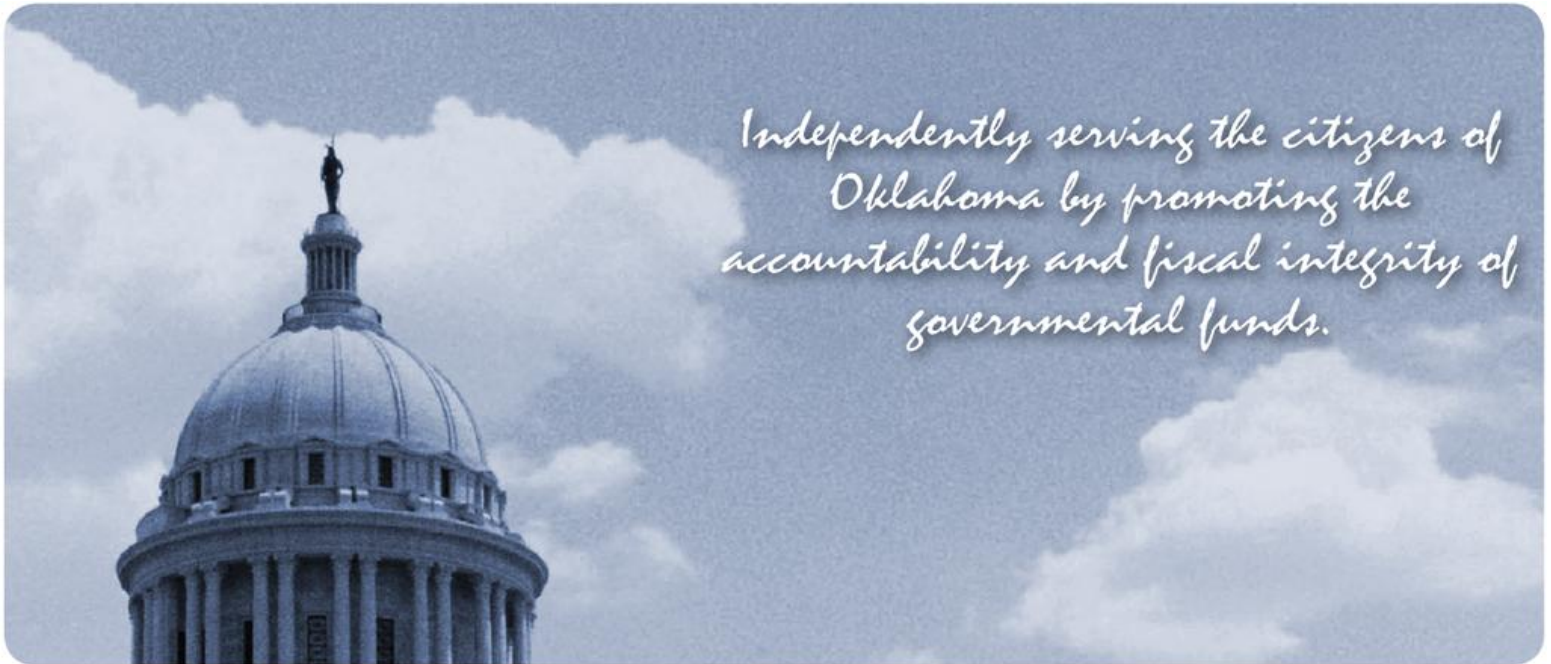


COUNTY AUDIT

ELLIS COUNTY

For the fiscal year ended June 30, 2013



Oklahoma State
Auditor & Inspector
Gary A. Jones, CPA, CFE

**ELLIS COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

This publication, issued by the Oklahoma State Auditor and Inspector's Office as authorized by 19 O.S. § 171, has not been printed, but is available on the agency's website (www.sai.ok.gov) and in the Oklahoma Department of Libraries Publications Clearinghouse Digital Collection, pursuant to 74 O.S. § 3105.B.



Oklahoma State Auditor & Inspector

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

October 7, 2014

TO THE CITIZENS OF
ELLIS COUNTY, OKLAHOMA

Transmitted herewith is the audit of Ellis 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, reading "Gary A. Jones".

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

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

TABLE OF CONTENTS

INTRODUCTORY SECTION (Unaudited)

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

FINANCIAL SECTION

| | |
|--|---|
| Report of State Auditor and Inspector | 1 |
| Financial Statement: | |
| Statement of Receipts, Disbursements, and Changes in Cash Balances—Regulatory Basis (with Combining Information)—Major Funds..... | 4 |
| Notes to the Financial Statement | 5 |

OTHER SUPPLEMENTARY INFORMATION

| | |
|---|----|
| Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis—General Fund..... | 10 |
| Combining Statement of Receipts, Disbursements, and Changes in Cash Balances—Regulatory Basis—Remaining Aggregate Funds | 12 |
| Notes to Other Supplementary Information | 13 |

