

COUNTY AUDIT

# JACKSON COUNTY

For the fiscal year ended June 30, 2012



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, 2012**

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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](http://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

July 7, 2014

TO THE CITIZENS OF  
JACKSON COUNTY, OKLAHOMA

Transmitted herewith is the audit of Jackson County, Oklahoma for the fiscal year ended June 30, 2012. 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

**JACKSON COUNTY, OKLAHOMA  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**JACKSON COUNTY, OKLAHOMA  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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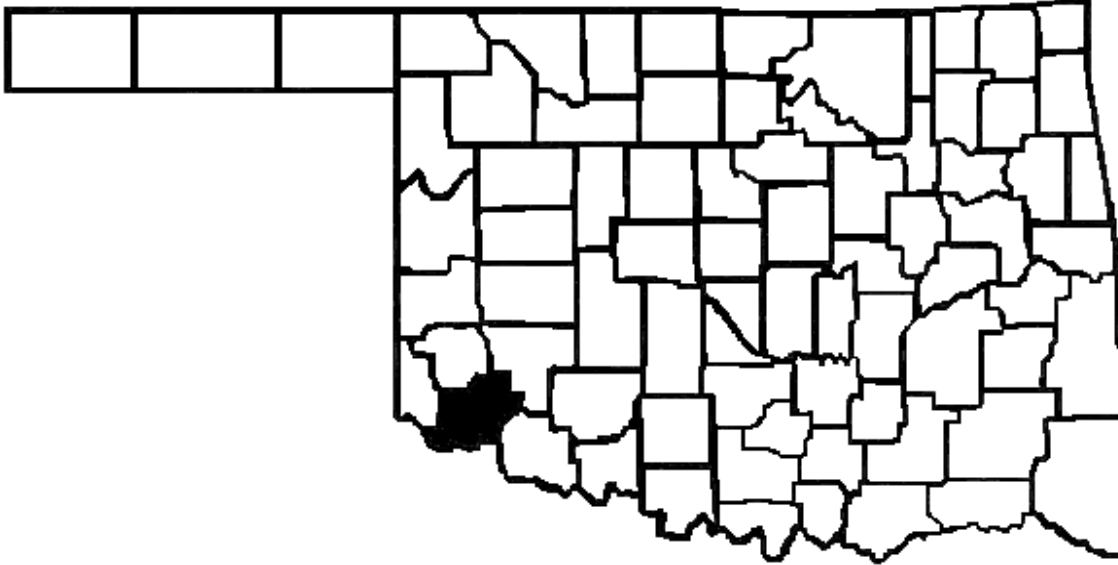
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**INTRODUCTORY SECTION**  
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**PRESENTED FOR INFORMATIONAL PURPOSES ONLY**

**JACKSON COUNTY, OKLAHOMA  
STATISTICAL INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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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. Altus, the county seat, lies in the heart of “irrigation country.” 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. Southwest Technology Center provides vocation-technical education for this region. Museum of the Western Prairie shows life in early southwest Oklahoma. Other history and genealogical collections are preserved at the Altus Public Library, headquarters of the Southern Prairie Library System. The Shortgrass Arts and Humanities Council sponsors numerous cultural activities including an annual arts festival in the fall. Annual events include the Great Plains Stampede Rodeo in late August, Jackson County Fair, and the Fall Festival in September, and Christmas Lighting Display the month of December. Recreational opportunities are available fifteen miles north of Altus at Quartz Mountain State Park and Lake Altus-Lugert.

Local historical societies include Jackson County Historical Society and Western Trails Historical Society. For more information, call the Altus Chamber of Commerce at 580/482-0210.

County Seat – Altus

Area – 804.15 Square Miles

County Population – 25,369  
(2009 est.)

Farms – 745

Land in Farms – 474,502 Acres

Primary Source: Oklahoma Almanac 2011-2012

**JACKSON COUNTY OFFICIALS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**Board of County Commissioners**

District 1 – Marty Clinton  
District 2 – Anthony Fixico  
District 3 – Cary Carrell

**County Assessor**

Gerald Sherrill, Jr.

**County Clerk**

Christi Hair

**County Sheriff**

Roger Levick

**County Treasurer**

Renee Howard

**Court Clerk**

Rhonda Stepanovich

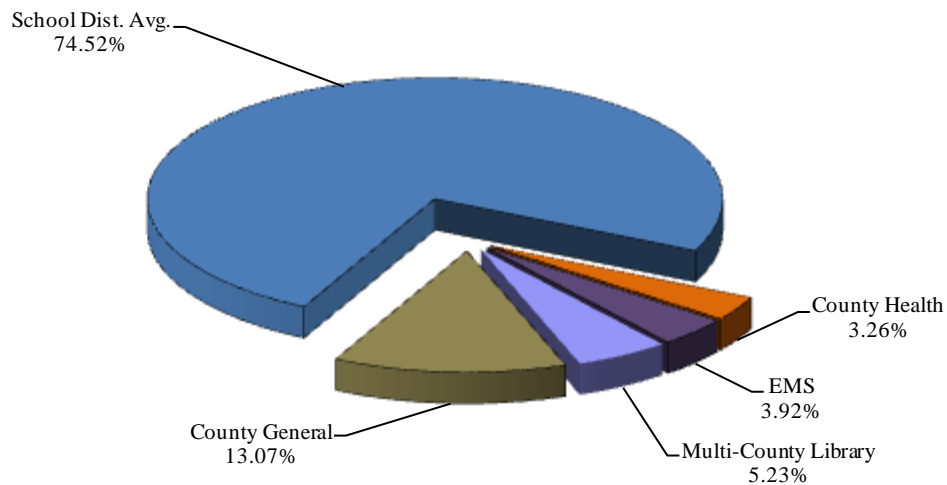
**District Attorney**

John Wampler



**JACKSON COUNTY, OKLAHOMA  
AD VALOREM TAX DISTRIBUTION  
SHARE OF THE AVERAGE MILLAGE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

