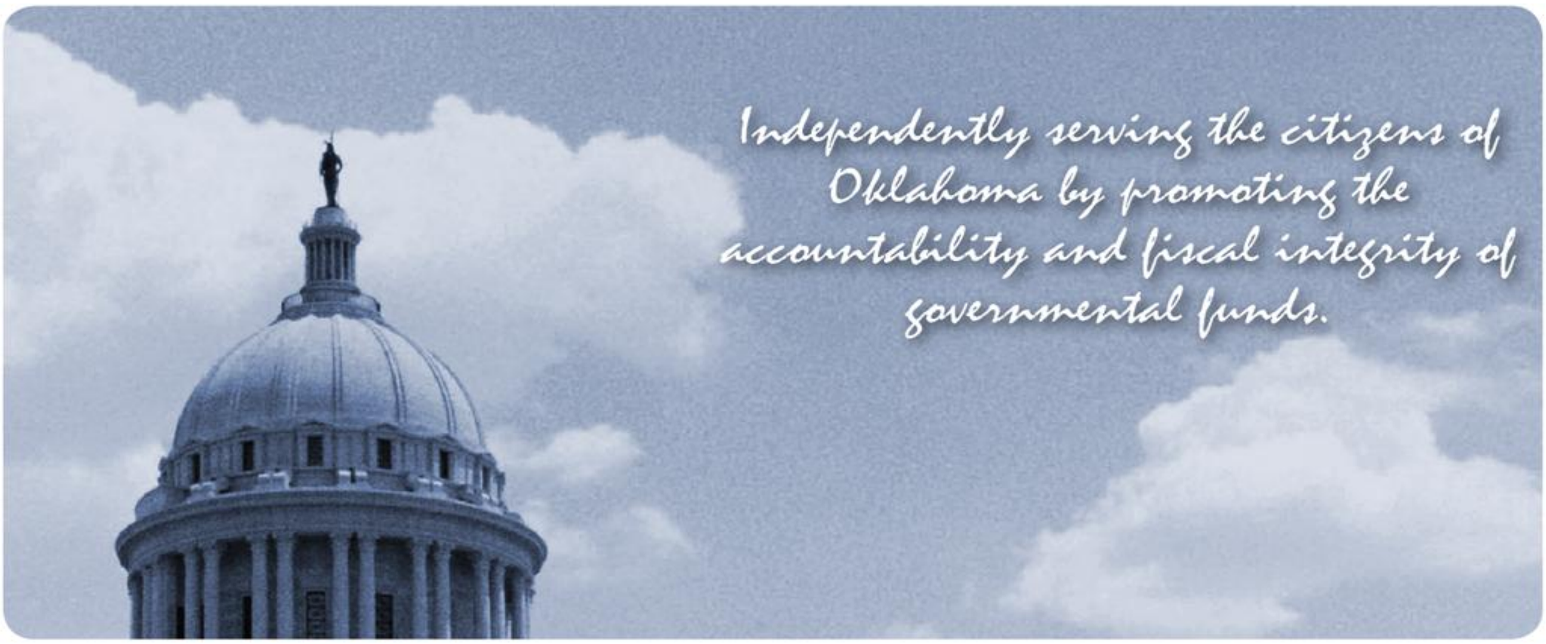
COUNTY AUDIT

Jefferson County

For the fiscal year ended June 30, 2012



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

JEFFERSON COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

June 16, 2015

TO THE CITIZENS OF
JEFFERSON COUNTY, OKLAHOMA

Transmitted herewith is the audit of Jefferson 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,

