

COUNTY AUDIT

JACKSON COUNTY

For the fiscal year ended June 30, 2010



*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

**JACKSON COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

September 12, 2012

TO THE CITIZENS OF
JACKSON COUNTY, OKLAHOMA

Transmitted herewith is the audit of Jackson County, Oklahoma for the fiscal year ended June 30, 2010. 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 that reads "Gary A. Jones".

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

**JACKSON COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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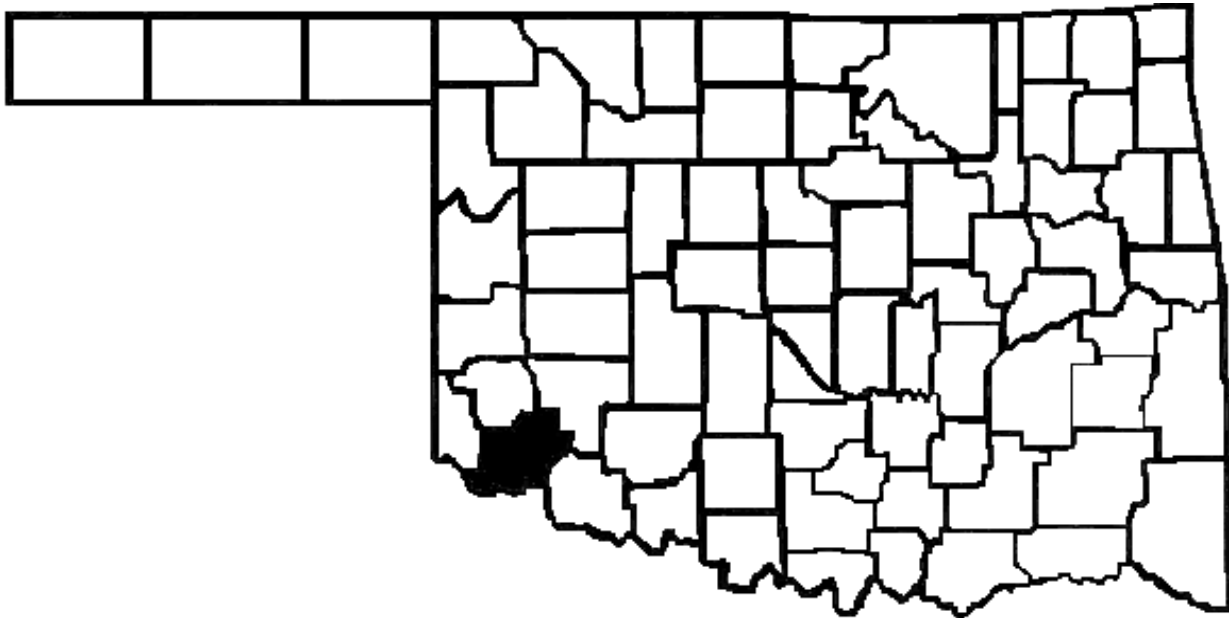
**JACKSON COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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PRESENTED FOR INFORMATIONAL PURPOSES ONLY**

**JACKSON COUNTY, OKLAHOMA
STATISTICAL INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**



Formed in 1907 from a portion of the original disputed Greer County, Jackson County was named for the Confederate hero, General Thomas J. (Stonewall) Jackson. Primary crops are cotton, wheat, and grain sorghum. Cattle and greyhounds are bred and raised in this area.

Altus Air Force Base is the largest industry in the County. Higher education is provided by Western Oklahoma State College, a two-year accredited institution. The Shortgrass Arts and Humanities Council sponsors numerous cultural activities including an annual arts festival in the fall. Recreational opportunities are available 15 miles north of Altus at Quartz Mountain State Park, which includes Lake Altus.

County Seat – Altus

Area – 804.15 Square Miles

County Population – 25,778
(2007 est.)

Farms – 745

Land in Farms – 474,502 Acres

Primary Source: Oklahoma Almanac 2009-2010

**JACKSON COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Board of County Commissioners

District 1 – Dale Dunn
District 2 – Anthony Fixico
District 3 – Cary Carrell

County Assessor

Gerald Sherrill Jr.

County Clerk

Christi Hair

County Sheriff

Roger LeVick

County Treasurer

Janet Wright

Court Clerk

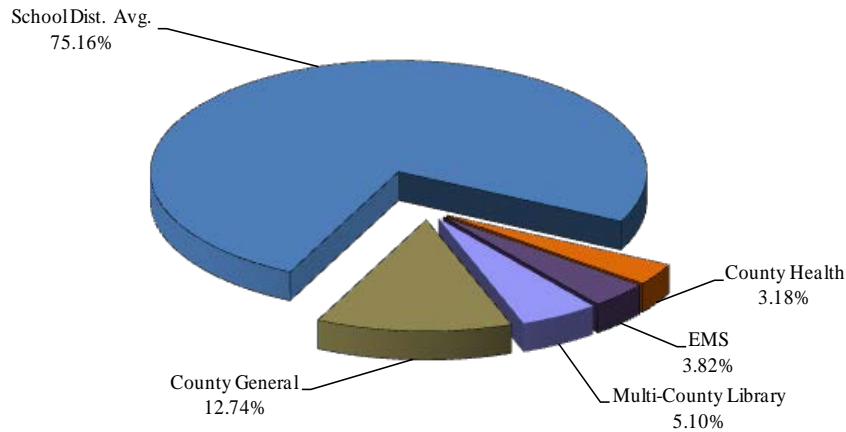
Rhonda Stepanovich

District Attorney

John Wampler

**JACKSON COUNTY, OKLAHOMA
AD VALOREM TAX DISTRIBUTION
SHARE OF THE AVERAGE MILLAGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

