

OPERATIONAL AUDIT

DEWEY COUNTY

For the fiscal year ended June 30, 2014



*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 OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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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

November 15, 2017

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

Transmitted herewith is the audit report of Dewey County for the fiscal year ended June 30, 2014.

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

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

Sincerely,

A handwritten signature in blue ink that reads "Gary A. Jones".

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

**DEWEY COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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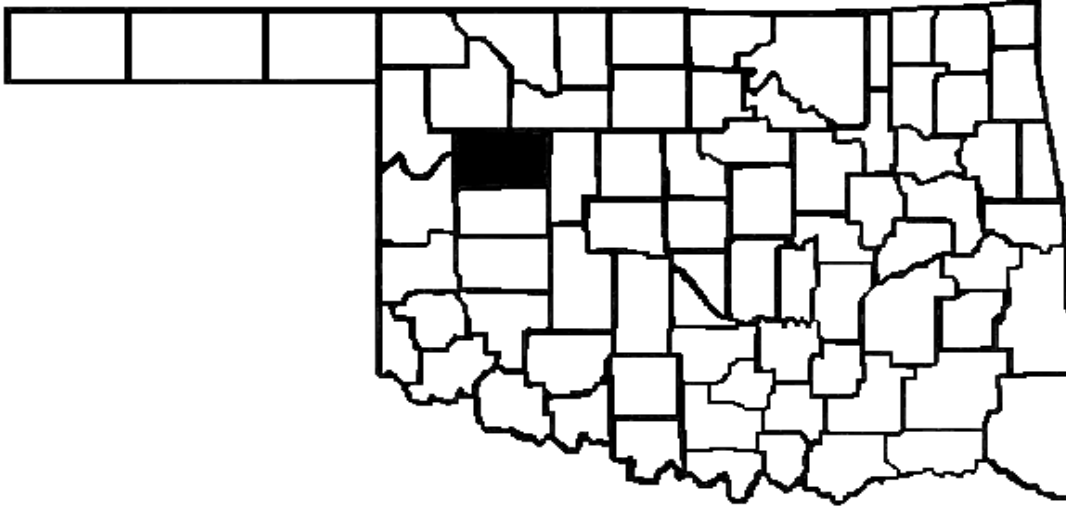
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PRESENTED FOR INFORMATIONAL PURPOSES ONLY**

**DEWEY COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**



Part of the Cheyenne-Arapaho Reservation, Dewey County was designated 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 and 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

Clay Sander

County Treasurer

Dusty Fox

Court Clerk

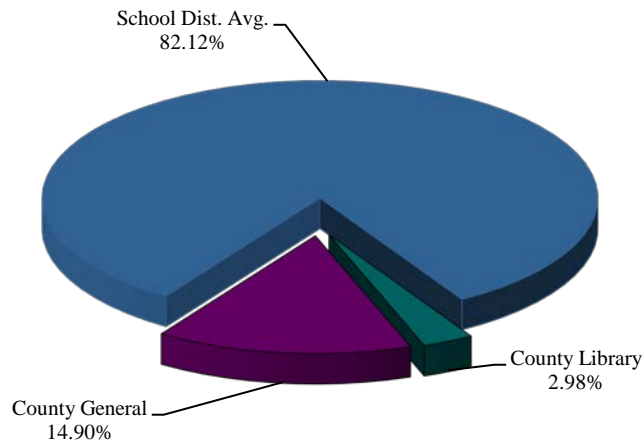
Rachelle Rogers

District Attorney

Hollis Thorpe

**DEWEY COUNTY, OKLAHOMA
AD VALOREM TAX DISTRIBUTION
SHARE OF THE AVERAGE MILLAGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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.	EMS	EMS Skg.	Career Tech.	Common	Total
County General	10.35	Vici	I-5	36.25	5.18	9.52	3.11	-	12.00	4.14	70.20
County Library	2.07	Seiling	I-8	36.18	5.17	3.42	3.10	0.58	-	4.14	52.59
		Taloga	I-10	36.17	5.17	-	-	-	-	4.14	45.48
		Camargo - 5	Cam-5	36.25	5.18	9.52	3.11	-	12.00	4.14	70.20
		Camargo - 3	Cam-3	36.30	5.19	-	3.11	-	-	4.14	48.74
		Leedey	JT3 Leedey	36.30	5.19	-	3.11	-	-	4.14	48.74
		Oakwood	10 Oakwood	36.17	5.17	-	-	-	-	4.14	45.48
		Thomas/Fay/Custer	JT-7	36.26	5.18	15.77	3.00	-	-	4.14	64.35
		Canton	JT-105	36.60	5.23	3.77	3.14	-	13.56	4.14	66.44
		Sharon-Mutual	JT-3W	35.00	5.00	10.29	-	-	12.00	4.14	66.43
		Leedey	JT-3W	36.30	5.19	-	3.11	-	-	4.14	48.74

**DEWEY COUNTY, OKLAHOMA
SALES TAX DISTRIBUTION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Sales Tax

Sales Tax of November 7, 2006

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.

Sales Tax of December 9, 2008

The voters of Dewey County approved a sales tax of three-quarters (.75) of one (1) cent on December 9, 2008. This sales tax was established for the construction and equipping of a new Dewey County courthouse; demolition and related removal of existing courthouse and adjacent building; county jail improvements and county fair building improvements. This tax shall have a limited duration of twenty-five (25) years from the date of commencement, or until principal and interest upon indebtedness incurred on behalf of Dewey County by the Dewey County Public Facilities Authority in furtherance of the construction and equipping of a new county courthouse, demolition and related removal of existing courthouse and adjacent building, county jail improvements, and county fair building improvements is paid in full, whichever occurs earlier, making provisions separable and declaring an emergency. These funds are accounted for in the Dewey County Public Facilities Authority fund.