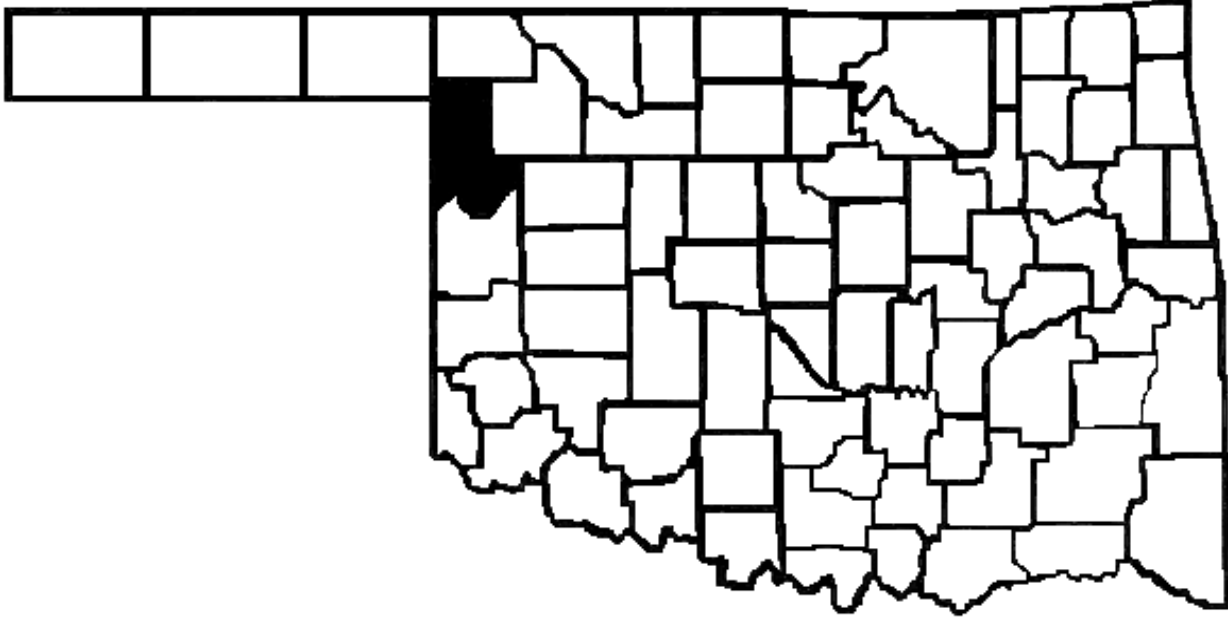
ELLIS COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

INTERNAL CONTROL AND COMPLIANCE SECTION

| | |
|---|----|
| Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> | 15 |
| Schedule of Findings and Responses | 17 |

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

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



Ellis County is located in western Oklahoma and created at statehood from portions of Roger Mills and Woodward counties, Ellis County was named for Albert H. Ellis, vice president of Oklahoma Constitutional Convention.

The site of several Indian battles including the Battle of Little Robe and the Battle of Wolf Creek, Ellis County was crossed by Fort Elliot-Fort Supply Military Crossing, a major thoroughfare to military camps and posts in the Indian Territory and the Great Western Cattle Trail.

Once leading dairy and oil producers, Ellis County now hosts primarily an agricultural and ranching industry. With the exception of Arnett, the county seat, the major communities of Ellis County – Shattuck, Fargo, and Gage – are located on or very near the old Atchison, Topeka, and Santa Fe Railroad, now the Burlington Northern Santa Fe Railroad.

Ellis County Heritage Volumes I & II, *A Pioneer History of Shattuck, Oklahoma; the 1910 Ellis County Plat Book*, and others offer historical information about the area. Call the county clerk's office at 580-885-7301 for more information.

County Seat – Arnett

Area – 1,231.84 Square Miles

County Population – 4,104
(2012 est.)

Farms – 766

Land in Farms – 718,058 Acres

Primary Source: Oklahoma Almanac 2013-2014

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

Board of County Commissioners

District 1 – Terry Fagala
District 2 – Frankie Stevens
District 3 – Blake Suthers

County Assessor

Karen Perkins

County Clerk

Lynn Smith

County Sheriff

DeWayne Miller

County Treasurer

Kathy Holloway

Court Clerk

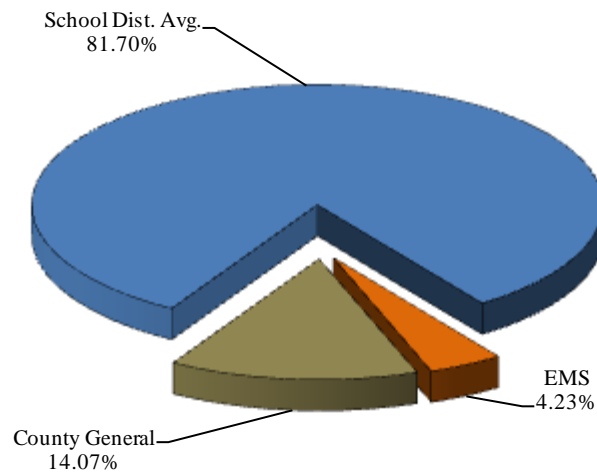
Dona Folks

District Attorney

Dennis Smith

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

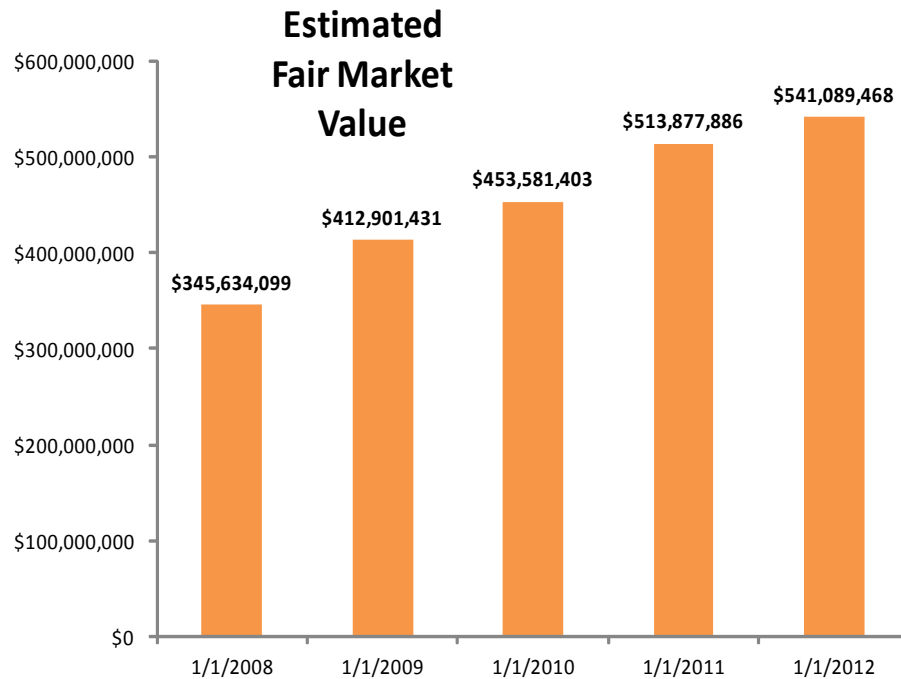
Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of a property is \$1,000.00 and the millage rate is 1.00, then the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