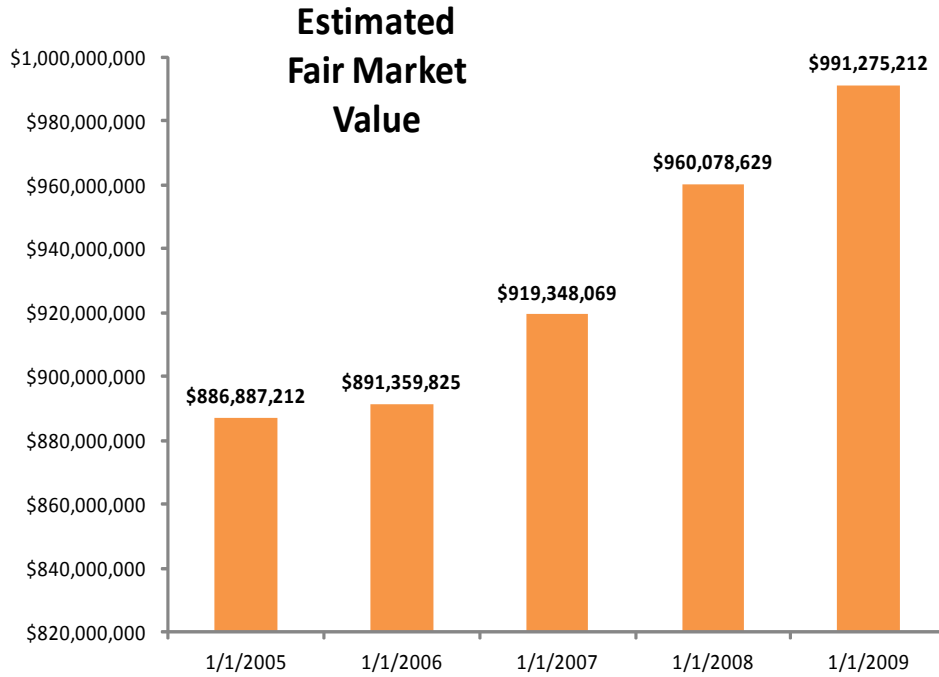
Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of a property is \$1,000.00 and the millage rate is 1.00, then the 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.	Career		Total
							Tech	Common	
County General	10.17								
County Health	2.54	Altus	18	35.51	5.07		10.17	4.07	54.82
Multi-County Library	4.07	Navajo	1	36.03	5.15	4.62	10.17	4.07	60.04
EMS	3.05	Duke	14	35.37	5.05	13.73	10.17	4.07	68.39
		Eldorado	25	35.85	5.12	10.38	10.17	4.07	65.59
		Olustee	35	35.62	5.09		10.17	4.07	54.95
		Blair	54	35.96	5.14	8.18		4.07	53.35
		Greer County	JT-1	35.00	5.00	8.73		4.00	52.73

**JACKSON COUNTY, OKLAHOMA
 ASSESSED VALUE OF PROPERTY
 TREND ANALYSIS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

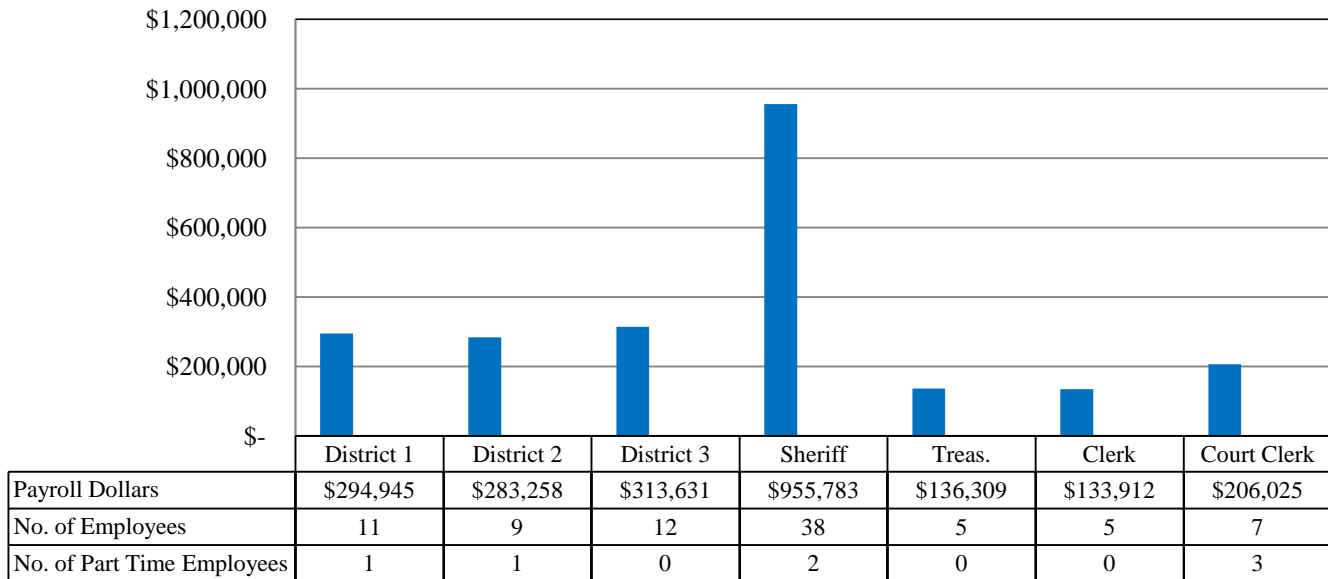
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2009	\$15,210,043	\$10,371,152	\$95,254,417	\$5,402,696	\$115,432,916	\$991,275,212
1/1/2008	\$14,924,669	\$8,714,839	\$92,723,112	\$5,455,268	\$110,907,352	\$960,078,629
1/1/2007	\$13,868,641	\$8,936,401	\$88,986,322	\$5,363,594	\$106,427,770	\$919,348,069
1/1/2006	\$13,247,620	\$10,855,738	\$85,364,991	\$5,262,407	\$104,205,942	\$891,359,825
1/1/2005	\$13,636,203	\$12,385,391	\$83,558,659	\$4,370,874	\$105,209,379	\$886,887,212