Gary A Jones

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

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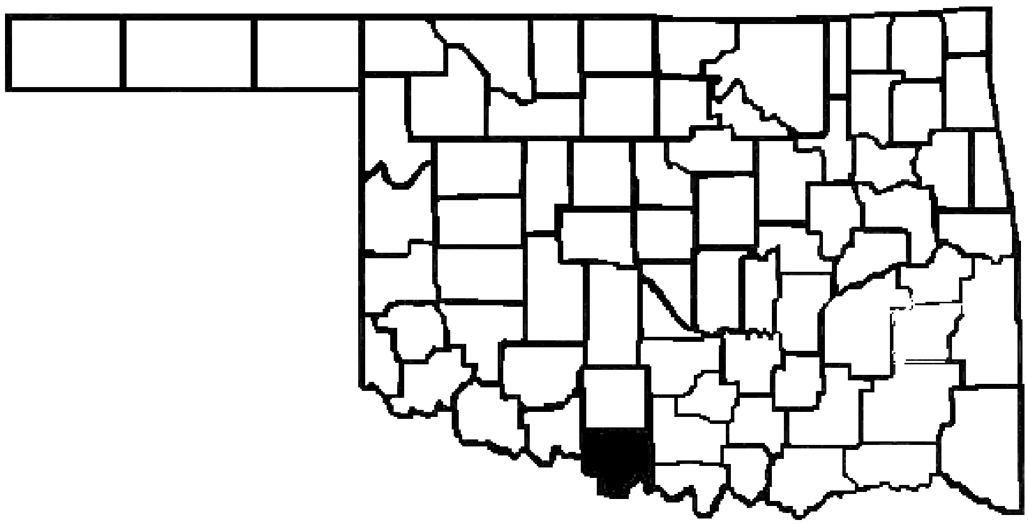


Named for President Thomas Jefferson, this county was created from a portion of Comanche County in Oklahoma Territory and the southwestern corner of the Chickasaw Nation. A marker on S.H. 70 in Waurika, the county seat, designates the 98th Meridian, the dividing line between Indian Territory and Oklahoma Territory.

Waurika, meaning "camp of clear water," was built at the junction of Beaver and Cow creeks, and is the site of Waurika Lake. Ringling was named for John Ringling, who built a railroad on this site to bring his circus to the area for its winter headquarters. Ryan is the site of the Jefferson County Courthouse, built in 1894 by the Chickasaw Nation. Landmarks include the Rock Island Railroad depot build in 1912, and monument Hill Marker, honoring the Chisholm Trail and its trail drivers.

Although an industrial base has been established, cattle, oil, and agriculture are still the leading sources of income. Annual events include the Waurika Volunteer Firemen Rattlesnake Hunt, the Waurika Art Show, and the Terral Melon Jubilee.

The Chisholm Trail Historical Association is located in Waurika, and two publications, *A history of Jefferson County* and *Post Offices in Jefferson County*, offer written historical accounts. For more information, call the county clerk's office at 580/228-2029.

County Seat – Waurika

Area – 773.83 Square Miles

County Population – 6,319
(2009 est.)

Farms – 514

Land in Farms – 460,207Acres

Primary Source: Oklahoma Almanac 2011-2012

Board of County Commissioners

District 1 – Billy Kidd
District 2 – Ty Phillips
District 3 – Ricky Martin

County Assessor

Sandra Watkins

County Clerk

Gloria England

County Sheriff

Michael Bryant

County Treasurer

Ann Medlinger

Court Clerk

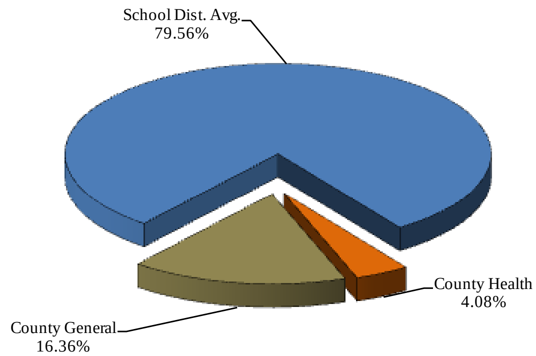
Carolyn Watkins

District Attorney

Jason Hicks

JEFFERSON 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.