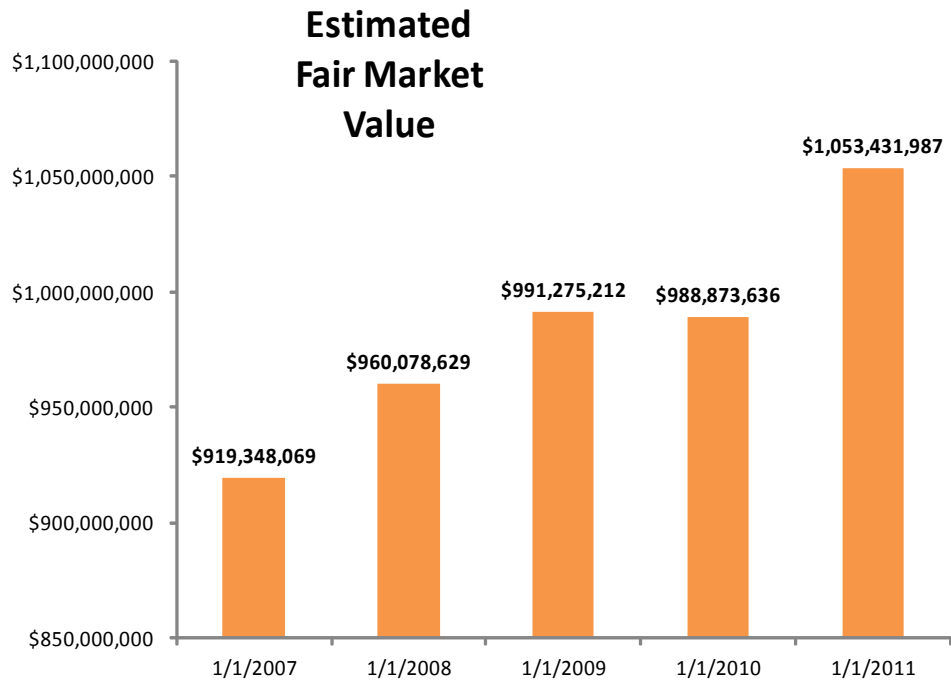
Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of a property is \$1,000.00 and the millage rate is 1.00, then the 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<br>Tech | Common | Total |
| 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  | 4.40  | 10.17          | 4.07   | 59.82 |
| EMS                  | 3.05  | Duke         | 14                       | 35.37 | 5.05  | 4.31  | 10.17          | 4.07   | 58.97 |
|                      |       | Eldorado     | 25                       | 35.85 | 5.12  | 4.83  | 10.17          | 4.07   | 60.04 |
|                      |       | Olustee      | 35                       | 35.62 | 5.09  |       | 10.17          | 4.07   | 54.95 |
|                      |       | Blair        | 54                       | 35.96 | 5.14  | 6.05  | 10.17          | 4.07   | 61.39 |
|                      |       | Greer County | JT-1                     | 35.00 | 5.00  | 11.92 | -              | 4.00   | 55.92 |

**JACKSON COUNTY, OKLAHOMA  
ASSESSED VALUE OF PROPERTY  
TREND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

| Valuation Date | Personal     | Public Service | Real Estate   | Homestead Exemption | Net Value     | Estimated Fair Market Value |
|----------------|--------------|----------------|---------------|---------------------|---------------|-----------------------------|
| 1/1/2011       | \$15,004,079 | \$13,416,950   | \$101,360,843 | \$5,704,144         | \$124,077,728 | \$1,053,431,987             |
| 1/1/2010       | \$12,674,855 | \$10,735,267   | \$97,992,124  | \$5,555,199         | \$115,847,047 | \$988,873,636               |
| 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               |