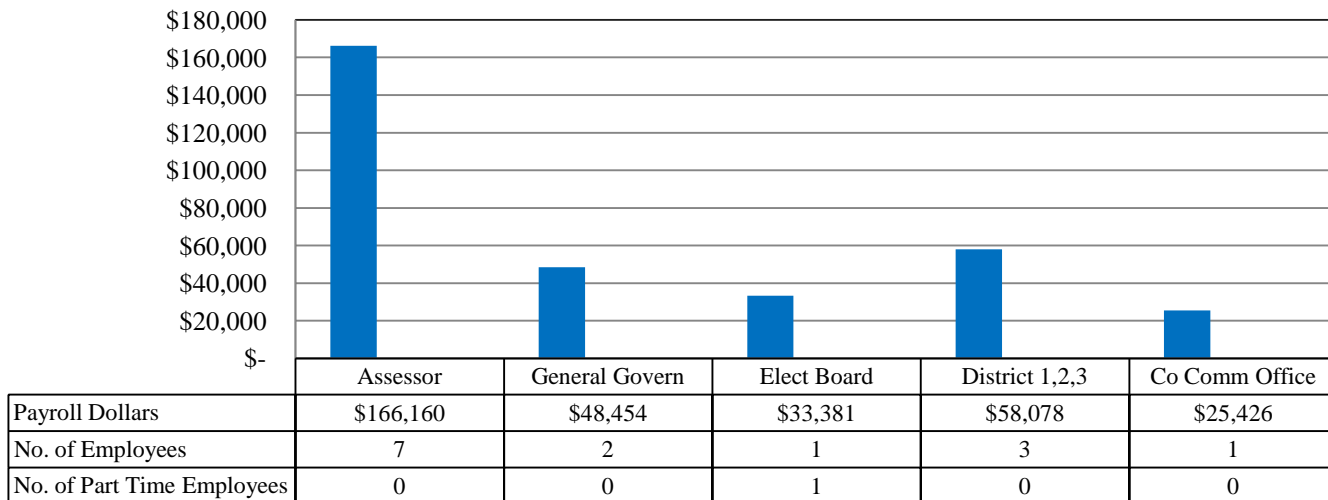
**JACKSON COUNTY, OKLAHOMA
COUNTY PAYROLL EXPENDITURES ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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, 2010.