| County-Wide Millages | | | | School District Millages | | | | | |
|----------------------|-------|-----------------------------|----------|--------------------------|-------|-------|-------|--------|-------|
| | | | | Career | | | | | |
| County General | 10.62 | | | Gen. | Bldg. | Skg. | Tech | Common | Total |
| EMS | 3.19 | Fargo | JT. I-2 | 37.19 | 5.31 | 7.61 | 13.01 | 4.25 | 67.37 |
| | | Arnett | JT. I-3 | 37.59 | 5.37 | 4.69 | - | 4.25 | 51.90 |
| | | Gage | JT. I-39 | 38.64 | 5.52 | 6.89 | 13.01 | 4.25 | 68.31 |
| | | Shattuck | JT. I-42 | 36.61 | 5.23 | 11.94 | - | 4.25 | 58.03 |
| | | Vici, Dewey County | JT. I-5 | 37.89 | 5.41 | 9.96 | 12.00 | 4.25 | 69.51 |
| | | Lavem, Harper County | JT. I-1 | 35.78 | 5.11 | - | - | 4.25 | 45.14 |
| | | Ft. Supply, Woodward County | JT. J-5 | 37.30 | 5.33 | 11.63 | 13.01 | 4.25 | 71.52 |

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

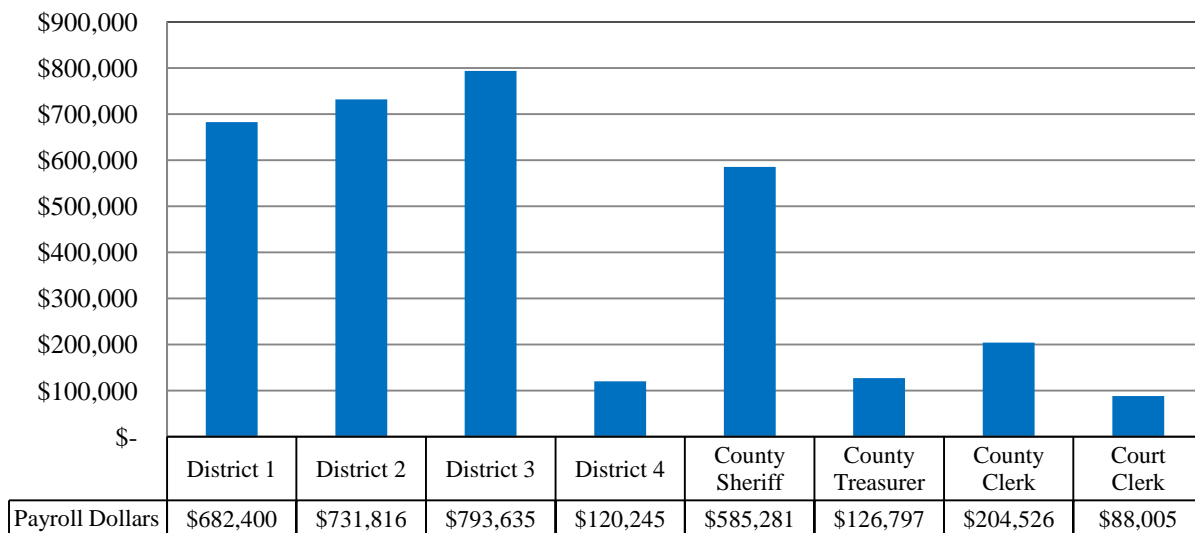
| Valuation Date | Personal | Public Service | Real Estate | Homestead Exemption | Net Value | Estimated Fair Market Value |
|-------------------|--------------|-------------------|----------------|------------------------|--------------|-----------------------------------|
| 1/1/2012 | \$35,694,532 | \$10,202,929 | \$23,877,992 | \$1,230,004 | \$68,545,449 | \$541,089,468 |
| 1/1/2011 | \$34,024,166 | \$9,389,970 | \$22,709,905 | \$1,230,069 | \$64,893,972 | \$513,877,886 |
| 1/1/2010 | \$27,420,789 | \$9,376,224 | \$22,084,923 | \$1,233,435 | \$57,648,501 | \$453,581,403 |
| 1/1/2009 | \$23,498,438 | \$9,019,597 | \$21,312,965 | \$1,256,563 | \$52,574,437 | \$412,901,431 |
| 1/1/2008 | \$16,289,555 | \$8,672,504 | \$20,632,049 | \$1,237,682 | \$44,356,426 | \$345,634,099 |