The Sales Tax of April 1, 2014

On April 1, 2014, the voters of Dewey County passed a sales tax proposition to continue the three-quarters (.75) of one (1) cent sales tax to be deposited into a Sales Tax Revenue Fund account with the Dewey County Public Facilities Authority pursuant to a Sales Tax Agreement; pledged toward the retirement of any indebtedness incurred therefore; and to be designated and used to promote the safety, security and well-being of the people, including but not limited to county improvement projects as follows:

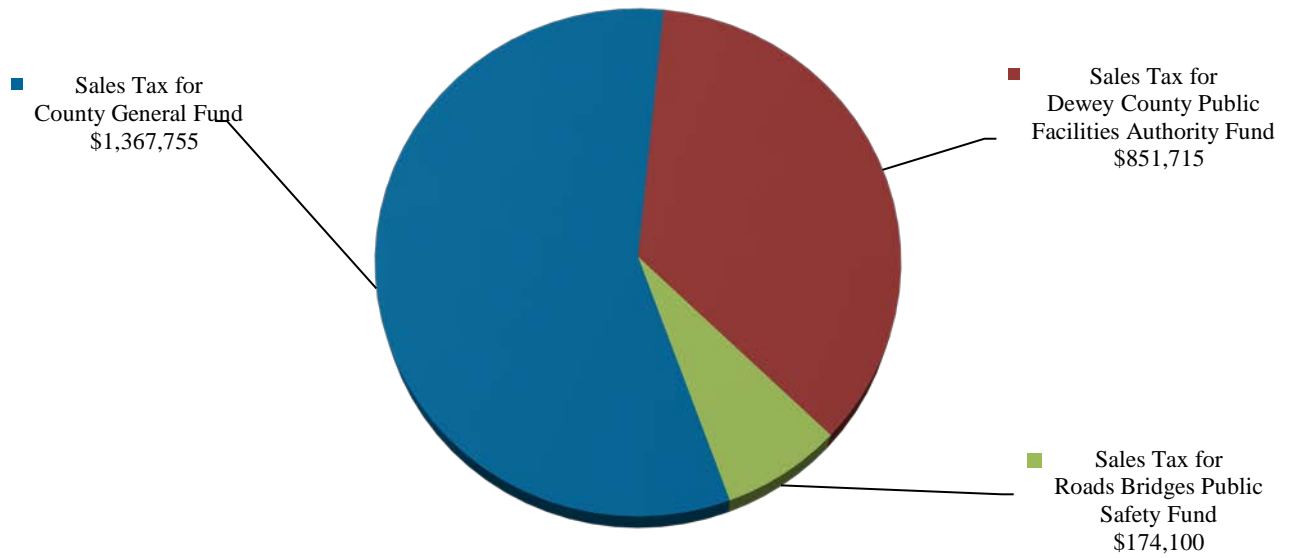
- (a) County roads and bridges
- (b) County fire protection
- (c) Emergency medical services
- (d) Public safety projects

With said sales tax to terminate after ten (10) years unless continued by a majority of the electors of Dewey County in an election called for the purpose of posing said proposition, authorizing the pledging of said sales tax for debt service; making provisions separable, and declaring an emergency. These funds are accounted for in the Roads Bridges Public Safety fund.

**DEWEY COUNTY, OKLAHOMA
SALES TAX DISTRIBUTION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

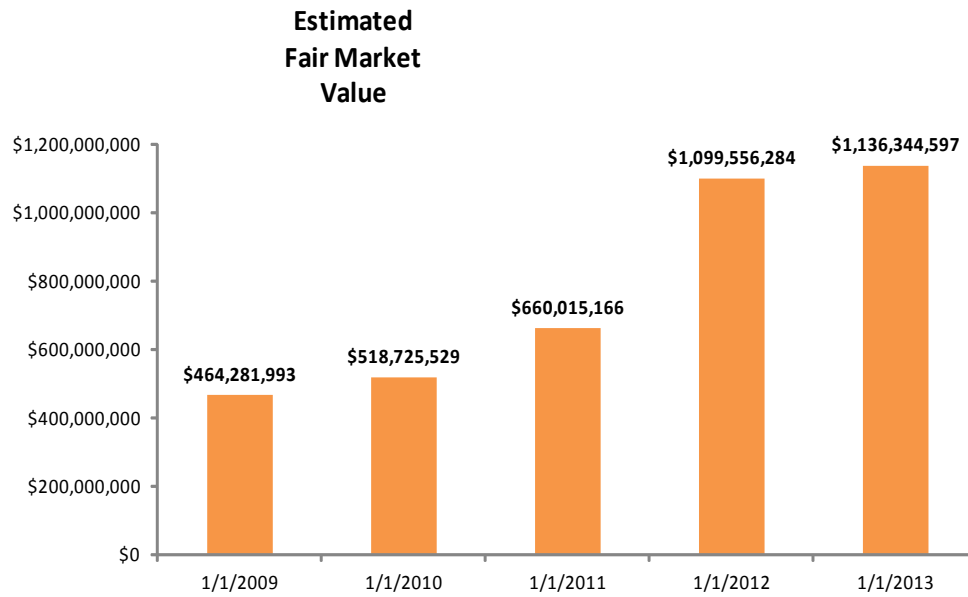
Sales Tax – Continued

During the fiscal year the County collected \$2,393,570 in total sales tax.