Payroll Expenditures by Department



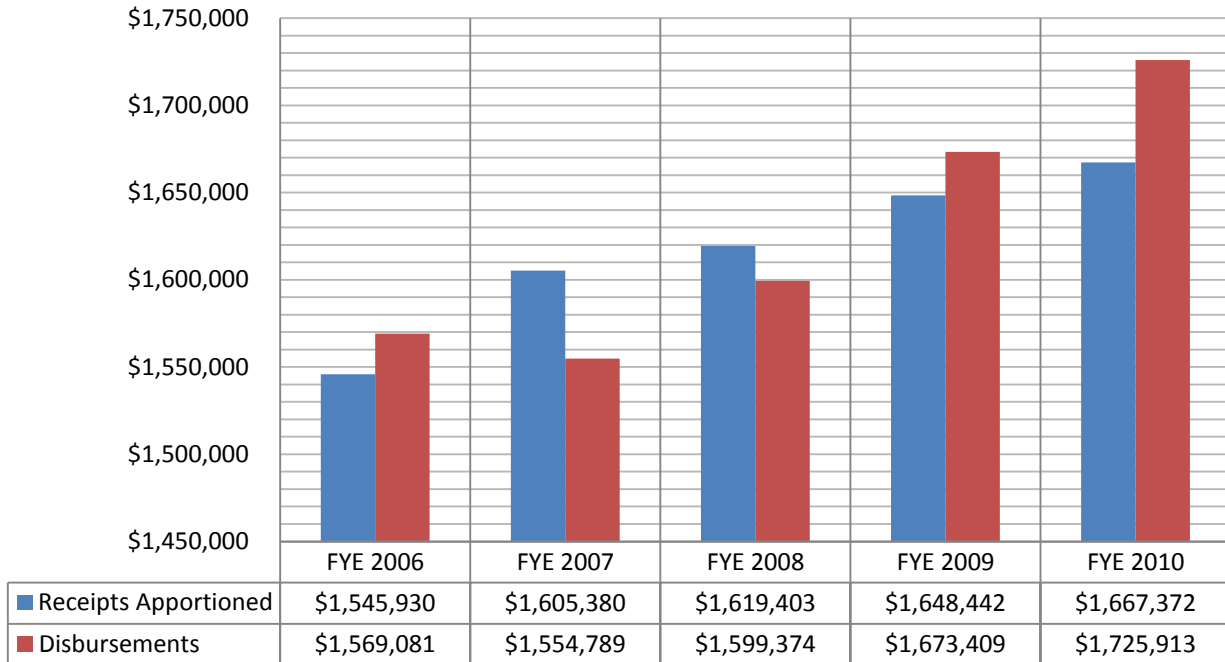
Payroll Expenditures by Department



**JACKSON COUNTY, OKLAHOMA
COUNTY GENERAL FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

County General Fund

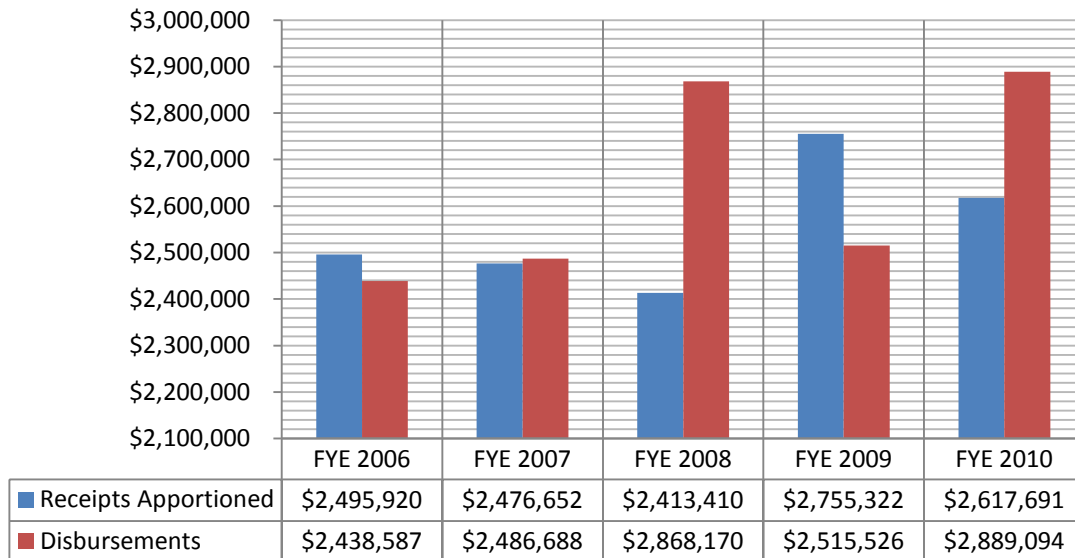
The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the county's primary source of operating revenue. The County General Fund is typically used for county employees' salaries plus many expenses for county maintenance and operation. It also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



**JACKSON COUNTY, OKLAHOMA
COUNTY HIGHWAY FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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
JACKSON COUNTY, OKLAHOMA

We have audited the combined total—all county funds on the accompanying regulatory basis Statement of Receipts, Disbursements, and Changes in Cash Balances of Jackson County, Oklahoma, as of and for the year ended June 30, 2010, listed in the table of contents as the financial statement. This financial statement is the responsibility of Jackson County's management. Our responsibility is to express an opinion on the combined total—all county funds on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, this financial statement was prepared using accounting practices prescribed or permitted by Oklahoma state law, which practices differ from accounting principles generally accepted in the United States of America. The differences between this regulatory basis of accounting and accounting principles generally accepted in the United States of America are also described in Note 1.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Jackson County as of June 30, 2010, or changes in its financial position for the year then ended.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined total of receipts, disbursements, and changes in cash balances for all county funds of Jackson County, for the year ended June 30, 2010, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2012, on our consideration of Jackson County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the combined total of all 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. Such supplementary information has been subjected to the auditing procedures applied in the audit of the combined total—all county funds on the regulatory basis Statement of Receipts, Disbursements and Changes in Cash Balances and, in our opinion, 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 audited by us, and accordingly, we express no opinion on it.

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

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

September 10, 2012

REGULATORY BASIS FINANCIAL STATEMENT

**JACKSON 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, 2010**

	Beginning				Ending
	Cash Balances	Receipts	Transfers		Cash Balances
	<u>July 1, 2009</u>	<u>Apportioned</u>	<u>In/Out</u>	<u>Disbursements</u>	<u>June 30, 2010</u>
Combining Information:					
Major Funds:					
County General Fund	\$ 388,984	\$ 1,667,372	\$ -	\$ 1,725,913	\$ 330,443
T-Highway	733,484	2,617,691	204,182	2,889,094	666,263
County Health Department	243,228	384,073		397,736	229,565
Jail Sales Tax Revolving	1,202,371	905,594		1,072,800	1,035,165
Jackson County Facilities Authority□					
Sales Tax Proceeds		1,312,032		1,312,032	
Sheriff Contract Prisoners	385,109	556,264	265	319,187	622,451
Remaining Aggregate Funds	<u>1,044,936</u>	<u>736,980</u>	<u>(204,447)</u>	<u>585,671</u>	<u>991,798</u>
Combined Total - All County Funds	<u>\$ 3,998,112</u>	<u>\$ 8,180,006</u>	<u>\$ -</u>	<u>\$ 8,302,433</u>	<u>\$ 3,875,685</u>

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

**JACKSON COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

B. Fund Accounting

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

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

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

T-Highway - accounts for state, local and miscellaneous receipts and disbursements for the purpose of constructing and maintaining county roads and bridges.

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

Jail Sales Tax Revolving - accounts for collection of reserve sales tax monies received from the bondholder in excess of bond issue payments. Disbursements are for the general operations of the county jail and the Sheriff's office.

Jackson County Facilities Authority Sales Tax Proceeds – accounts for the collection of sales tax money disbursed to BancFirst, fiscal agent, for the payment of revenue bonds.

**JACKSON COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Sheriff Contract 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.

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 on a regulatory basis. 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 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.

**JACKSON COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

2. Ad Valorem Tax

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

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

3. Other Information

A. Pension Plan

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

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

B. Other Post Employment Benefits (OPEB)

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

**JACKSON COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

C. Contingent Liabilities

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

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

D. Sales Tax

The citizens of Jackson County approved, in a special election on November 9, 1999, a ½% sales tax to be collected beginning April 1, 2002, in which 50% of the sales tax was to end on March 31, 2007. However, the citizens of Jackson County approved, in a special election on February 13, 2007, the entire ½% sales tax for an unlimited duration beginning April 1, 2007. The ½% sales tax is to be used to construct and equip a new county jail facility, including the payment of debt service on indebtedness incurred for such purpose by Jackson County. Any remaining sales tax proceeds returned to Jackson County will be used to operate and maintain the county jail, any of such tax being used for the general purpose of Jackson County.