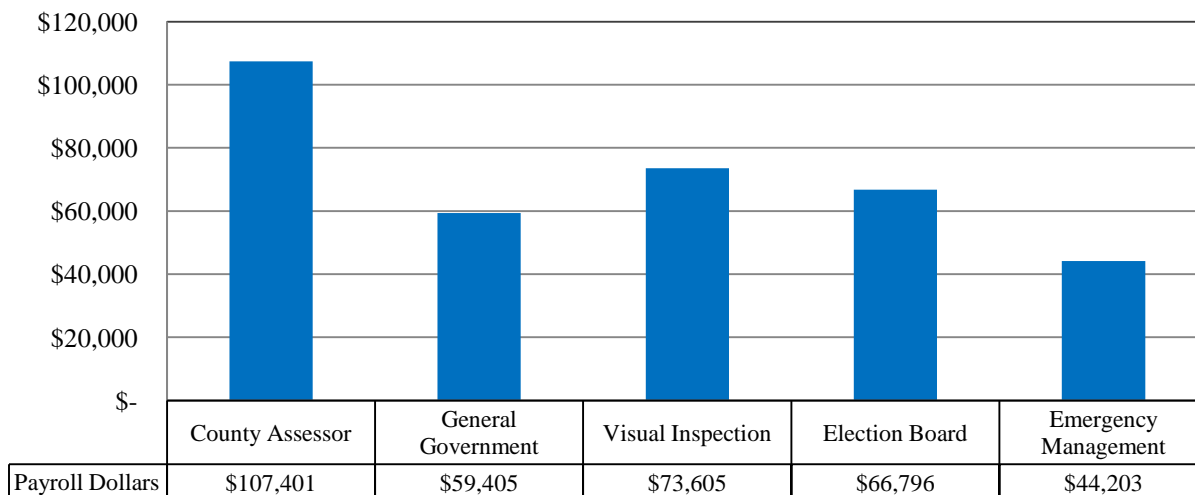
**ELLIS COUNTY, OKLAHOMA
COUNTY PAYROLL EXPENDITURES ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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



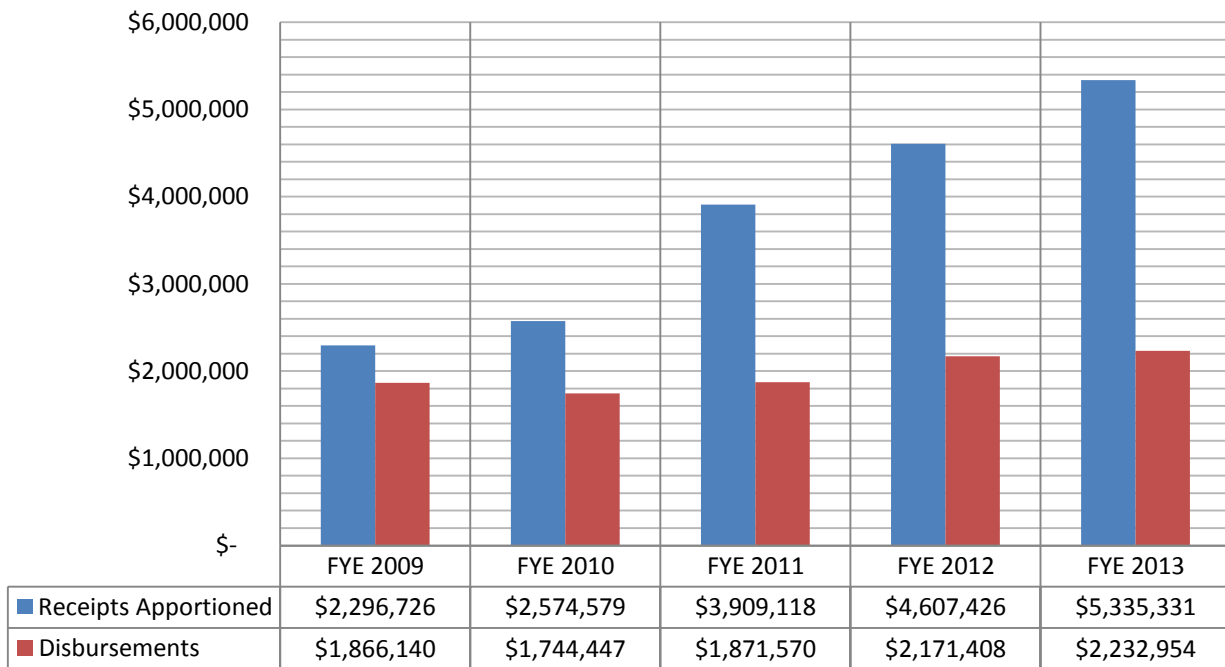
Payroll Expenditures by Department



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

County General Fund

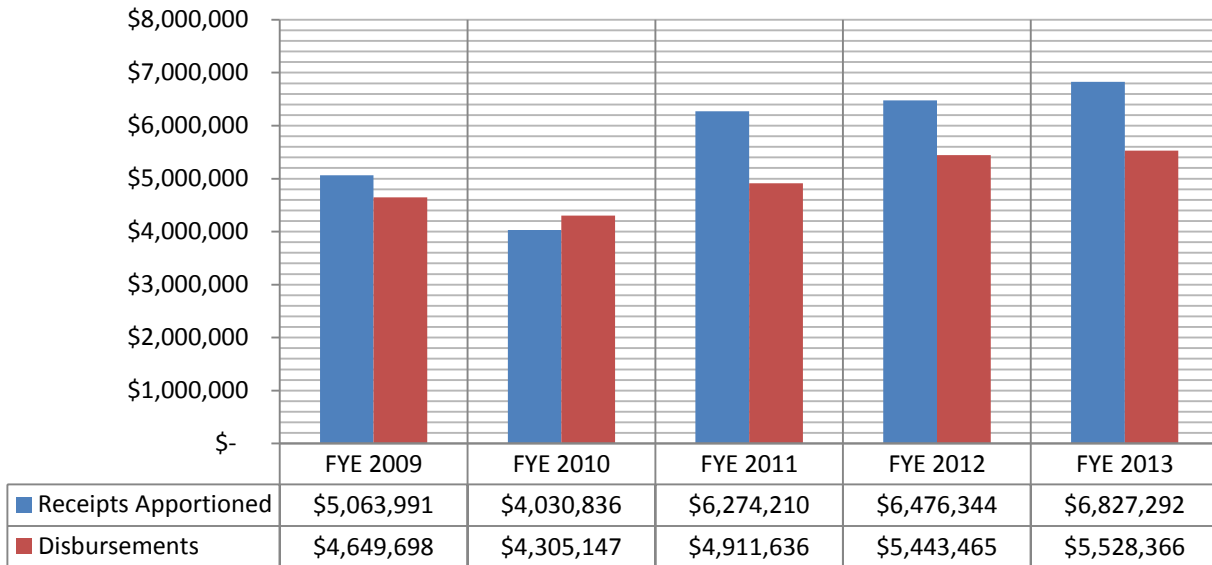
The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the county's primary source of operating revenue. The County General Fund is typically used for county employees' salaries plus many expenses for county maintenance and operation. It also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