**DEWEY COUNTY, OKLAHOMA
 ASSESSED VALUE OF PROPERTY
 TREND ANALYSIS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Valuation Date	Personal	Public Service	Real Estate	Total Exemptions	Net Value	Estimated Fair Market Value
1/1/2013	\$72,255,917	\$56,359,192	\$25,610,649	\$1,213,047	\$153,012,711	\$1,136,344,597
* 1/1/2012	\$71,765,881	\$50,735,050	\$24,761,435	\$1,262,632	\$145,999,734	\$1,099,556,284
* 1/1/2011	\$40,862,702	\$16,933,101	\$23,587,364	\$1,249,585	\$80,133,582	\$660,015,166
* 1/1/2010	\$27,465,260	\$14,160,322	\$22,777,763	\$1,239,469	\$63,163,876	\$518,725,529
* 1/1/2009	\$24,143,349	\$9,274,236	\$22,463,049	\$1,231,755	\$54,648,879	\$464,281,993

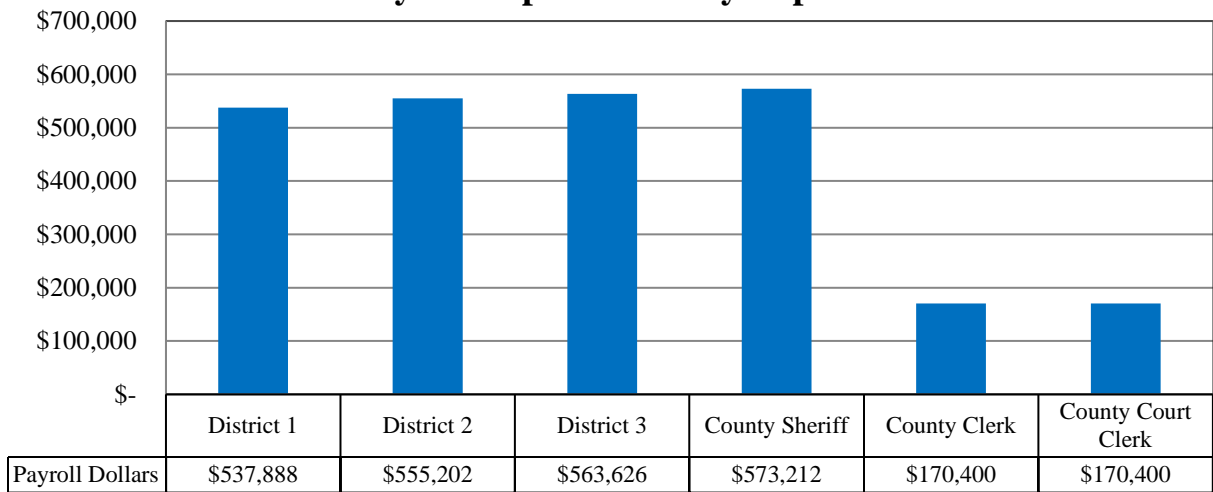


*Estimated Fair Market Value was miscalculated in the prior years and has been corrected.

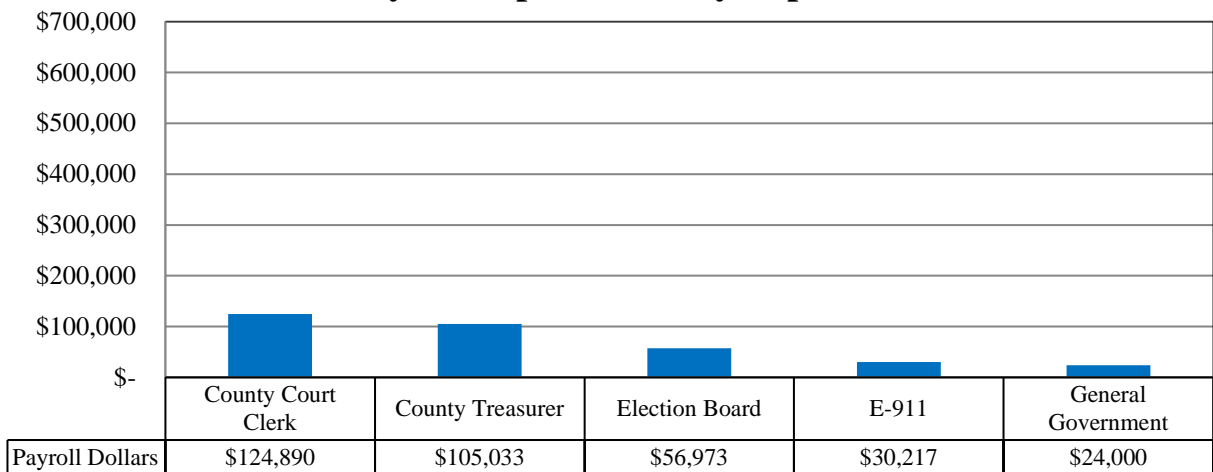
**DEWEY COUNTY, OKLAHOMA
COUNTY PAYROLL EXPENDITURES ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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, 2014.