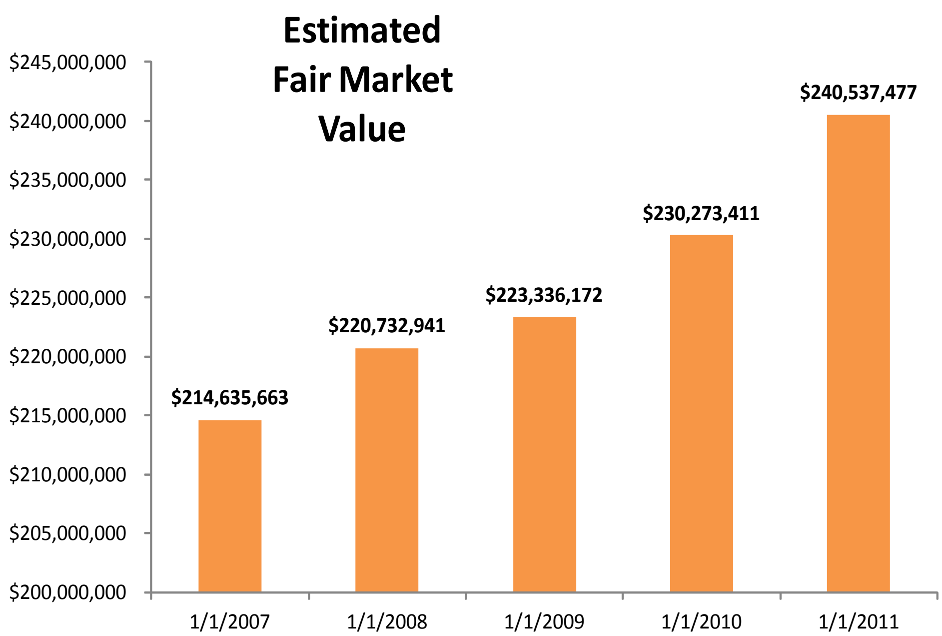
County-Wide Millages	
County General	10.54
County Health	2.63
Cities and Towns	
Waurika Sinking	4.37
Other	
EMS, SD 14	3.25
EMS, SD 23	3.14
EMS, SD JT55	3.25
EMS, SD 14	3.00
EMS, SD 33	3.00

School District Millages

		Gen.	Bldg.	Skg.	Career Tech	Common	Total
Ryan	I-1	36.52	5.22	10.74	12.00	4.21	68.69
Terral	I-33	36.34	5.19	-	12.54	4.21	58.28
Ringling	I-14	37.87	5.41	-	16.30	4.21	63.79
Waurika	I-23A	36.62	5.23	-	12.54	4.21	58.60
Waurika	I-23B	36.62	5.23	-	12.54	4.21	58.60
Comanche	JT2	36.05	5.15	14.83	12.54	4.21	72.78
Healdton	JT55	35.00	5.00	20.15	16.30	4.21	80.66
Grandview	JT82	35.00	5.00	-	12.54	4.21	56.75
Temple	JT101	37.12	5.30	11.30	12.54	4.21	70.47