**ELLIS 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
ELLIS 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 Ellis 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 Ellis 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 Ellis 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 Ellis 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 September 29, 2014, on our consideration of Ellis 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 Ellis 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

September 29, 2014

REGULATORY BASIS FINANCIAL STATEMENT

ELLIS 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 | Transfers In | Transfers Out | Disbursements | Ending Cash Balances June 30, 2013 |
|--|--|-------------------------|------------------|------------------|----------------------|--|
| Combining Information: | | | | | | |
| Major Funds: | | | | | | |
| County General Fund | \$ 6,798,080 | \$ 5,335,331 | \$ - | \$ 39,334 | \$ 2,232,954 | \$ 9,861,123 |
| County Highway Cash | 5,357,519 | 6,827,292 | - | - | 5,528,366 | 6,656,445 |
| Senior Citizens Transport Sales Tax | 24,030 | 34,871 | 428 | - | 31,277 | 28,052 |
| Newman Memorial Hospital Sales Tax | 1,892,966 | 1,742,324 | 32,064 | - | 3,502,103 | 165,251 |
| Catesby Fire Department Sales Tax | 143,139 | 92,858 | 1,137 | - | 83,169 | 153,965 |
| Harmon Fire Department Sales Tax | 131,038 | 92,835 | 1,137 | - | 76,428 | 148,582 |
| Arnett Fire Department Sales Tax | 75,702 | 93,105 | 1,142 | - | 104,996 | 64,953 |
| Fargo Fire Department Sales Tax | 208,804 | 93,307 | 1,142 | - | 74,524 | 228,729 |
| Gage Fire Department Sales Tax | 112,673 | 95,719 | 1,142 | - | 89,530 | 120,004 |
| Shattuck Fire Department Sales Tax | 245,576 | 93,400 | 1,142 | - | 13,442 | 326,676 |
| Extention Sales Tax | 953,303 | 278,630 | - | - | 260,572 | 971,361 |
| Free Fair Sales Tax | 424,763 | 174,144 | - | - | 369,952 | 228,955 |
| Restoration Sales Tax | 182,349 | 208,973 | - | - | 25,482 | 365,840 |
| EMS 2 Sales Tax | 660,695 | 872,249 | - | - | 514,857 | 1,018,087 |
| Remaining Aggregate Funds | 777,394 | 246,398 | - | - | 120,758 | 903,034 |
| Combined Total - All County Funds | \$ 17,988,031 | \$ 16,281,436 | \$ 39,334 | \$ 39,334 | \$ 13,028,410 | \$ 21,241,057 |

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

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

1. Summary of Significant Accounting Policies

A. Reporting Entity

Ellis 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 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 major 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.

Senior Citizens Transport Sales Tax – accounts for sales tax collected and disbursed on behalf of the account.

Newman Memorial Hospital Sales Tax – accounts for sales tax collected and disbursed on behalf of the account.

Catesby Fire Department Sales Tax – accounts for sales tax collected and disbursed on behalf of the account.

Harmon Fire Department Sales Tax – accounts for sales tax collected and disbursed on behalf of the account.

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

Arnett Fire Department Sales Tax – accounts for sales tax collected and disbursed on behalf of the account.

Fargo Fire Department Sales Tax – accounts for sales tax collected and disbursed on behalf of the account.

Gage Fire Department Sales Tax – accounts for sales tax collected and disbursed on behalf of the account.

Shattuck Fire Department Sales Tax – accounts for sales tax collected and disbursed on behalf of the account

Extension Sales Tax – accounts for sales tax collected and disbursed on behalf of the account.

Free Fair Sales Tax – accounts for sales tax collected and disbursed on behalf of the account.

Restoration Sales Tax – accounts for sales tax collected and disbursed on behalf of this account.

EMS 2 Sales Tax – accounts for sales tax collected and disbursed on behalf of the account.

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 the first Monday in July of each year, each officer or department head submits an estimate of needs to the governing body. The budget

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

is approved for the respective fund by office, or department and object. The County Board of Commissioners may approve changes of appropriations within the fund by office or department and object. To increase or decrease the budget by fund requires approval by the County Excise Board.

E. Cash and Investments

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

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

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

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

2. Ad Valorem Tax

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

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

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

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 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.

D. Sales Tax

On August 27, 2002, Ellis County voters approved a 1% sales tax effective on and after November 2, 2002, and shall have perpetual life. The 1% sales tax will be divided as follows:

- Arnett Fire Department: 2.67%
- Fargo Fire Department: 2.67%
- Gage Fire Department: 2.67%
- Shattuck Fire Department: 2.67%
- Catesby Fire Department: 2.66%

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

- Harmon Fire Department: 2.66%
- The remaining 84% is for the general operation and capital improvements for the Ellis County Free Fair, OSU Extension, General Fund, Restoration and Maintenance of Ellis County Courthouse, and Senior Citizens Transportation Bus.