Payroll Expenditures by Department



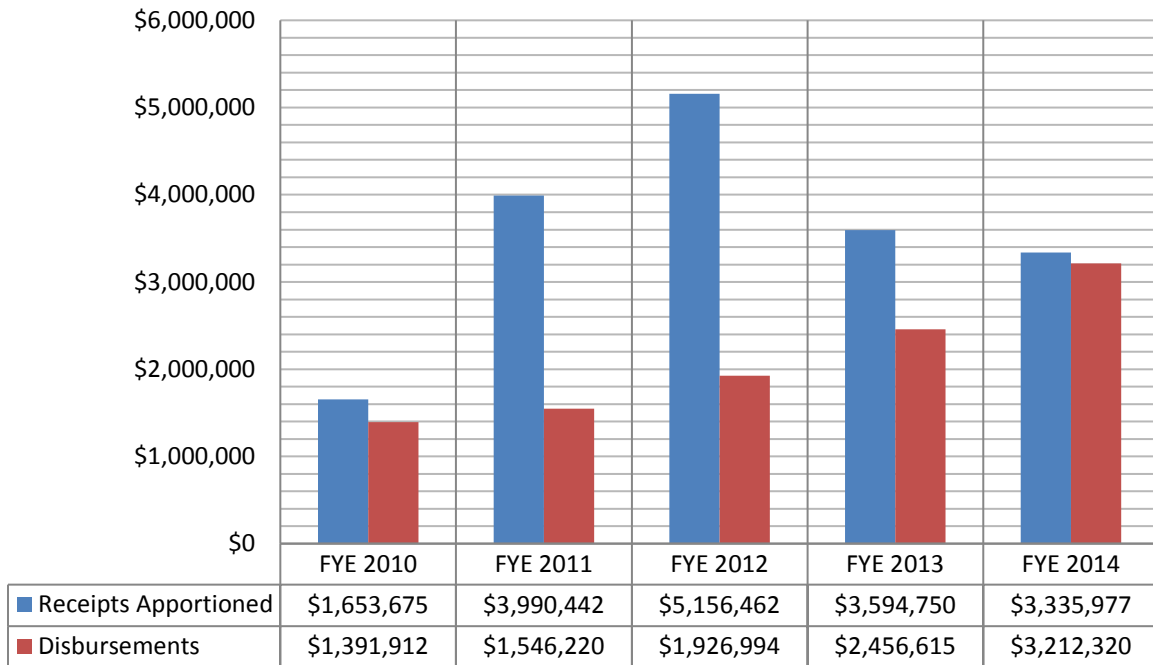
Payroll Expenditures by Department



**DEWEY COUNTY, OKLAHOMA
COUNTY GENERAL FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

County General Fund

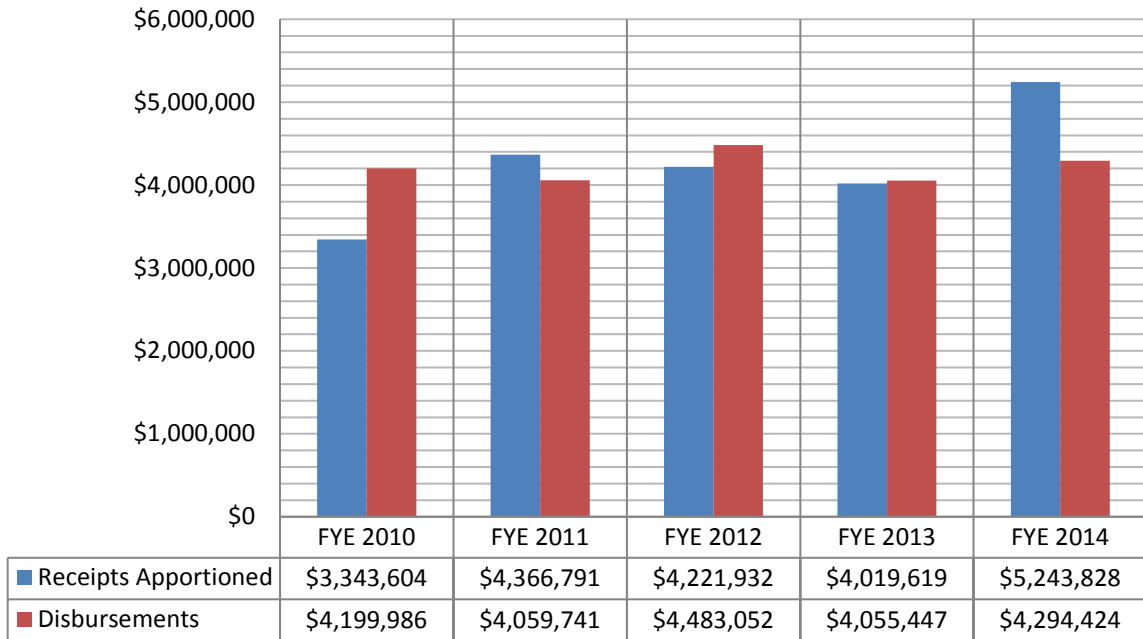
The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the county's primary source of operating revenue. The County General Fund is typically used for county employees' salaries plus many expenses for county maintenance and operation. It also 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, 2014**

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.



**DEWEY COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Presentation of Apportionments, Disbursements, and Cash Balances of County Funds for Fiscal Year Ending June 30, 2014

	Beginning Cash Balances July 1, 2013	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2014
Combining Information:				
County Funds:				
County General Fund	\$ 8,994,759	\$ 3,335,977	\$ 3,212,320	\$ 9,118,416
County Highway Cash	3,308,940	5,243,828	4,294,424	4,258,344
County Clerk Records Preservation Fee	100,734	23,610	25,947	98,397
Sheriff Training	1,300	1,110	-	2,410
Sheriff Service Fee	50,304	84,371	39,121	95,554
Prisoner Revolving Fund	20,526	22,903	29,316	14,113
County Clerk Lien Fee	185,423	37,035	12,786	209,672
Treasurer Mortgage Tax Certification Fee	2,560	1,360	134	3,786
Resale Property	23,493	11,813	11,091	24,215
County Assessor Revolving	23,614	5,144	13,386	15,372
Sheriff Commissary Fund	710	23,049	13,612	10,147
Dewey County Public Facilities Authority	118,858	902,110	1,020,968	-
County Bridge and Road Improvement Fund	987,755	295,897	506,700	776,952
County Assessor Change Fund	100	-	-	100
Reward Revolving Fund	100	-	-	100
Court Clerk Change Fund	150	-	-	150
Dewey County E911	153,688	59,752	34,953	178,487
Pre-Paid 911	6,546	78,401	-	84,947
County Treasurer Change Fund	300	-	-	300
Local Emergency Management	22,169	4,300	10,722	15,747
County Clerk Change Fund	400	-	-	400
Estray Cattle	1,910	1,466	1,910	1,466
Roads Bridges Public Safety	-	182,485	85,341	97,144
Emergency Management Planning Grant	13,902	7,000	5,975	14,927
Combined Total - All County Funds	\$ 14,018,241	\$ 10,321,611	\$ 9,318,706	\$ 15,021,146

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

**DEWEY COUNTY
DESCRIPTION OF COUNTY FUNDS
OPERATIONAL AUDIT
FOR THE FISCAL YEAR JUNE 30, 2014**

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 Clerk Records Preservation Fee – accounts for instruments filed with the County Clerk’s office as restricted by state statute.

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

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

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

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

**DEWEY COUNTY
DESCRIPTION OF COUNTY FUNDS
OPERATIONAL AUDIT
FOR THE FISCAL YEAR JUNE 30, 2014**

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.