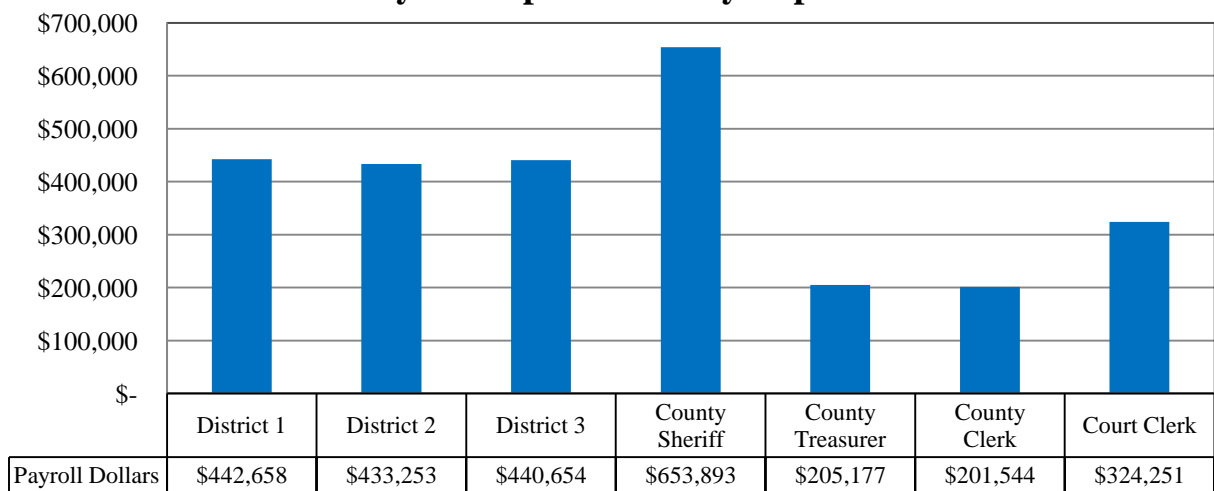


**JACKSON COUNTY, OKLAHOMA  
COUNTY PAYROLL EXPENDITURES ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

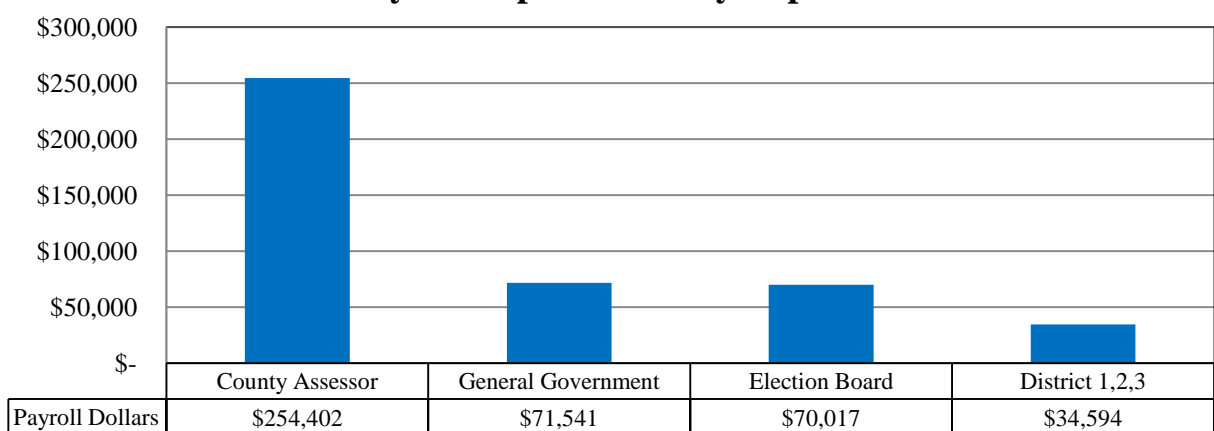
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County officers' salaries are based upon the assessed valuation and population of the counties. State statutes provide guidelines for establishing elected officers' salaries. The Board of County Commissioners sets the salaries for all elected county 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, 2012.

