officials maintaining an inventory of fixed assets and taking an inventory of those fixed assets.

Finding 2013-9 – Inadequate Internal Controls and Noncompliance Over Consumable Inventory (Repeat Finding)

Condition: Upon inquiry of district personnel and observation of consumable inventory cards, the following was noted:

- District 1 Commissioner does not maintain a fuel log; therefore, records are not maintained to verify fuel is used only for the operation of the District.
- District 3 Commissioner did not maintain consumable inventory items in a manner where a physical count could be conducted. The District is not currently monitoring amounts on hand to consumable records.

Cause of Condition: Procedures have not been designed and implemented for the accurate reporting of consumable inventories.

Effect of Condition: These conditions could result in inaccurate records, unauthorized use of consumable inventories, or loss of consumable inventories.

**DEWEY COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Recommendation: OSAI recommends management implement internal controls to ensure compliance with 19 O.S. § 1504A. These controls would include performing and documenting a periodic physical count of inventory, separating the key functions of receiving, maintaining and verifying consumable inventories.

Management Response:

District 1 Commissioner: A fuel log will be maintained for fuel usage.

District 3 Commissioner: We will monitor consumable inventory and perform a physical count of items on hand.

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



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