E. Interfund Transfers

Interfund transfers consisted of the transfer of funds to the Sheriff Contract Prisoners fund and County Highway Cash fund from the County Insurance fund in the amount \$4,447 for payments received for insured losses of county-owned equipment.

An additional interfund transfer consisted of the transfer of funds to the T-Highway fund from the Highway Emergency Transportation Revolving fund in the amount of \$200,000 for the purpose of specific road projects in District 1 and District 3 of Jackson County.

OTHER SUPPLEMENTARY INFORMATION

JACKSON 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, 2010

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 388,984	\$ 388,984	\$ -
Less: Prior Year Outstanding Warrants	(42,143)	(41,292)	851
Less: Prior Year Encumbrances	(21,904)	(20,918)	986
Beginning Cash Balances, Budgetary Basis	<u>324,937</u>	<u>326,774</u>	<u>1,837</u>
Receipts:			
Ad Valorem Taxes	1,067,230	1,172,503	105,273
Charges for Services	88,081	110,252	22,171
Intergovernmental Revenues	323,335	321,537	(1,798)
Miscellaneous Revenues	58,999	63,080	4,081
Total Receipts, Budgetary Basis	<u>1,537,645</u>	<u>1,667,372</u>	<u>129,727</u>
Expenditures:			
District Attorney	2,000	2,000	-
County Sheriff	583,782	557,933	25,849
County Treasurer	105,947	104,891	1,056
County Commissioners	41,896	33,965	7,931
OSU Extension	18,300	18,028	272
County Clerk	214,091	208,944	5,147
Court Clerk	129,317	125,109	4,208
County Assessor	96,238	95,460	778
Revaluation of Real Property	202,700	188,998	13,702
General Government	334,310	257,774	76,536
Excise-Equalization Board	3,535	3,156	379
County Election Board	76,469	64,179	12,290
Insurance	24,811	20,503	4,308
Charity	100	-	100
County Audit Budget Account	22,786	22,786	-
Free Fair	6,300	6,300	-
Total Expenditures, Budgetary Basis	<u>1,862,582</u>	<u>1,710,026</u>	<u>152,556</u>
Excess of Receipts and Beginning Cash			
Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	284,120	<u>\$ 284,120</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Outstanding Warrants		41,949	
Add: Current Year Encumbrances		4,374	
Ending Cash Balance		<u>\$ 330,443</u>	

**JACKSON COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
COUNTY HEALTH DEPARTMENT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 243,286	\$ 243,228	\$ (58)
Less: Prior Year Outstanding Warrants	(5,000)	(5,000)	-
Less: Prior Year Encumbrances	(2,547)	(335)	2,212
Beginning Cash Balances, Budgetary Basis	235,739	237,893	2,154
Receipts:			
Ad Valorem Taxes	266,545	293,037	26,492
Miscellaneous Revenues	91,036	91,036	-
Total Receipts, Budgetary Basis	357,581	384,073	26,492
Expenditures:			
Health and Welfare	593,320	440,738	152,582
Total Expenditures, Budgetary Basis	593,320	440,738	152,582
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	181,228	\$ 181,228
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		21,255	
Add: Current Year Outstanding Warrants		27,082	
Ending Cash Balance		\$ 229,565	

JACKSON COUNTY, OKLAHOMA
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS—
REMAINING AGGREGATE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Beginning Cash Balances July 1, 2009	Receipts Apportioned	Transfers In/Out	Disbursements	Ending Cash Balances June 30, 2010
Remaining Aggregate Funds:					
Resale Property	\$ 105,594	\$ 112,187	\$ -	\$ 126,527	\$ 91,254
Treasurer Mortgage Tax Certification Fee	14,291	5,150		4,146	15,295
County Clerk Lien Fee	23,731	13,792		2,553	34,970
County Clerk Records Management Preservation	87,688	33,481		10,709	110,460
Assessor Revolving	10,256	7,759		1,125	16,890
Assessor Visual Inspection	256				256
Sheriff Service Fee	287,071	251,575		94,433	444,213
Sheriff Commissary	125,660	67,167		47,307	145,520
Juvenile Detention	495				495
Jackson County Reward Fund	1,681	80			1,761
County Insurance	265	4,182	(4,447)		-
REAP - Soil Conservation District	1,083	10,451		11,534	-
REAP - Eldorado EMS	67,568	5,632		73,200	-
REAP - Friendship Fire Department		67,700		67,700	-
Emergency Management Performance Grant	13,750	8,750		175	22,325
REAP - Elmer Fire Department	5,547	70,675		76,222	-
Highway Emergency Transportation Revolving Fund	300,000	3,403	(200,000)		103,403
REAP - Rural Fire Association		74,996		70,040	4,956
Combined Total - Remaining Aggregate Funds	<u>\$ 1,044,936</u>	<u>\$ 736,980</u>	<u>\$ (204,447)</u>	<u>\$ 585,671</u>	<u>\$ 991,798</u>

**JACKSON COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

1. Budgetary Schedules

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

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

2. Remaining County Funds

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

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

County Clerk Records Management Preservation - accounts for fees collected for instruments filed in the County Clerk's office as restricted by statute for preservation of records.

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

Assessor Visual Inspection - accounts for the collection and expenditure of monies by the Assessor as restricted by statute for the visual inspection program.

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

Sheriff Commissary - accounts for the collection of the sale of items to inmates and disbursements to purchase commissary goods from the vendor and can be used for the maintenance and operations of the county jail.

**JACKSON COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Juvenile Detention – accounts for the collections from the State of Oklahoma and other Oklahoma Counties for the housing of juvenile offenders and disbursements are for the transportation of juveniles to contracted juvenile detention centers.