**Payroll Expenditures by Department**



**Payroll Expenditures by Department**

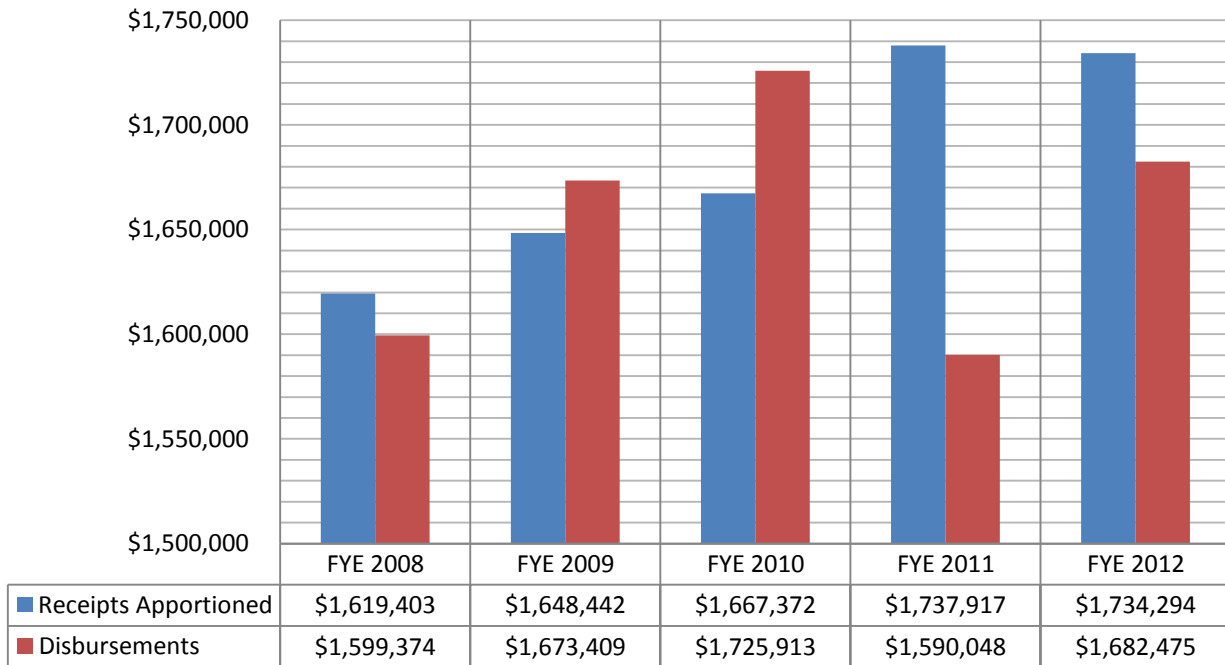


**JACKSON COUNTY, OKLAHOMA  
COUNTY GENERAL FUND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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## 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.

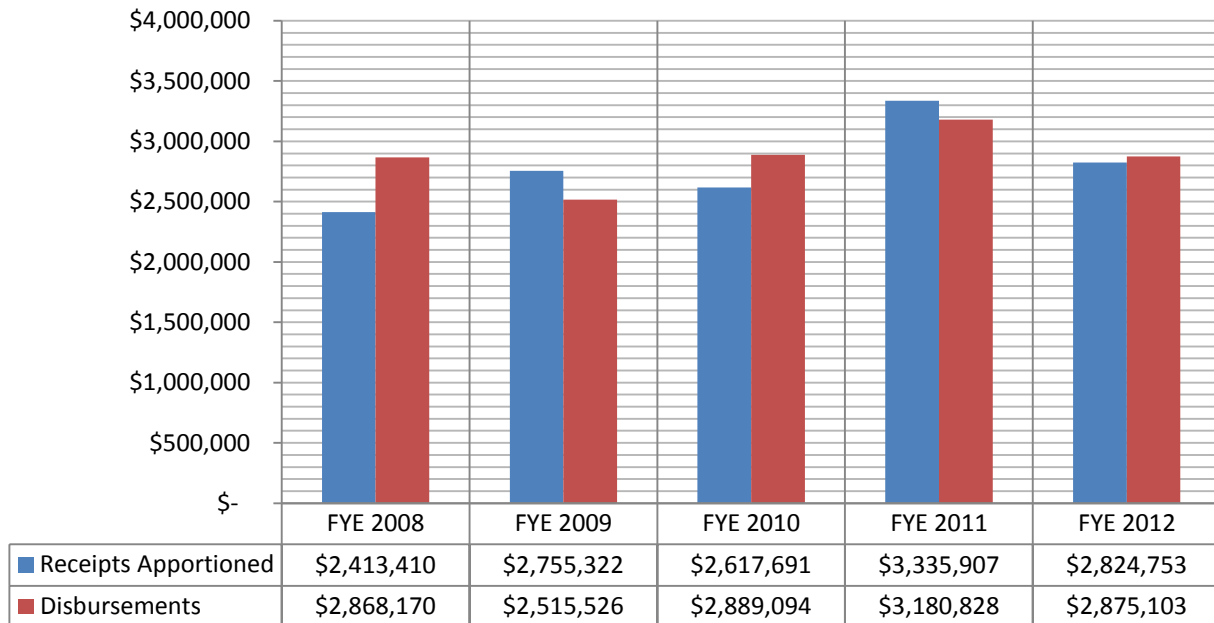


**JACKSON COUNTY, OKLAHOMA  
COUNTY HIGHWAY FUND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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## 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, 2012, 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, 2012, 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, 2012, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2014, 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", with a stylized, flowing script.

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

June 30, 2014



## **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, 2012**

|  | Beginning<br>Cash Balances<br>July 1, 2011 | Receipts<br>Apportioned | Transfers<br>In   | Transfers<br>Out  | Disbursements       | Ending<br>Cash Balances<br>June 30, 2012 |
|--|--|-------------------------|-------------------|-------------------|---------------------|--|
| Combining Information:                                 |  |                         |                   |                   |                     |  |
| Major Funds:   |  |                         |                   |                   |                     |  |
| County General Fund                                    | \$ 509,325                                 | \$ 1,734,294            | \$ 400,000        | \$ 400,000        | \$ 1,682,475        | \$ 561,144                               |
| T-Highway  | 955,740                                    | 2,824,753               | 90,292            | -                 | 2,875,103           | 995,682                                  |
| Highway County Bridge and Road Improvement 105         | 1,093,692                                  | 382,530                 | -                 | -                 | 141,001             | 1,335,221                                |
| Highway County Bridge and Road Improvement 103         | 226,642                                    | 1,206                   | -                 | 73,420            |                     | 154,428                                  |
| County Health Department                               | 297,573                                    | 578,377                 | -                 | -                 | 498,116             | 377,834                                  |
| Jail Sales Tax Revolving                               | 254,227                                    | 972,412                 | -                 | -                 | 1,017,460           | 209,179                                  |
| Jackson County Facilities Authority Sales Tax Proceeds | -  | 1,409,558               | -                 | -                 | 1,409,558           | -  |
| Sheriff Service Fee                                    | 599,016                                    | 296,222                 | 200,000           | 200,000           | 231,324             | 663,914                                  |
| Sheriff Contract Prisoners                             | 789,716                                    | 366,832                 | 200,000           | 200,000           | 497,795             | 658,753                                  |
| Remaining Aggregate Funds                              | 1,318,410                                  | 432,917                 | -                 | 16,872            | 327,558             | 1,406,897                                |
| <b>Combined Total - All County Funds</b>               | <b>\$ 6,044,341</b>                        | <b>\$ 8,999,101</b>     | <b>\$ 890,292</b> | <b>\$ 890,292</b> | <b>\$ 8,680,390</b> | <b>\$ 6,363,052</b>                      |

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, 2012**

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**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 are for the purpose of constructing and maintaining county roads and bridges.