On April 6, 2010, Ellis County voters approved a 1% sales tax commencing on October 1, 2010 for five (5) years. The 1% will be divided as follows:

- .50% to be used for the funding of Shattuck Hospital Authority, a Municipal Trust, to be used for the operations and maintenance of the Newman Memorial Hospital.
- .25% to be used for funding of Ellis County Emergency Medical Service, to be used for wages and maintenance and operations of the Ellis County Emergency Medical Service.
- .25% to be used for funding of General Fund type operations of Ellis County.

These funds are accounted for in cash funds as reported on the County's Financial Statement as Senior Citizens Transport Sales Tax, Newman Memorial Hospital Sales Tax, Catesby Fire Department Sales Tax, Harmon Fire Department Sales Tax, Arnett Fire Department Sales Tax, Fargo Fire Department Sales Tax, Gage Fire Department Sales Tax, Shattuck Fire Department Sales Tax, Extension Sales Tax, Free Fair Sales Tax, Restoration Sales Tax, and EMS 2 Sales Tax.

E. Interfund Transfers

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

- A transfer of \$39,334 was made from County General Fund to account for interest earned over a three year period on CDARS investments. This interest was accounted for in the General Fund and transferred out to the following funds during the current fiscal year: transfers in were \$428 to Senior Citizens Transport Sales Tax, \$32,064 to Newman Memorial Hospital Sales Tax, \$1,137 each to Catesby Fire Department Sales Tax and Harmon Fire Department Sales Tax, \$1,142 each to Arnett Fire Department Sales Tax, Fargo Fire Department Sales Tax, Gage Fire Department Sales Tax and Shattuck Fire Department Sales Tax to account for the interest earned.

OTHER SUPPLEMENTARY INFORMATION

ELLIS 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 | \$ 6,798,080 | \$ 6,798,080 | \$ - |
| Less: Prior Year Outstanding Warrants | (145,118) | (145,119) | (1) |
| Less: Prior Year Encumbrances | (3,050) | (2,125) | 925 |
| Beginning Cash Balances, Budgetary Basis | 6,649,912 | 6,650,836 | 924 |
| Receipts: | | | |
| Ad Valorem Taxes | 673,650 | 741,047 | 67,397 |
| Sales Tax | - | 3,099,762 | 3,099,762 |
| Charges for Services | - | 101,179 | 101,179 |
| Intergovernmental Revenues | - | 1,271,933 | 1,271,933 |
| Miscellaneous Revenues | 102,000 | 121,410 | 19,410 |
| Total Receipts, Budgetary Basis | 775,650 | 5,335,331 | 4,559,681 |
| Expenditures: | | | |
| District Attorney | 4,500 | 4,308 | 192 |
| County Sheriff | 768,009 | 709,745 | 58,264 |
| County Treasurer | 162,597 | 148,238 | 14,359 |
| County Clerk | 247,973 | 209,326 | 38,647 |
| Court Clerk | 110,305 | 100,434 | 9,871 |
| County Assessor | 121,102 | 116,905 | 4,197 |
| Revaluation of Real Property | 120,184 | 113,391 | 6,793 |
| General Government | 5,775,892 | 746,888 | 5,029,004 |
| Excise-Equalization Board | 2,800 | 2,295 | 505 |
| County Election Board | 85,222 | 78,413 | 6,809 |
| Charity | 1 | - | 1 |
| Recording | 20,000 | 20,000 | - |
| County Audit Budget Account | 6,977 | 610 | 6,367 |
| Total Expenditures, Budgetary Basis | 7,425,562 | 2,250,553 | 5,175,009 |

Continued on next page

ELLIS 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 | | |
|---|---------------|---------------------|---------------------|
| | <u>Budget</u> | <u>Actual</u> | <u>Variance</u> |
| Continued from previous page | | | |
| Excess of Receipts and Beginning Cash | | | |
| Balances Over Expenditures, Budgetary Basis | <u>\$ -</u> | 9,735,614 | <u>\$ 9,735,614</u> |
| Operating Transfers: | | | |
| Transfer Out | | (39,334) | |
| Net Transfers | | (39,334) | |
| Reconciliation to Statement of Receipts, | | | |
| Disbursements, and Changes in Cash Balances | | | |
| Add: Current Year Outstanding Warrants | | 164,843 | |
| Ending Cash Balance | | <u>\$ 9,861,123</u> | |

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

| | Beginning Cash Balances July 1, 2012 | Receipts Apportioned | Disbursements | Ending Cash Balances June 30, 2013 |
|---|--|--------------------------|--------------------------|--|
| Remaining Aggregate Funds: | | | | |
| Resale Property | \$ 127,830 | \$ 36,230 | \$ 9,922 | \$ 154,138 |
| Sheriff Service Fee | 22,496 | 25,921 | 16,488 | 31,929 |
| Treasurer Mortgage Tax Certification Fee | 10,262 | 855 | 723 | 10,394 |
| County Clerk Lien Fee | 102,298 | 35,777 | 35,244 | 102,831 |
| Assessor Visual Inspection | 195 | - | - | 195 |
| Board of Prisoners | 25,414 | 9,909 | 11,060 | 24,263 |
| Sheriff Forfeiture | 729 | 2,597 | 1,104 | 2,222 |
| Assessor Revolving | 34,022 | 5,714 | 1,107 | 38,629 |
| Sheriff Dare | 131 | - | - | 131 |
| RM&P Cash Account | 90,578 | 22,316 | 14,916 | 97,978 |
| PL911 | 289,082 | 84,937 | 30,194 | 343,825 |
| PC911 | 74,357 | 22,142 | - | 96,499 |
| Combined Total - Remaining Aggregate Funds | <u><u>\$ 777,394</u></u> | <u><u>\$ 246,398</u></u> | <u><u>\$ 120,758</u></u> | <u><u>\$ 903,034</u></u> |

ELLIS 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 comparison 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 as follows:

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

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

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

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

Assessor Visual Inspection – accounts for collection and expenditures of monies by the Assessor as restricted by state statute for the visual inspection program.