Jackson County Reward Fund – accounts for collections of a fee from district court for the dumping of trash. Disbursements account for awards paid to citizens reporting to the local policing departments.

County Insurance – accounts for the collection of insurance payments received for insured losses of county-owned equipment.

REAP Funds – accounts for the collection of state grant monies for specific projects within the communities of Jackson County; specifically, Eldorado Emergency Medical Service, Friendship Fire Department, Elmer Fire Department, Rural Fire Association, and the Soil Conservation District.

Emergency Management Performance Grant – accounts for the collection of grant money to be disbursed for the purpose of maintenance and operations for the Safety Director.

Highway Emergency Transportation Revolving Fund – accounts for the collection of money from Circuit Engineering to be disbursed for the purpose of specific road projects in each Jackson County District. Funds are reimbursed to CED from appropriations.

3. Restatement of Prior Year Ending Balance

The following fund balances were restated for fiscal year ending June 30, 2009:

Fund	Reported balance, June 30, 2009	Balance as restated, July 1, 2009	Variance
REAP-Soil Conservation District	\$65,133	\$ 1,083	\$(65,133)
REAP-Eldorado EMS	3,531	67,568	(2,448)
REAP-Friendship Fire Department	7,287	-	60,281
Emergency Management Performance Grant	6,450	13,750	7,300
Net Variance			\$ -

The total of the fund balances, as reported at June 30, 2009, was correct.

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
JACKSON COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Jackson County, Oklahoma, as of and for the year ended June 30, 2010, which comprises Jackson County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated September 10, 2012. Our report on the basic financial statement was adverse because the statement is not a presentation in conformity with accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Jackson County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Jackson County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies in internal control described in the accompanying schedule of findings and responses to be material weaknesses in internal control over financial reporting. 2010-1, 2010-3, 2010-9

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting. 2010-2, 2010-4, 2010-5, 2010-6, 2010-8

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Jackson County's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2010-5

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

Jackson County's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit Jackson County's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, those charged with governance, others within the entity, and is not intended to be and should not be used by anyone other than the specified parties. This report is also a public document pursuant to the Oklahoma Open Records Act (51 O.S. § 24A.1 et seq.), and shall be open to any person for inspection and copying.



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

September 10, 2012

**JACKSON COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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 2010-1—Inadequate County-Wide Controls

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: 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.

Examples of risks and procedures to address risk management:

Risks	Procedures
Fraudulent activity	Segregation of duties
Information lost to computer crashes	Daily backups of information
Noncompliance with laws	Attend workshops
Natural disasters	Written disaster recovery plans
New employee errors	Training, attending workshops, monitoring

Examples of activities and procedures to address monitoring:

Monitoring	Procedures
Communication between officers	Periodic meetings to address items that should be included in the handbook and to determine if the County is meeting its goals and objectives.
Annual Financial Statement	Review the financial statement of the County for accuracy and completeness.
Schedule of Expenditures of Federal Awards (SEFA)	Review the SEFA of the County for accuracy and to determine all federal awards are presented.
Audit findings	Determine audit findings are corrected.
Financial status	Periodically review budgeted amounts to actual amounts and resolve unexplained variances.
Policies and procedures	Ensure employees understand expectations in meeting the goals of the County.

**JACKSON COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Following up on complaints	Determine source of complaint and course of action for resolution.
Estimate of needs	Work together to ensure this financial document is accurate and complete.

Management Response:

Board of County Commissioners: The Board of County Commissioners will work together to develop a plan to monitor the County’s internal controls to ensure that audit findings and other reviews are properly resolved.

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 made. 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.

Risk Assessment is a component of internal control which should provide for an assessment of the risks the County faces from both internal and external sources. Once risks have been identified, they should be analyzed for their possible effect. Management then has to formulate an approach for risk management and decide upon the internal control activities required to mitigate those risks and achieve the internal control objectives.

Monitoring is a component of internal control which should assess the quality of performance over time and ensure that the findings of audits and other reviews are promptly resolved. Ongoing monitoring occurs during normal operations and includes regular management and supervisory activities, comparisons, reconciliations, and other actions people take in performing their duties. It includes ensuring that management know their responsibilities for internal control and the need to make control monitoring part of their regular operating process.

Finding 2010-2—Footnote Disclosures

Condition: Procedures have not been developed to prevent or detect misstatements in a timely manner or to ensure all required disclosures are presented with the financial statement.

Cause of Condition: Procedures have not been designed to ensure financial statements are presented fairly and all required disclosures are presented.

Effect of Condition: The potential exists for misstatements to go undetected, specifically for the completeness of financial statement disclosures.

**JACKSON COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Recommendation: OSAI recommends the County consider one or more of the following procedures:

- Having at least one staff member with sufficient skills necessary to understand the application of accounting principles in regards to the preparation of financial statements.
- Contract an outside firm or individual to review or prepare the financial statements and accompanying notes to the financial statements to ensure appropriate disclosures are presented.

Management Response:

County Treasurer: My office has been presented copies of the Major Funds Statements of Receipts, Disbursements, and Changes in Cash Balances-Regulatory Basis for Fiscal Years Ending June 30, 2010, and June 30, 2011. We have also been provided a spreadsheet to input the information for future years that will be necessary to prepare the Major Funds Statements and have now been educated as to what is required to complete the spreadsheet.

Criteria: The County's management is responsible for establishing procedures to prevent or detect misstatements in a timely manner. Statement on Auditing Standards (SAS) No. 115 indicates that a control deficiency exists when management does not have adequate expertise to apply accounting principles to the financial statements or to review financial statements prepared on their behalf by others to ensure they are prepared in accordance with these principles. Professional audit standards preclude the external financial statement auditor from performing any part of management's control activities or be a component of the internal controls over financial reporting as this would impair their independence.