Highway County Bridge and Road Improvement 105 - accounts for state receipts and disbursements are for the purpose of maintaining bridges and roads.

Highway County Bridge and Road Improvement 103 - accounts for state receipts and disbursements are for the purpose of maintaining bridges and roads.

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

**JACKSON COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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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 the fiscal agent, for the payment of revenue bonds.

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

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 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 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.

**JACKSON COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**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 the 1<sup>st</sup> Monday in October of each year.

**JACKSON COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**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.

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%

**JACKSON COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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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. These funds are accounted for in the Jackson County Facilities Authority Sales Tax Proceeds fund.

**E. Interfund Transfers**

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

- \$200,000 was transferred from Sheriff Service Fee and \$200,000 from the Sheriff Contract Prisoners fund to the County General Fund for the purpose of funding operating expenses until the County budget was approved.
- \$200,000 was transferred from the County General Fund to Sheriff Service Fee and \$200,000 from the County General Fund to the Sheriff Contract Prisoners fund totaling \$400,000 to repay operating transfers.
- \$73,420 was transferred from the Highway County Bridge Road Improvement 103 fund to the T-Highway fund for bridge projects.
- \$16,872 was transferred from the County Insurance Fund to T-Highway fund for insurance claims paid.

**F. Restatement**

The prior year's reported ending balance for the following funds were separated into two funds and are being reported as such in the fiscal year 2012 beginning balance. The County Investment fund is included in the Aggregate Funds for reporting purposes.

| <b>Fund</b>              | <b>Ending<br/>Balance<br/>June 30, 2011</b> | <b>Beginning<br/>Balance<br/>July 1, 2011</b> |
|--------------------------|---|---|
| Jail Sales Tax Revolving | \$1,015,627                                 | \$254,227                                     |
| County Investment        | \$0   | \$761,400                                     |

## **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, 2012**

|  | General Fund |            |          |
|--|--------------|------------|----------|
|  | Budget       | Actual     | Variance |
| Beginning Cash Balances                  | \$ 509,325   | \$ 509,325 | \$ -     |
| Less: Prior Year Outstanding Warrants    | (40,907)     | (40,907)   | -        |
| Less: Prior Year Encumbrances            | (87,622)     | (87,614)   | 8        |
| Beginning Cash Balances, Budgetary Basis | 380,796      | 380,804    | 8        |
| Receipts:                                |              |            |          |
| Ad Valorem Taxes                         | 1,147,155    | 1,265,136  | 117,981  |
| Charges for Services                     | 60,100       | 93,620     | 33,520   |
| Intergovernmental Revenues               | 276,352      | 321,383    | 45,031   |
| Miscellaneous Revenues                   | 30,000       | 54,155     | 24,155   |
| Total Receipts, Budgetary Basis          | 1,513,607    | 1,734,294  | 220,687  |
| Expenditures:                            |              |            |          |
| District Attorney                        | 2,000        | 2,000      | -        |
| County Sheriff                           | 375,864      | 276,684    | 99,180   |
| County Treasurer                         | 157,669      | 155,292    | 2,377    |
| County Commissioners                     | 46,629       | 36,794     | 9,835    |
| OSU Extension                            | 18,850       | 18,767     | 83       |
| County Clerk                             | 227,814      | 224,596    | 3,218    |
| Court Clerk                              | 136,215      | 134,935    | 1,280    |
| County Assessor                          | 101,383      | 98,688     | 2,695    |
| Revaluation of Real Property             | 190,710      | 181,514    | 9,196    |
| General Government                       | 473,940      | 358,526    | 115,414  |
| Excise-Equalization Board                | 3,575        | 2,734      | 841      |
| County Election Board                    | 86,040       | 76,460     | 9,580    |
| Charity                                  | 100          | -          | 100      |
| Safety Director                          | 24,455       | 20,530     | 3,925    |
| Court Fund Payroll                       | 18,222       | -          | 18,222   |
| County Audit Budget Account              | 23,992       | 8,536      | 15,456   |
| Free Fair                                | 6,945        | 6,945      | -        |
| Total Expenditures, Budgetary Basis      | 1,894,403    | 1,603,001  | 291,402  |