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.

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

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.

Roads Bridges Public Safety – accounts for the collections of three-quarters (.75) of one (1) cent sales tax passed on April 1, 2014 to be expended for improvement projects on county roads and bridges, county fire protection, emergency medical services, and public safety projects.

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

DEWEY 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, 2014

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	8,994,759	8,994,759	-
Less: Prior Year Outstanding Warrants	(88,900)	(88,900)	-
Less: Prior Year Encumbrances	(109,530)	(89,252)	20,278
Beginning Cash Balances, Budgetary Basis	<u>8,796,329</u>	<u>8,816,607</u>	<u>20,278</u>
Receipts:			
Ad Valorem Taxes	1,439,712	1,569,343	129,631
Charges for Services	8,107	78,199	70,092
Intergovernmental Revenues	10,735	241,597	230,862
Sales Tax	89,965	1,367,755	1,277,790
Miscellaneous Revenues	6,866	79,083	72,217
Total Receipts, Budgetary Basis	<u>1,555,385</u>	<u>3,335,977</u>	<u>1,780,592</u>
Expenditures:			
District Attorney	1,500	1,500	-
County Sheriff	811,550	808,855	2,695
County Treasurer	176,180	162,899	13,281
County Commissioners	184,832	184,812	20
OSU Extension	29,918	28,653	1,265
County Clerk	157,400	147,642	9,758
Court Clerk	134,400	133,200	1,200
County Assessor	117,800	104,083	13,717
Revaluation of Real Property	99,500	93,687	5,813
General Government	5,475,556	763,718	4,711,838
Excise-Equalization Board	8,100	6,155	1,945
County Election Board	68,277	66,433	1,844
Insurance - Benefits	22,000	8,948	13,052
Charity	100	-	100
Recording Account	400	200	200
Civil Defense	7,500	1,282	6,218
Line Item	1,500,100	-	1,500,100
Highway Budget Account	1,500,000	1,330,956	169,044
County Audit Budget Account	29,901	29,901	-
Free Fair Budget Account	26,700	24,215	2,485
Total Expenditures, Budgetary Basis	<u>10,351,714</u>	<u>3,897,139</u>	<u>6,454,575</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	8,255,445	<u>\$ 8,255,445</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Outstanding Warrants		181,695	
Add: Current Year Encumbrances		681,276	
Ending Cash Balance		<u>\$ 9,118,416</u>	

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

**DEWEY COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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, 2014. 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 2014.

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 in internal controls over the financial reporting process.

FINDINGS AND RECOMMENDATIONS

Finding 2014-3 - Inadequate Internal Controls over Monthly Reports

Condition: Upon inquiry of the County Treasurer, observation, and review of documents, the following deficiencies in internal controls were noted:

- Monthly reports were not reviewed and signed by someone other than the preparer of the monthly reports.
- Two (2) bank statement reconciliations of the seventy-two (72) bank reconciliations tested were not reviewed and signed by someone other than the preparer of the bank statement reconciliations.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure a review of the bank statement reconciliations and monthly reports for accuracy and completeness.

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

Recommendation: The Oklahoma State Auditor & Inspector's Office (OSAI) recommends the County Treasurer implement internal control procedures to ensure that bank statement reconciliations are reviewed and signed by someone other than the preparer and monthly reports are reviewed and signed by someone other than the preparer.

Management Response:

County Treasurer: Regarding bank statement reconciliations, monthly reports and other office reports, I will implement a review and approval of each document for accuracy after the initial preparation of the document.

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, designed to provide reasonable assurance regarding prevention or timely detection of unauthorized

**DEWEY COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

transactions and safeguarding assets from misappropriation. To help ensure a proper accounting of funds, someone other than the preparer of bank statement reconciliations and monthly reports show document evidence of a review of those documents.

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 2014-4 – Inadequate Internal Controls and Noncompliance Over Appropriation and Disbursement of County Sales Tax

Condition: Upon inquiry and observation of the recordkeeping process of collecting and expending county sales tax, the following weaknesses were noted:

- The county sales tax designated for the County General Fund was not accounted for separately in a discretely presented account within the County General Fund.
- The county sales tax disbursements accounted for in the Roads Bridges Public Safety fund are not monitored for three emergency medical service districts; Leedey EMS, Seiling EMS, and Vici-Camargo EMS. Three entities receive a remittance check for the monthly county sales tax and requisition and receive funds without specifying the reason for the disbursement.

Cause of Condition: Policies and procedures with regard to county sales tax appropriations and disbursements have not been designed and implemented in accordance with the state statute.

Effect of Condition: These conditions resulted in noncompliance with the state statute and nonconformity with the AG opinion concerning the county sales tax statute and could result in unrecorded transactions, misstated financials reports, undetected errors, and misappropriation of funds for county sales tax.

Recommendation: OSAI recommends the County implement policies and procedures to properly monitor the appropriation and disbursement of the county sales tax for the County General Fund in accordance with 68 O.S. § 1370E and would allow for the sales tax balances and activity to be distinguished from other revenue sources activity within the County General Fund. Additionally, the County should implement

**DEWEY COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

policies and procedures to properly monitor disbursement of county sales tax in the EMS Districts accounted for in the Roads Bridges Public Safety fund.

Management Response:

District 1 Commissioner: That process was established prior to my term in office. Created as such, I have no legal authority over the way the Dewey County Public Facilities Authority conducts business, but I will recommend that they comply with state statutes. After discussion with the auditor, we will modify our County General Fund Budget to include an account specifically for sales tax appropriations within the County General Fund.

District 2 Commissioner: We will require the EMS services to provide vendor invoices of sales tax expenditures. After discussion with the auditor, we will modify our County General Fund Budget to include an account specifically for sales tax appropriations within the County General Fund.