Finding 2010-3—Inadequate Controls Over the Receipting and Depositing Process—County Treasurer

Condition: Upon inquiry and observation of the receipting and balancing process of the County Treasurer's office, the following was noted:

- The County Treasurer and the four full-time deputies work from one cash drawer. The County Treasurer does not maintain a mail log.
- There is no independent oversight of the employee reconciling the official depository account on a daily basis. In addition, the first deputy reconciles all the bank accounts at the end of each month. She also prepares a reconciliation sheet but does not initial or date as evidence of preparation, and there is no independent oversight of the monthly reconciliations.
- The first deputy performs the duties of preparing the daily report, preparing the general ledger, and preparing the monthly apportionment ledger.

Cause of Condition: Procedures with regard to segregating the duties over the processes within the office of the County Treasurer have not been designed or implemented.

**JACKSON COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

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

Management Response:

County Treasurer: Two cash drawers have been implemented with a single user for each drawer. On June 7, 2012, upon advice of OSAI auditors, a mail log was begun for all monies received through the U.S. mail. The deputy reconciling the official depository account is now double-checked by the first deputy. The first deputy reconciles all the bank accounts at the end of each month and now signs off on them; the reconciliation is checked by the Treasurer who also signs off. The first deputy/bookkeeper performs the duties of preparing the daily report and the general ledger from the accounts which are reconciled by the second deputy. The first deputy/bookkeeper prepares the monthly apportionment ledger which is double-checked by the Treasurer.

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

Finding 2010-4—Inadequate Control Procedures Over Pledged Collateral

Condition: Upon inquiry of employees and observation of the documentation, we determined that the County Treasurer does not monitor pledged collateral amounts to daily bank balances to ensure that county funds are adequately secured.

Cause of Condition: Procedures with regard to the daily monitoring of pledged collateral have not been designed or implemented.

Effect of Condition: Failure to monitor pledged collateral amounts to daily bank balances could result in unsecured county funds and possible loss of county funds.

Recommendation: OSAI recommends that the County Treasurer implement a system of procedures to provide reasonable assurance that county funds are adequately secured.

**JACKSON COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Further, OSAI recommends the County Treasurer monitor pledged collateral amounts to bank balances on a daily basis to ensure that county funds are adequately secured.

Management Response:

County Treasurer: A daily pledge worksheet is being compiled for both the First National Bank, Altus and the National Bank of Commerce, utilizing their internet banking services to ensure that county funds are adequately secured.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. An important aspect of procedures is the safeguarding of assets. Procedures 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.

Finding 2010-5—Inadequate Controls and Noncompliance Over the Apportionment and Disbursement of Sales Tax

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

- Sales tax collections are not deposited into a sales tax revolving fund.
- Sales tax collections are not apportioned by the County Treasurer, but are remitted, with a Treasurer's check, to the National Bank of Commerce, Altus, Oklahoma.
- The County Treasurer directs the National Bank of Commerce to wire transfer the collections to BancFirst, Oklahoma City, Oklahoma, the bondholder for the Jackson County Facilities Authority.
- Expenditures of the sales tax are not made in accordance with the County Purchasing Act.

Cause of Condition: Procedures have not been designed and implemented to apportion and disburse the sales tax in accordance with 68 O.S. § 1370E.

Effect of Condition: These conditions result in Jackson County being in violation of 68 O.S. §1370E. Thus, we were unable to determine that sales tax was apportioned correctly and expended for the purpose intended on the sales tax ballot.

Recommendation: OSAI recommends that the County establish a cash fund specifically for the collection and apportionment of sales tax. Additionally, all expenditures should be made in accordance with the County Purchasing Act.

Further, the receipt of and expenditures of sales tax collections should be reported on a monthly basis to Jackson County Board of County Commissioners. All reports, whether monthly or quarterly, should be approved by the Board to ensure sales tax collections are expended in accordance with the sales tax ballot approved by the citizens of Jackson County.

**JACKSON COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Management Response:

County Treasurer: Total sales tax collections are now receipted on a miscellaneous receipt, and apportioned. The Treasurer remits the proceeds to the NBC Bank. The Treasurer directs NBC to wire transfer the Facilities Authority. The Commissioners and other officers are advised monthly of the sales tax receipts and given a spreadsheet comparing all sales tax receipts to date. In the future, BancFirst will be requested to provide quarterly reports of receipts and expenditures which will be reported to the Board of County Commissioners for approval.

Criteria: Title 68 O.S. §1370E, 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.

Finding 2010-6—Lack of Segregation of Duties—Official Depository Receipting Process

Condition: Upon inquiry and observation of the receipting process for each office, the following was noted:

County Clerk's Office: The County Clerk and four full-time deputies work from one cash drawer. The County Clerk and deputies issue receipts and one of the same deputies performs the duties of reconciling the cash drawer, preparing the deposit slip, and delivering the deposit to the County Treasurer. The County Clerk does not maintain a mail log. Further, individual employees do not change their passwords every 90-120 days. The computer located at the counter has a generic password and has not been changed in several years.

County Assessor's Office: The County Assessor and five full-time deputies work from one cash drawer and issue receipts. One of these employees performs the duties of reconciling the cash drawer, preparing and delivering the deposit to the County Treasurer. The County Assessor does not maintain a mail log.

County Sheriff's Office: The County Sheriff and three employees reconcile cash and money orders to receipts issued and one of the employees prepares the deposit slip and delivers the deposit to the County Treasurer. At month end, one of these employees reconciles the account with the County Treasurer. The County Sheriff does not maintain a mail log.

Cause of Condition: Procedures to segregate the duties among offices 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.