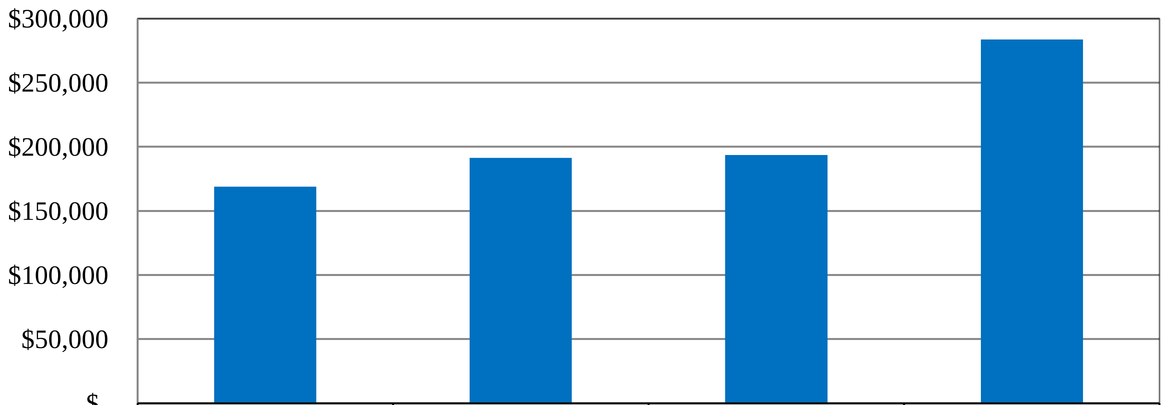
JEFFERSON COUNTY, OKLAHOMA
ASSESSED VALUE OF PROPERTY
TREND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2011	$2,587,701	$8,944,481	$21,176,307	$1,473,638	$31,234,851	$240,537,477
1/1/2010	$2,919,357	$6,944,740	$20,748,104	$1,497,536	$29,114,665	$230,273,411
1/1/2009	$2,410,310	$6,450,679	$20,589,243	$1,521,913	$27,928,319	$223,336,172
1/1/2008	$2,311,394	$6,934,217	$20,122,351	$1,511,062	$27,856,900	$220,732,941
1/1/2007	$2,530,198	$7,316,643	$19,060,946	$1,521,224	$27,386,563	$214,635,663



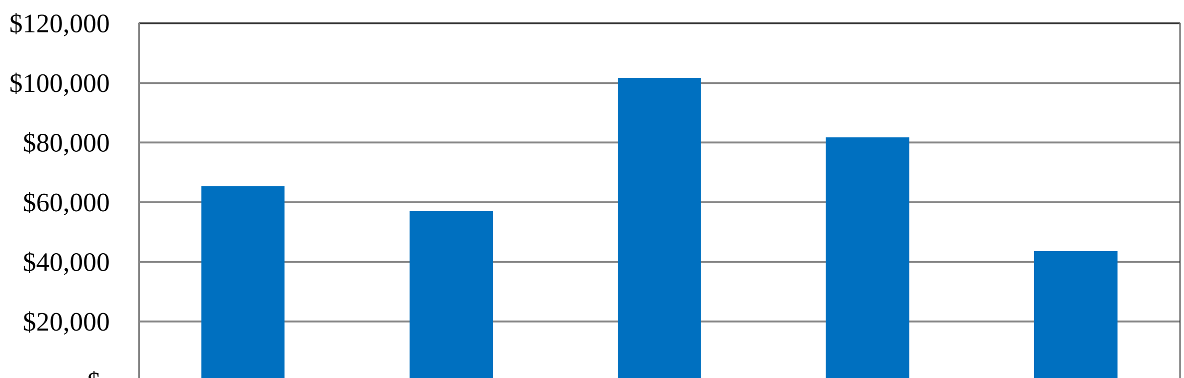
County officers' salaries are based upon the assessed valuation and population of the counties. State statutes provide guidelines for establishing elected officers' salaries. The Board of County Commissioners sets the salaries for all elected county officials within the limits set by the statutes. The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



	District 1	District 2	District 3	County Sheriff
Payroll Dollars	$168,879	$191,334	$193,602	$283,674