Continued on next page

**JACKSON 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, 2012**

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|   | General Fund |            |            |
|---|--------------|------------|------------|
|   | Budget       | Actual     | Variance   |
| Continued from previous page  |              |            |            |
| Excess of Receipts and Beginning Cash   |              |            |            |
| Balances Over Expenditures, Budgetary Basis   | \$ -         | 512,097    | \$ 512,097 |
| Operating Transfers:  |              |            |            |
| Operating Transfer In   |              | 400,000    |            |
| Operating Transfer Out  |              | (400,000)  |            |
| Net Operating Transfers   |              | -          |            |
| Reconciliation to Statement of Receipts,<br>Disbursements, and Changes in Cash Balances |              |            |            |
| Add: Current Year Outstanding Warrants  |              | 44,765     |            |
| Add: Current Year Encumbrances  |              | 4,282      |            |
| Ending Cash Balance   |              | \$ 561,144 |            |

**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, 2012**

|   | County Health Department Fund |            |            |
|---|-------------------------------|------------|------------|
|   | Budget                        | Actual     | Variance   |
| Beginning Cash Balances   | \$ 297,573                    | \$ 297,573 | \$ -       |
| Less: Prior Year Outstanding Warrants   | (39,101)                      | (39,101)   | -          |
| Less: Prior Year Encumbrances   | (4,051)                       | (2,498)    | 1,553      |
| Beginning Cash Balances, Budgetary Basis  | 254,421                       | 255,974    | 1,553      |
| Receipts:   |                               |            |            |
| Ad Valorem Taxes  | 286,507                       | 313,807    | 27,300     |
| Charges for Services  | -                             | 256,935    | 256,935    |
| Intergovernmental   | 260,512                       | 841        | (259,671)  |
| Miscellaneous Revenues  | -                             | 6,794      | 6,794      |
| Total Receipts, Budgetary Basis   | 547,019                       | 578,377    | 31,358     |
| Expenditures:   |                               |            |            |
| Health and Welfare  | 801,440                       | 550,409    | 251,031    |
| Total Expenditures, Budgetary Basis   | 801,440                       | 550,409    | 251,031    |
| Excess of Receipts and Beginning Cash<br>Balances Over Expenditures,<br>Budgetary Basis | \$ -                          | 283,942    | \$ 283,942 |
| Reconciliation to Statement of Receipts,<br>Disbursements, and Changes in Cash Balances |                               |            |            |
| Add: Current Year Encumbrances  |                               | 4,100      |            |
| Add: Current Year Outstanding Warrants  |                               | 89,792     |            |
| Ending Cash Balance   |                               | \$ 377,834 |            |

**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, 2012**

|   | Beginning<br>Cash Balances<br>July 1, 2011 | Receipts<br>Apportioned | Transfers<br>In | Transfers<br>Out | Disbursements     | Ending<br>Cash Balances<br>June 30, 2012 |
|---|--|-------------------------|-----------------|------------------|-------------------|--|
| Remaining Aggregate Funds:                        |  |                         |                 |                  |                   |  |
| Resale Property                                   | \$ 125,495                                 | \$ 117,097              | \$ -            | \$ -             | \$ 91,461         | \$ 151,131                               |
| Treasurer Mortgage Tax Certification Fee          | 18,130                                     | 4,611                   | -               | -                | -                 | 22,741                                   |
| County Clerk Lien Fee                             | 40,453                                     | 8,527                   | -               | -                | 1,766             | 47,214                                   |
| County Clerk Records Management Preservation      | 123,643                                    | 27,230                  | -               | -                | 40,840            | 110,033                                  |
| Assessor Revolving                                | 19,541                                     | 6,404                   | -               | -                | 3,975             | 21,970                                   |
| Assessor Visual Inspection                        | 256  | -                       | -               | -                | -                 | 256                                      |
| Sheriff Commissary                                | 193,723                                    | 105,043                 | -               | -                | 119,860           | 178,906                                  |
| Juvenile Detention                                | 495  | -                       | -               | -                | -                 | 495                                      |
| Jackson County Reward Fund                        | 1,761                                      | -                       | -               | -                | -                 | 1,761                                    |
| County Insurance Fund                             | 4,767                                      | 12,105                  | -               | 16,872           | -                 | -  |
| Emergency Management Performance Grant            | 27,909                                     | 10,000                  | -               | -                | 32,887            | 5,022                                    |
| County Investment                                 | 761,400                                    | 14,522                  | -               | -                | 9,405             | 766,517                                  |
| REAP - Rural Fire Association                     | 837  | -                       | -               | -                | -                 | 837                                      |
| Hazard Mitigation                                 | -  | 23,186                  | -               | -                | 23,186            | -  |
| Oklahoma Bar Association Donations Grant          | -  | 3,863                   | -               | -                | 3,863             | -  |
| Technology Assistance Grant                       | -  | 315                     | -               | -                | 315               | -  |
| Elmer Rural Fire Department REAP Grant            | -  | 100,014                 | -               | -                | -                 | 100,014                                  |
| <b>Combined Total - Remaining Aggregate Funds</b> | <b>\$ 1,318,410</b>                        | <b>\$ 432,917</b>       | <b>\$ -</b>     | <b>\$ 16,872</b> | <b>\$ 327,558</b> | <b>\$ 1,406,897</b>                      |

**JACKSON COUNTY, OKLAHOMA**  
**NOTES TO OTHER SUPPLEMENTARY INFORMATION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**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 Commissary - accounts for the collection of 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, 2012**

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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 for reporting illegal dumping to the local policing departments.