District 3 Commissioner: We will require the EMS services to provide vendor invoices of sales tax expenditures. After discussion with the auditor, we will modify our County General Fund Budget to include an account specifically for sales tax appropriations within the County General Fund.

County Clerk: The Board of County Commissioners has asked the District Attorney to address the issue of reporting the sales tax in a separate account within the County General Fund.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. Internal controls should be designed to analyze and check accuracy, and completeness of sales tax calculations prior to being appropriated.

Title 68 O.S. § 1370(E) states in part, “Any sales tax which may be levied by a county shall be designated for a particular purpose...The county shall identify the purpose of the sales tax when it is presented to the voters pursuant to the provisions of subsection A of this section...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....”

Further, AG opinion 2005 OK AG 23 dated 07/13/2005 states:

3. Proceeds of a county sales tax voted for a specific purpose but placed in the county’s general fund must be accounted for as a discrete fund, and any surplus not needed for the stated purpose during one fiscal year must be transferred to the county budget for the next fiscal year, for the same specified purpose.”

Additionally, AG opinion 2014 OK AG 15 dated 10/31/2014 states:

4. C. As the fiscal agent responsible for superintending the funds of Canadian County, the board of county commissioners is responsible to ensure that the sales tax proceeds are not intermingled and are used exclusively for the purpose expressed in the ballot measure and resolution. The board can direct that the funds be deposited in a dedicated revolving fund and not intermingled with other revenues. Okla. Const. art. X, § 19; 68 O.S. 2011, § 1370;

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19 O.S. Supp. 2013, § 339; 19 O.S. 2011, § 345; Cavin v. Bd. of County Comm'rs, 1934 OK 245 ¶ 11, 33 P.2d 477, 479.

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 one deficiency in internal controls regarding the approval of the levies for ad valorem tax calculations.

FINDINGS AND RECOMMENDATIONS

Finding 2014-5 - Inadequate Internal Controls Over Approval of County Treasurer's Ad Valorem Tax Levies

Condition: Upon inquiry of the County Treasurer's process for inputting ad valorem tax levies, observation, and review of documents, the following deficiency in internal controls was noted:

- There was no audit evidence to indicate review of the approved levies entered into the County Treasurer's system to the certified levies to ensure they were entered correctly.

Cause of Condition: Internal control policies and procedures have not been designed and implemented to ensure approved ad valorem tax levies are entered correctly and are consistently applied correctly for both prior year and current fiscal year.

Effect of Condition: This condition could result in the misappropriation of ad valorem taxes to the entities that receive ad valorem taxes.

Recommendation: OSAI recommends the County Treasurer implement internal control procedures to ensure that certified levies are entered correctly, which include an independent verification of the levies entered into the County Treasurer's system to the certified tax levy. Additionally, a review of prior year levies should be performed to ensure they are not changed when the new levies are entered. The County Treasurer should maintain audit evidence of levies by school district entered into the County Treasurer's system with signature and date of individual that entered the levies and signature and date of individual that reviewed and approved the levies.

Management Response:

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County Treasurer: After entering the levies into the system, I will print and review the report for accuracy and sign off on the report. A deputy will then review the report to the certified levy sheet and sign off on the report.

Criteria: Effective internal controls include a documented review of key functions be performed and maintained to help prevent and detect errors.

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 financial operations complied with 19 O.S. § 1505, which requires that disbursements be properly supported and charged to the appropriate fund and account. However, we noted some weaknesses in internal controls regarding the approval of timesheets and safeguarding of signature stamps.

FINDINGS AND RECOMMENDATIONS

Finding 2014-6 - Inadequate Internal Controls Over the Disbursement Process including Payroll and Safeguarding of Signature Stamps (Repeat Finding)

Condition: Upon inquiry of the officers and observation of the payroll process, we tested sixty-seven (67) timesheets and noted the following weaknesses:

- The duties of processing payroll are not adequately segregated. The Payroll Clerk enrolls new hires, makes payroll changes, maintains personnel files, prepares OPERS reports and state and federal tax reports, takes payroll warrants to the County Treasurer to be registered and prints payroll checks and verifies the direct deposit.
- Twelve (12) instances were noted where the Supervisor did not sign the timesheets for the District 1 employees.
- Twelve (12) instances were noted where the Supervisor did not sign the timesheets for the District 3 employees.
- One (1) instance was noted where a District 2 employee did not sign his timesheet.
- One (1) instance was noted where a District 3 employee did not sign his timesheet.

Additionally, we noted the safe containing the signature stamps for each Commissioner was not secured during work hours.

Cause of Condition: Policies and procedures have not been designed and implemented over the payroll process, timesheet approval process and safeguarding of Commissioners' signature stamps to strengthen internal controls.

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

Recommendation: OSAI recommends management be aware of this condition 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 risks involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office, and having management review and approve accounting functions. Additionally, all timesheets should be signed by the employee and approved by the official or immediate supervisor. OSAI recommends signature stamps be adequately safeguarded from unauthorized use.

Management Response:

District 1 Commissioner: Anything occurring in FY 14 was prior to my term in office. Prior to this audit finding, steps were already taken to secure my signature stamp. I have the stamp in a combination lock box at the courthouse. I will work with my secretary to establish a system to ensure timesheets are signed by the employee and reviewed and signed.

District 2 Commissioner: I will get a lock box to keep my signature stamp secure.

District 3 Commissioner: We will ensure all employees sign timesheets and I will review and sign all timesheets. We will keep the safe containing the signature stamps locked at all times.

County Clerk: I will encourage the Commissioners to secure their signature stamps in a lock box.

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

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

All Objectives:

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

Finding 2014-1 - Inadequate County-Wide Controls (Repeat Finding)

Condition: The County has not addressed all of the components of an internal control framework which are the Control Environment, Risk Assessment, Information and Communication, and Monitoring. In addition, the District 2 Commissioner has not designed and implemented a Disaster Recovery Plan.

Cause of Condition: This condition is a result of the County not being aware of how the process of identifying risk, implementing control activities, communicating pertinent information, and monitoring could positively impact the operations and reporting of the County.