Recommendation: OSAI recommends management be aware of these conditions and determine how to properly segregate duties. OSAI further recommends implementing compensating procedures to mitigate the risks involved with a concentration of duties. Compensating procedures would include separating key

**JACKSON COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

processes and/or critical functions of the office, and having management review and approve the accounting functions.

Further, employees should not all work from the same cash drawer. The duties of issuing receipts, balancing the cash drawer, preparing the daily deposit, and delivering the deposit to the Treasurer's office should be performed by separate individuals.

Management Response:

County Clerk: In response to the findings stating the employees all work from the same cash drawer, this is true up to this point. It has never been brought to our attention that this procedure is incorrect. I will designate two people to receipt funds and another to close out at the end of the day, after which I or my first deputy will verify the information. In regard to the mail log, the reception book is in lieu of a mail log for the documents received and sent. The Kelpro warrant register and computer information is used as a mail log for the accounts payable function. In regard to the passwords being changed, all computers except the one with KPO have information which is all public record. I will have the deputy who works with the KPO change her password every quarter from this point forward.

County Assessor: The office is small in size and has complete trust in the employees that work in the office. The Assessor's office has six total employees in the office but due to mandatory training, staggered lunch hours and appraisers out in the field, it is not always possible to have complete segregation of duties. The Assessor's office has implemented the following changes:

1. Effective immediately, the Assessor's office has implemented new controls in segregation of duties for handling of receipts and deposits to the County Treasurer. The Assessor's office staff will have all receipts verified by another employee immediately upon completion of receipt for corrections and amount of monies taken. The deposits to the Treasurer will be prepared by an employee that has not issued receipts for that day or will be verified by a second employee if all employees have issued receipts.
2. Effective immediately, the Assessor's office has implemented a mail log to be completed when mail is received and sent.

County Sheriff: The duties are now segregated on days that all employees are present. All employees can write and issue receipts. Deposits will be double-checked and initialed by another deputy on the official depository account.

Criteria: Accountability and stewardship are overall goals of management in the 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.

**JACKSON COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Finding 2010-8—Inadequate Control Procedures Over Monthly Reconciliations

Condition: Upon inquiry of the reconciliation process between the County Treasurer and County Clerk, we determined that monthly reconciliations are not signed and dated by the County Treasurer.

Cause of Condition: Procedures over the monthly reconciliation process between the County Treasurer and the County Clerk are not operating effectively.

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

Recommendation: OSAI recommends that the County Treasurer sign and date the monthly reconciliation performed with the County Clerk.

Management Response:

County Treasurer: In the future, monthly reconciliations between the County Treasurer and County Clerk will be signed and dated by the County Treasurer.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. An important aspect of procedures is the safeguarding of assets. Procedures 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.

Finding 2010-9—Inadequate Control Procedures Over the Payroll Process

Condition: Upon observation and inquiry of the County Clerk and employees, we determined that the payroll clerk enters new hire information into the payroll system, posts withholdings, maintains personnel files, posts to accounting records, prepares the monthly verification report, the direct deposit report, and initiates the direct deposit process with the financial institution.

Cause of Condition: Procedures with regard to segregating the duties over the payroll process within the office of the County Clerk have not been designed or implemented.

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

Recommendation: OSAI recommends management be aware of these conditions and 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

**JACKSON COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
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concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office, and having management review and approval of accounting functions.

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

- Enrolling new employees and maintaining personnel files.
- Reviewing time records and preparing payroll.
- Distributing payroll warrants to individual.

Management Response:

County Clerk: In regard to the payroll, the payroll clerk does input the information, but I verify all the information, after which each officer verifies the information before the affidavits are printed. I have not verified the direct deposit report, but will do so in the future. I do call the bank once the direct deposit report has been sent to verify they received it and verify the amount recorded.

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 payroll calculations and/or transactions. To help ensure a proper accounting of funds, the duties of processing, authorizing, and payroll distribution should be segregated.

SECTION 2—This section contains certain matters not required to be reported in accordance with *Government Auditing Standards*. However, we believe these matters are significant enough to bring to management’s attention. We recommend that management consider these matters and take appropriate corrective action.

Finding 2010-7—Inadequate Control Procedures Over Court Fund Expenditures

Condition: Upon inquiry and observation of court fund expenditures, we determined that the Court Clerk prepares Court Fund claims, issues and signs Court Fund vouchers, and also may register the vouchers 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.

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

**JACKSON COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office, and having management review and approval of accounting functions.

Further, the duties of preparing claims, issuing and signing vouchers, and registering vouchers with the County Treasurer should not be performed by one individual.

Management Response:

Court Clerk: Immediately after discussing this finding the following changes were made to the court fund expenditure procedures; I process all Court Fund claims and my first deputy issues and signs the Court Fund voucher. We both check the voucher with the claim after it is printed and then another deputy takes it to the Treasurer's office to be recorded. This segregates the duties of authorizing the transactions, having physical custody of assets (writing the actual voucher and signing it) and recording the transactions. This will help ensure a proper accounting of funds and I believe segregate the duties effectively.

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 2010-10—Inadequate Control Procedures Over Inmate Trust Fund Checking Account

Condition: Based on inquiry of Sheriff's employees and observation of records, we determined that the one employee posts to inmate accounts and prepares the deposit slip for the inmate trust bank account.

Cause of Condition: Procedures with regard to segregating the duties over the Inmate Trust Checking Account 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.

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

Further, the same employee should not post to inmate accounts and prepare the deposit slip.

**JACKSON COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
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Management Response:

County Sheriff: Procedures were implemented following the 2007 audit by OSAI. The procedures we follow were recommended by OSAI after the audit, and have not changed. The deposit is now prepared by a different person than the one posting to accounts.

Criteria: Accountability and stewardship are overall goals of management in the 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.



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