Board of Prisoners – accounts for the collection of monies from the Oklahoma Department of Corrections and disbursements are used for the operations of the Sheriff's department.

Sheriff Forfeiture – accounts for money forfeited or money earned from the sale of items forfeited to the sheriff in relation to drug bust.

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

Sheriff Dare – grant money expended to educate children on drug awareness.

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

RM&P Cash Account – accounts for fees collected for instruments filed with the County Clerk as restricted by statute.

PL911 – On February 5, 2008, the Ellis County voters approved a E911 be established and that an emergency telephone fee not exceeding 15% or maximum allowed by state be collected by the local service provider from all telephone customers located within the County for the purpose of funding the operations of the Ellis County E911 system.

PC911 – On February 5, 2008, the Ellis County voters approved a 911 wireless emergency telephone fee of the maximum amount required by law (currently \$0.50 per month per wireless connection) be imposed upon each wireless connection in Ellis County as determined by the zip code of the subscriber, for the purpose of providing revenue to fund the costs of processing 911 emergency wireless calls.

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

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
Ellis 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 Ellis County, Oklahoma, as of and for the year ended June 30, 2013, which comprises Ellis County's financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated September 29, 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 Ellis 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 Ellis County's internal control. Accordingly, we do not express an opinion on the effectiveness of Ellis 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.

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 and 2013-4.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ellis 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 Ellis County, which are included in Section 2 of the schedule of findings and responses contained in this report.

Ellis County's Responses to Findings

Ellis County's responses to the findings identified in our audit, are described in the accompanying schedule of findings and responses. Ellis 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.

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

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

September 29, 2014

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

Management Response:

County Sheriff: I will discuss with the other elected officials, the possibility of a fifteen minute quarterly meeting to discuss risks to the County. With regard to monitoring, each Monday the Sheriff checks the deposits, books, logs, paper service, verifies receipts match deposits, all bonds and papers that have been served are in the proper places.

Court Clerk: The Court Clerk will look at the possibility of meetings with other elected officials to address risks and solutions on a quarterly basis.

District 2 Commissioner: I will be willing to meet on a yearly basis to discuss risks to the County with the other elected officials.

District 3 Commissioner: It would be possible to have quarterly meetings with other elected officials to discuss risks to the County and solutions to those risks.

District 1 Commissioner: I would be willing to meet with other elected officials on a quarterly basis to address risks and solutions to risks.

County Clerk: I will be willing to meet quarterly with other elected officials to discuss risks to the County and solutions to those risks.

County Assessor: I will meet with the other elected officials on a quarterly basis to discuss risks to the County and solutions to those risks.

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

County Treasurer: I am willing to meet with other elected officials on a quarterly basis to discuss risks to the County and solutions to those risks.

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.

Finding 2013-4 - Inadequate Internal Controls Over the Disbursement Process (Repeat Finding)

Condition: Upon inquiry and observation of the purchasing process and the test of fifty purchase orders, the following weaknesses were noted:

- Employees that are not designated requisitioning officers in District 1, District 2, and District 3, ordered goods and services, prior to the Commissioners signing as requisitioning officers at the weekly Board of County Commissioners meeting as they approve the purchase orders for payment.
- Eleven purchase orders related to travel did not have proper supporting documentation to support the disbursements. However, we were able to determine through other test that the expenditures were valid expenditures of the County.
- One purchase order had a receiving report attached that was signed by personnel not authorized to receive goods or services.

Cause of Condition: Procedures have not been designed over the disbursement process to strengthen internal controls over disbursements and ensure compliance with state statutes.

Effect of Condition: This condition 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 supporting documentation, which includes invoices and receiving reports, is attached to purchase orders.

Management Response:

County Clerk: Procedures have been implemented to ensure compliance with state statutes. The purchase orders for travel did not include agendas, and one purchase order for an employee on worker's compensation did not have documentation.

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

District 1 Commissioner: We will try to implement procedures to ensure that we comply with purchasing statutes.

District 2 Commissioner: I will do everything possible to ensure purchasing laws are complied with.

District 3 Commissioner: I will do everything possible to ensure compliance with state statutes.

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.

Additionally, adequate supporting documentation such as itemized invoices should be attached to each purchase order prior to payment.

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 2013-5 - Inadequate Internal Controls and Noncompliance Over Fixed Assets Inventory (Repeat Finding)

Condition: Upon inquiry of each County officer, and observation and verification of fixed assets inventory records, we noted the following weaknesses:

- The offices of District 1, District 2, and District 3 were able to provide us with an inventory list; however, there was no indication of a fixed assets inventory count being performed.
- The County Clerk, County Sheriff, Court Clerk, County Treasurer, and County Assessor could not provide inventory records with indication of an inventory count being performed.
- Additionally, District 1, District 2, District 3, and the Court Clerk did not file their inventory records with the County Clerk

Cause of Condition: Procedures have not been designed and implemented by County officers to comply with state statutes.

Effect of Condition: When fixed assets are not monitored properly, opportunities for misuse or loss of equipment can occur.

Recommendation: OSAI recommends that management implement internal controls to ensure compliance with 19 O.S. § 1502, 19 O.S. § 178.1, and 19 O.S. § 178.2.

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

Management Response:

District 1 Commissioner: Procedures have now been implemented to ensure compliance with statutes regarding verification of fixed assets inventory.

District 2 Commissioner: Procedures have now been implemented to ensure compliance with statutes regarding verification of fixed assets inventory.

District 3 Commissioner: Procedures have now been implemented to ensure compliance with statutes regarding verification of fixed assets inventory.

County Assessor: Procedures have been implemented to perform an annual inventory of fixed assets and file the documentation with the County Clerk.

County Clerk: Procedures have been implemented to document the performance of an annual fixed assets inventory.