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

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.

County Investment - accounts for the collection of interest earned on investments held by Jackson County.

REAP-Rural Fire Association - accounts for the collection of state grant monies for specific projects within the communities of Jackson County, specifically the Rural Fire Association.

Hazard Mitigation - accounts for federal funds for the purpose of Hazard Mitigation.

Oklahoma Bar Association Donations Grant - accounts for the collection and expenditure of grant money for the purpose of courtroom improvements.

Technology Assistance Grant - accounts for the collection and expenditure of grant money for the purpose of courtroom technology improvements.

Elmer Rural Fire Department REAP Grant - accounts for the collection and expenditure of state grant monies to fund the purchase of a new fire truck for the Elmer Rural Fire Department.

## **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, 2012, 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 June 30, 2014. 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. 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, 2012, on the basis of accounting prescribed by Oklahoma state law, described in Note 1. 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. 2012-1 and 2012-2.



A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control described in the accompanying schedule of findings and responses to be significant deficiency in internal control over financial reporting. 2012-3.

#### 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2012-2 and 2012-3.

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.

A handwritten signature in blue ink, appearing to read "Gary A. Jones", with a stylized flourish at the end.

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

June 30, 2014

**JACKSON COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**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 2012-1—Inadequate County-Wide Internal Controls (Repeat Finding)**

**Condition:** County-wide controls regarding Risk Management and Monitoring have not been designed. The offices of the County Treasurer, County Assessor, and County Sheriff do not have a Disaster Recovery Plan in place for the information systems in their offices. Further, the County Clerk's Disaster Recovery Plan has not been updated since 2008.

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

**Effect of Condition:** These conditions could result in unrecorded transactions, undetected errors, or misappropriation of funds. These conditions could also result in the loss of data, the unreliability of data, and increase the risk that the County may not recover in an emergency situation and/or disaster.

**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.

Further, each office using an information system should prepare and frequently update a Disaster Recovery Plan in order to maintain operations in the event of an emergency situation and/or disaster. It is also recommended that the County-Wide Disaster Recovery Plan also include contacts such as officers, employees, software used, and software vendor information.

**Management Response:**

**Board of County Commissioners:** The Board of County Commissioners will work towards assessing and identifying risks to design written policies and procedures regarding county-wide controls. Further, the Board will stress the importance of the development and maintenance of Disaster Recovery Plans being prepared and updated and vital information being included in the County-Wide Disaster Recovery Plan.

**County Treasurer:** The County Treasurer will work toward the design of a Disaster Recovery Plan for the information system used within the office.

**County Assessor:** The County Assessor will work toward the design of a Disaster Recovery Plan for the information system used within the office.

**County Sheriff:** The County Sheriff will work toward the design of a Disaster Recovery Plan for the information system used within the office.

**JACKSON COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**County Clerk:** The Disaster Recovery Plan for the information system used within the office has been updated.

**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 2012-2—Inadequate Internal Controls and Noncompliance Over the Disbursement Process Including Payroll (Repeat Finding)**

**Condition:** Upon inquiry and observation of the County's payroll process, we noted:

- The duties of processing payroll are not adequately segregated. 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.

Additionally, the test of fifty purchase orders reflected four instances in which goods and/or services were received prior to the encumbrance of funds.

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

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

**Recommendation:** OSAI recommends the following key accounting functions over payroll disbursements be adequately segregated:

- Posting new hires and/or making payroll changes to the payroll system.
- Accessing personnel files.
- Performing the task of direct depositing payroll.

Further, OSAI recommends the County funds should be encumbered prior to the receipt of goods and/or services in accordance with Title 19 O.S. § 1505C.

**Management Response:**

**Board of County Commissioners:** The Board of County Commissioners will express to fellow County Officials the importance of county funds being encumbered prior to the receipt of goods and/or services.

**JACKSON COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**County Clerk:** The County Clerk is aware of this condition and will work towards the implementation of internal controls over the payroll process.

**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.

An aspect of internal control is the safeguarding of assets. Internal controls over safeguarding of assets constitute a process, affected by the entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or untimely detection of unauthorized acquisition, use, or disposition of the entity's assets and safeguarding assets from loss, damage, or misappropriation. Effective internal controls would include procedures that ensure compliance with Title 19 O.S. §1505C.

**Finding 2012-3—Inadequate Internal Controls and Noncompliance Over Pledged Collateral (Repeat Finding)**

**Condition:** Based upon inquiry and observation of records, we noted county funds were not adequately secured at one financial institution for two of the thirteen days tested for the fiscal year. These instances are as follows:

- On December 30, 2011, county funds were unsecured in the amount of \$2,682,656.11.
- On January 4, 2012, county funds were unsecured in the amount of \$3,461,599.24.

**Cause of Condition:** Pledged collateral amounts were not monitored to daily bank balances to ensure that county funds were adequately secured.

**Effect of Condition:** These conditions resulted in noncompliance with state statute. Failure to monitor pledged collateral amounts to daily bank balances resulted in unsecured county funds and could result in the possible loss of county funds.

**Recommendation:** OSAI recommends that the County Treasurer comply with Title 62 O.S. § 517.4, which requires county deposits with financial institutions be secured with collateral securities or instruments. Further, OSAI recommends the County Treasurer monitor and maintain evidence documenting the security of county deposits on a daily basis.