Effect of Condition: This condition does not allow the County to function in the most effective manner possible. Further, the lack of a Disaster Recovery Plan also puts the county at risk for loss of data and other pertinent county information.

Recommendation: OSAI recommends that the County design and implement procedures to address the risks to the County, through regular meetings, and document their Internal Control Framework. This documentation should outline the importance of internal controls, the risk that the County has identified, the control activities established to address the risk, the steps to take to properly communicate pertinent information in a timely manner and the methodology to monitor the quality of performance over time. As part of risk assessment, each officer should develop a Disaster Recovery Plan.

Management Response:

District 1 Commissioner and Court Clerk: I would be willing to meet with other elected officials on a quarterly basis to discuss risks to the County.

District 2 Commissioner: I would meet with other elected officials to discuss fraud risks and implement policies to prevent loss to the County. I will get a Disaster Recovery Plan prepared for my district.

District 3 Commissioner: We will probably start having monthly officers meetings with an agenda for the meeting to discuss fraud risks to the County.

County Assessor: I would meet with other elected officials to discuss fraud risks and implement policies to prevent loss to the County.

County Sheriff: I would meet with other elected officials on a quarterly basis with a structured agenda that addressed risks to the County.

County Clerk: I will meet with other elected officials on a quarterly basis with an agenda to discuss specific talking points.

County Treasurer: I would meet with other elected officials on a quarterly basis with a structured agenda to address fraud risks to the County and any other item that needed to be discussed.

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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 Control Environment, Risk Assessment, Information and Communication, and Monitoring for the achievement of these goals.

Disaster Recovery Plans are an integral part of county operations to ensure that business can continue in the event of an emergency and/or 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. According to the standards of the Information Systems Audit and Control Association (CobiT, Deliver and Support 4), information services function management should ensure that a written Disaster Recovery Plan is documented and contains guidelines and instructions for the County to follow in the event of a disaster.

Finding 2014-2 - Inadequate Internal Controls over the Schedule of Expenditures of Federal Awards

Condition: The County has not designed and implemented internal controls for the reporting of federal programs as required by OMB Circular A-133. During the review and reconciliation of the Schedule of Expenditures of Federal Awards (SEFA) as initially prepared by the County, we determined the preparer of the SEFA did not report accurate numbers.

The cash receipts for CFDA 97.036, which included Disaster 4109 and Disaster 4222, were reported as \$303,304.93. The total receipts per the County Treasurer's receipt data reflected total federal money received for Disaster 4109 to be \$353,304.93; an understatement of \$50,000.00.

The cash disbursements for CFDA 97.036, which included Disaster 4109 and Disaster 4222, were reported as \$303,304.93. A review of the records provided by Districts 2 and 3 determined that the records were incomplete and the reported disbursement amount could not be determined.

The County reported the beginning and ending balances for CFDA 97.036 as \$0. Beginning and ending balances for CFDA 97.036 could not be verified due to incomplete and inaccurate documentation maintained by the Districts.

Cause of Condition: Internal controls have not been designed and implemented to ensure proper individuals take responsibility to accurately report cash receipts and cash disbursements on the SEFA.

Effect of Condition: These conditions resulted in inaccurate reporting of federal grant expenditures on the SEFA.

Recommendation: OSAI recommends the County design and implement procedures to ensure all federal grant awards are tracked and reported accurately on the SEFA by the proper individuals. We further

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recommend that the SEFA awards be reconciled to accounting records, including miscellaneous receipts and project worksheets where applicable.

Management Response:

District 1 Commissioner: District 1 did not receive any federal compensation for Disaster 4109 and that would have occurred prior to my term in office. Going forward, I will ensure that proper documentation is prepared and maintained for accurate reporting.

District 2 Commissioner: We will work to ensure the documentation for federal projects is accurate.

District 3 Commissioner: We will ensure that accurate documentation is made available to prepare the SEFA.

County Clerk: I will check with the Treasurer on reported receipt amounts to ensure the money is coded properly. I will check with each district to make sure the reported expenditures for each disaster is turned into me to prepare the SEFA.

County Treasurer: Concerning the Treasurer's office and revenue intakes, I will provide a report documenting miscellaneous receipts for federal grants before signing the SEFA.

Criteria: *OMB A-133, Subpart C, §__.300(b)(d)* reads as follows:

Subpart C – Auditees

§__.300 Auditee responsibilities.

The auditee shall:

(b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal Awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

(d) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with §__.310.

Further, accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, an accurate record of federal expenditures should be maintained.

REPORT ON STATUTORY COMPLIANCE – OTHER MATTERS



Oklahoma State Auditor & Inspector

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Dewey County
Board of County Commissioners
Dewey County Courthouse
203 S. Broadway
Taloga, Oklahoma 73667

Dear Chairman:

For the purpose of complying with 19 O.S. § 171 and 20 O.S. § 1312, we have performed statutory procedures regarding the following offices and departments for the fiscal year ended June 30, 2014:

- 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 related to the statutes 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 Dewey 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

September 25, 2017

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SCHEDULE OF FINDINGS AND RESPONSES

Finding 2014-7 - Inadequate Internal Controls and Noncompliance Over Inmate Trust Checking Account and Sheriff Commissary Fund (Repeat Finding)

Condition: Based on inquiries and observation of records, it was noted the County Sheriff's office has not designed or implemented internal controls to safeguard inmate funds from possible misappropriation. The following weaknesses were noted:

- Inmate trust funds were not deposited daily.
- One employee has the ability to post to inmate accounts, maintain ledger reconciliations, prepare deposit slips, and deliver deposits to the bank.
- The Inmate Trust Fund Checking Account reflects outstanding checks, which were issued over a year prior to June 30, 2014.
- There is a lack of audit evidence with regard to the review of the reconciliation of the Inmate Trust Fund Checking Account to the bank statement.
- The Sheriff has not implemented a program to process unclaimed checks issued from the Inmate Trust Fund Checking Account.
- The Sheriff did not file an Annual Commissary Report with the Board of County Commissioners for the year.