Court Clerk: Procedures have been implemented to perform inventory verification with the signature of the individual that performs the count and the date the count was performed. Additionally, the documentation of the inventory count will be filed with the County Clerk.

County Sheriff: An inventory of fixed assets has been performed as of the date of this response.

County Treasurer: Procedures have been implemented to perform an annual inventory of fixed assets and file the documentation with the County Clerk.

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.

Further, Title 19 O.S. § 1502, 19 O.S. § 178.1, and 19 O.S. § 178.2 provides guidance with regard to accounting for fixed assets by each office and filing inventory summaries with the County Clerk.

**Finding 2013-6 - Inadequate Internal Controls and Noncompliance Over Consumable Inventory
(Repeat Finding)**

Condition: Upon inquiry of District personnel, and upon observation and verification of the consumable inventory records, the following weaknesses were noted:

District 1 Commissioner: A monthly verification of consumable inventory is not performed.

District 2 Commissioner: A monthly verification of consumable inventory is not performed.

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

District 3 Commissioner: A monthly verification of consumable inventory is not performed. The physical inventory verification of seven consumable inventory items reflected five consumable items were incorrectly reported on inventory cards.

Cause of Condition: Procedures have not been designed and implemented to perform a monthly verification of consumable inventory to ensure accuracy of inventory records and to safeguard consumable inventory.

Effect of Condition: When consumable inventory is not monitored, opportunities for misuse or loss of can occur.

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

Management Response:

District 1 Commissioner: We will perform a monthly verification of consumable inventory.

District 2 Commissioner: We are already performing consumable inventory counts on a monthly basis, but we were not documenting the inventory count.

District 3 Commissioner: We will implement procedures to ensure a monthly consumable verification is performed.

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

Finding 2013-7 - Inadequate Internal Control Procedures Over Court Fund Expenditures (Repeat Finding)

Condition: Upon inquiry and the observation of the Court Fund expenditures process, it was determined that the Court Clerk prepares the Court Fund claims, initiates payments, prints and signs vouchers, mails or delivers payments to the vendors, and reconciles monthly with the County Treasurer.

Cause of Condition: Procedures to segregate the duties over Court Fund expenditures have not been designed.

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.

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

Recommendation: OSAI recommends the Court Clerk design and implement procedures to ensure a proper segregation of duties over the expenditures process. The following accounting functions of the expenditures process should be adequately segregated:

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

Management Response:

Court Clerk: We will implement a segregation of duties over the Court Fund expenditures.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, key duties and responsibilities should be segregated among different individuals to reduce the risk of error or fraud. No one individual should have the ability to authorize transactions, have physical custody of assets, and record transactions.

Finding 2013-8 - Inadequate Internal Control and Noncompliance Over Court Clerk Revolving Fund Expenditures

Condition: Upon inquiry, observation, and the test of twenty-one Court Clerk Revolving Fund expenditures, the following was noted:

- Six claims did not have the required signatures for approval.

Cause of Condition: Procedures over Court Clerk Revolving Fund expenditures have not been designed to ensure compliance with 19 O.S § 220.

Effect of Condition: Court Clerk Revolving Fund expenditures were made without proper approval and could be unlawful.

Recommendation: OSAI recommends the Court Clerk design and implement procedures to ensure compliance with 19 O.S § 220 and obtain approval of the Court Clerk Revolving Fund claims prior to payment of expenditures.

Management Response:

Court Clerk: We will implement procedures to ensure required signatures are present on claims for approval prior to paying the expense.

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.

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

Title 19 O.S. § 220 states in part, “Claims against the fund shall include only expenses incurred for the operation of the court clerk’s office in each county, and payment may be made after the claim is approved by the court clerk and either the district or the associate district judge of that county.”

Finding 2013-9 - Inadequate Internal Control Procedures Over the Schedule of Expenditures of Federal Awards (SEFA)

Condition: Upon review of the Schedule of Expenditures of Federal Awards (SEFA), it was determined that the FEMA expenditures reported on the schedule were actually expended in prior fiscal years as the disasters occurred, but recorded in the current fiscal year as the FEMA reimbursements were receipted. The County initially reported \$155,900.60 for FEMA expenditures; however, the actual expenditures were \$133,031.69 as reported on the revised SEFA. The County did not expend in excess of \$500,000 in federal grant expenditures for the fiscal year.

Cause of Condition: Procedures have not been designed to accurately account for expenditures of FEMA awards. Information regarding FEMA expenditures was not clearly communicated between the Emergency Management Director, Board of County Commissioners, County Clerk, and County Treasurer. The Schedule of Expenditures of Federal Awards (SEFA) was not reviewed prior to approval by the County officials.

Effect of Condition: These conditions have resulted in inaccurate reporting on the SEFA, which could result in a discontinuation of Federal assistance.

Recommendation: OSAI recommends the County establish policies and procedures to ensure accurate reporting of all federal grants awarded to the County. These policies should incorporate, by CFDA reference, applicable federal regulations to be followed, as well as the appropriate policy for the application, receipt, and expenditure of federal funds. The SEFA should reflect the federal expenditures in the fiscal year expended and should reflect the federal awards receipted in the fiscal year received.

Management Response:

County Clerk: The County has corrected the fiscal year 2013 Schedule of Expenditures of Federal Awards (SEFA) and is aware of correct reporting procedures.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds and accurate record of federal expenditures should be maintained.

OMB Circular A-133 Subpart C §____.300 reads as follows:
Subpart C-Auditees
§____.300 Auditee responsibilities
The auditee shall:

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

(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.



OFFICE OF THE STATE AUDITOR & INSPECTOR
2300 N. LINCOLN BOULEVARD, ROOM 100
OKLAHOMA CITY, OK 73105-4896

WWW.SAI.OK.GOV