**Management Response:**

**County Treasurer:** Internal controls have been designed and implemented to monitor daily bank balances to ensure funds are adequately secured.

**Criteria:** Accountability and stewardship are overall goals of management in the accounting of funds. An important aspect of internal controls is the safeguarding of assets. Internal controls over safeguarding of assets constitute a process, affected by an entity's governing body, management, and other personnel,

**JACKSON COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from misappropriation. Effective internal controls would include procedures that ensure compliance with Title 62 O.S. § 517.4.

**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 2012-4—Noncompliance Over the Inmate Trust Account**

**Condition:** Upon inquiry and the observation of financial activity within the Inmate Trust Account, and review of all checks issued during the period, the following weakness was noted:

- Ten checks totaling \$5,261.33 were issued to payees not authorized by statute; specifically noted were the payment of bonds and fines to the Court Clerk.

**Cause of Condition:** Procedures have not been designed to ensure disbursements for inmates such as the payment of court costs during incarceration are not paid from the Inmate Trust Account.

**Effect of Condition:** This condition resulted in noncompliance with the statute.

**Recommendation:** OSAI recommends that the County Sheriff comply with Title 19 O.S. § 531(A), which states, “The County Sheriff shall deposit all monies collected from inmates incarcerated in the county jail into this checking account and may write checks to the Sheriff’s Commissary Account for purchases made by the inmate during his or her incarceration and to the inmate from unencumbered balances due the inmate upon his or her discharge.”

**Management Response:**

**County Sheriff:** The County Sheriff will comply with the statute regarding the disbursement of inmate funds.

**Criteria:** Accountability and stewardship are overall goals of management in accounting of funds. Implementing procedures to ensure compliance with Title 19 O.S. § 531(A) should be the goal of management.

**Finding 2012-5 – Inadequate Internal Controls and Noncompliance Over Inventories**

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

**JACKSON COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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District 1 Commissioner:

- Annual physical fixed assets inventory verification was not performed.
- Three of the ten items selected were not properly marked with the County identification number.

District 2 Commissioner:

- Annual physical fixed assets inventory verification was not performed.
- Seven of the ten items selected were not properly marked "Property of Jackson County."

District 3 Commissioner:

- Annual physical fixed assets inventory verification was not performed.
- Four of the ten items selected were not properly marked with the County identification number.
- Ten of ten items selected were not properly marked "Property of Jackson County."

County Clerk:

- Annual physical fixed assets inventory verification was not performed.

County Sheriff:

- Annual physical fixed assets inventory verification was not performed.

County Treasurer:

- One of the five items selected was not properly marked with the County identification number.

County Assessor:

- Annual physical fixed assets inventory verification was not performed.

Upon inquiry and observation of consumable inventory items for District 1, 2, and 3, we noted the following weaknesses:

District 1 Commissioner:

- A monthly physical verification of consumable inventory items was not performed.

District 2 Commissioner:

- A monthly physical verification of consumable inventory items was not performed.

District 3 Commissioner:

- A monthly physical verification of consumable inventory items was not performed.

**Cause of Condition:** Policies and procedures have not been designed to ensure compliance with the state statutes regarding maintaining and properly identifying fixed assets. Additionally, procedures have not been designed and implemented to provide for accurate inventory records and the safeguarding of consumable items.

**JACKSON COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**Effect of Condition:** When fixed assets are not monitored and equipment is not properly marked with identification numbers and “Property of,” opportunities for misuse or loss of equipment can occur. Additionally, when consumable inventories are not monitored on a monthly basis, opportunities for misuse or theft of items are more likely to occur.

**Recommendation:** OSAI recommends management implement internal controls to ensure compliance with Title 19 O.S. § 178.1, 19 O.S. § 1502(A) (1), 19 O.S. § 1502(B) (1), and 69 O.S. § 645.1 by maintaining inventory records and marking assets with county identification numbers and “Property of the County.” OSAI additionally recommends that periodic fixed assets inventory verifications be conducted and documented with the initials and date of the employee conducting the verification.

OSAI also recommends that monthly consumable inventory verifications be conducted and documentation be maintained as evidenced by the date and initials of the employee conducting the verification.

**Management Response:**

**District 1 Commissioner:** An annual inventory count of fixed assets will be performed and a monthly inventory count of consumable items will be performed.

**District 3 Commissioner:** An annual inventory count of fixed assets and a monthly inventory count of consumable items will be performed. As the Chairman of the Board and due to the vacancy of District 2, it will be stressed to the newly elected District 2 County Commissioner the importance of annual fixed assets counts and monthly counts of consumable items.

Further, decals have been ordered and will be placed on equipment required to be marked “Property of the County.” As the Chairman of the Board and due to the vacancy of District 2, it will be stressed to the newly elected District 2 County Commissioner the importance of complying with the statutory requirement.

**County Treasurer:** An annual inventory count of fixed assets will be performed.

**County Clerk:** An annual inventory count of fixed assets will be performed.

**County Assessor:** An annual inventory count of fixed assets will be performed.

**County Sheriff:** An annual inventory count of fixed assets will be performed.

**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.



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