Cause of Condition: Policies and procedures with regard to segregating the duties over the Inmate Trust Fund Checking Account, funds presumed abandoned in the Inmate Trust Fund Checking Account and procedures to prepare and file an annual commissary report have not been designed and implemented.

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 undetected errors and possible misappropriation of funds.

Recommendation: OSAI recommends the Sheriff implement 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. All funds received by the office should be deposited on a daily basis. Also, checks outstanding for six (6) months should be removed from the Inmate Trust Fund Checking Account ledger, and the Sheriff should take appropriate action to file an application in the district court requesting the court to authorize appropriation of the money for deposit into the Sheriff's fund. Bank reconciliations should be signed dated and contain evidence of the accuracy of the reconciliation of the Inmate Trust Fund Checking Account ledgers to the bank statement. OSAI further recommends the Sheriff comply with the state statute and prepare the annual commissary report and file it with the Board of County Commissioners no later than January 15th.

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Management Response:

County Sheriff: I have hired an employee to work during business hours to segregate the duties of the Inmate Trust Fund Checking Account and the reconciliation of deposits. I have prepared a report that shows the beginning balance, total deposits, total disbursements, and ending balance for the Sheriff's Commissary Fund.

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 19 O.S. § 531.A states, "A. Notwithstanding any other provisions of law, the county sheriff may establish a checking account, to be designated the "Inmate Trust Fund Checking Account", to be managed by the county sheriff and maintained separately from regular county funds. The checking account shall be subject to audit by the State Auditor and Inspector. 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 by the inmate during his or her incarceration and to the inmate from unencumbered balances due the inmate upon his or her discharge."

Title 22 O.S. § 1325 subsection F states in part, "A sheriff's office having in its possession money or legal tender under the circumstances provided in subsection A of this section, prior to appropriating the same for deposit into a special fund, shall file an application in the district court of its county requesting the court to enter an order authorizing it to so appropriate the money for deposit in the special fund. The application shall describe the money or legal tender, together with serial numbers, if any, the date the same came into the possession of the sheriff's office or campus police agency, and the name and address of the owner, if known..... At the hearing, if no one appears to claim and prove ownership to the money or legal tender, the court shall order the same to be deposited by the sheriff's office or campus police agency in the special fund, as provided in subsection H of this section."

Title 19 O.S. § 180.43D states, "D. Each county sheriff may operate, or contract the operation of, a commissary for the benefit of persons lawfully confined in the county jail under the custody of the county sheriff. Any funds received pursuant to said operations shall be the funds of the county where the persons are incarcerated and shall be deposited in the Sheriff's Commissary Account. The sheriff shall be permitted to expend the funds to improve or provide jail services. The sheriff shall be permitted to expend any surplus in the Sheriff's Commissary Account for administering expenses for training equipment, travel or for capital expenditures. The claims for expenses shall be filed with and allowed by the board of county commissioners in the same manner as other claims. The sheriff shall receive no compensation for the operation of said commissary. The sheriff shall file an annual report on any said commissary under his or her operation no later than January 15 of each year.

Finding 2014-8 - Inadequate Internal Controls and Noncompliance Over Fixed Assets and Consumable Inventories (Repeat Finding)

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Condition: Upon inquiry of officers and observation of fixed asset inventory items, we noted the following weaknesses:

Fixed Assets:

- Annual physical fixed assets inventory verification was not performed for the County Sheriff's office.
- The documentation provided to us by the District 1 Commissioner did not provide audit evidence that a physical inspection of fixed assets was performed.
- The documentation provided to us by the District 3 Commissioner, contained items which were not marked as verified and no explanation was provided.

Consumable Inventory:

- District 1 Commissioner does not monitor or log fuel usage.
- District 2 Commissioner utilizes a satellite fuel tank, although the fuel usage is not gauged or monitored.
- District 3 Commissioner does not maintain documentation of the physical inventory for consumable items.
- District 3 Commissioner utilizes a satellite fuel tank, although the fuel usage is not gauged or monitored.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure compliance with the state statutes regarding maintaining and properly identifying fixed assets and accounting for consumable inventory items.

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

Recommendation: OSAI recommends management implement internal controls to ensure compliance with 19 O.S. § 178.1, 19 O.S. § 1502(A)(1), 19 O.S. § 1502(B)(1). OSAI recommends the performing and documenting of an annual inventory of fixed assets. Also, fuel usage should be documented or logged daily and a review of the log should be performed on a regular basis. Documentation of the review should be maintained.

Management Response:

District 1 Commissioner: We will maintain documentation of a physical inventory verification performed every year. Diesel tanks are under video surveillance. One tank is gravity fed; the other has an inaccurate gage which is not able to be reconciled. If funds are available in the future, we will put accurate gages on the tanks.

District 2 Commissioner: The satellite tank is located at an employee's mother's house. The fuel tank has a pad lock on it and the employee has the key.

District 3 Commissioner: I will ensure annual inventory verified is accurate and any variances are noted. We will perform monthly consumable inventory verification. The satellite tank is a 300 gallon gravity fed

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tank and only has one employee that uses fuel from that tank. The employee has a pad lock on the tank to keep anyone else from obtaining fuel.

County Sheriff: I have now performed an inventory verification of fixed assets and have filed it with 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, designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from misappropriation.

Title 19 O.S. § 1502 (A)(1) requires a prescribed uniform identification system for all supplies, materials, and equipment of a county used for maintenance for roads and bridges.

Title 19 O.S. § 1502 (B)(1) requires a prescribed uniform identification system for all supplies, materials, and equipment of a county not used in the construction and maintenance for roads and bridges.

Title 19 O.S. § 178.1 requires the Board of County Commissioners to take, or cause to be taken, an inventory of all working tools, apparatus, machinery and equipment belonging to the county which cost more than Five Hundred Dollars (\$500.00).



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