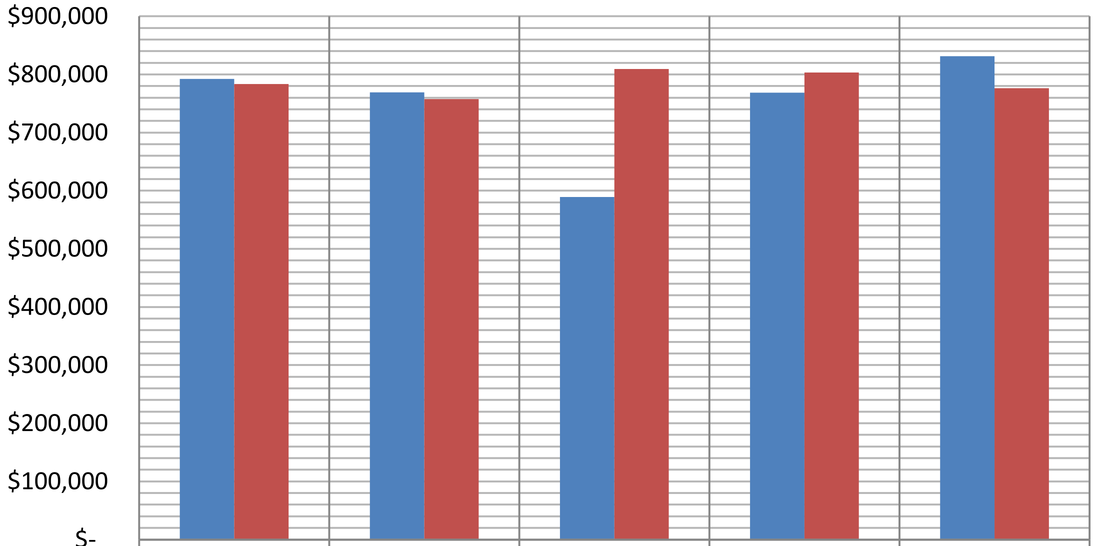
Payroll Expenditures by Department



	County Treasurer	County Clerk	Court Clerk	County Assessor	Election Board
Payroll Dollars	$65,306	$57,000	$101,700	$81,718	$43,582

County General Fund

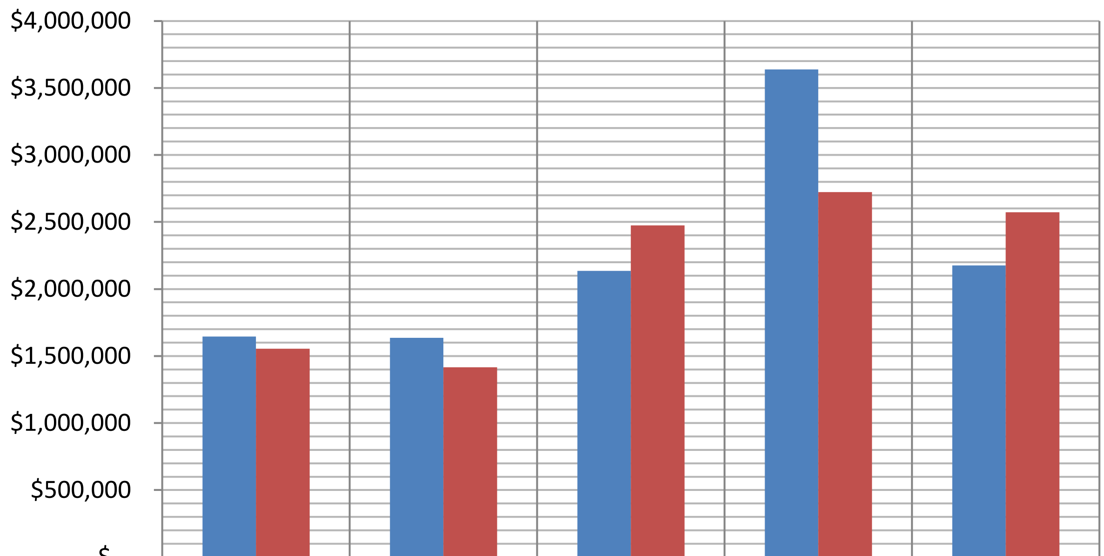
The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the county's primary source of operating revenue. The County General Fund is typically used for county employees' salaries plus many expenses for county maintenance and operation. It also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



	FYE 2008	FYE 2009	FYE 2010	FYE 2011	FYE 2012
Receipts Apportioned	$792,114	$768,961	$589,193	$768,534	$831,095
Disbursements	$783,488	$757,641	$809,561	$803,068	$776,082

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.



	FYE 2008	FYE 2009	FYE 2010	FYE 2011	FYE 2012
Receipts Apportioned	$1,644,367	$1,635,860	$2,134,794	$3,637,911	$2,176,213
Disbursements	$1,555,762	$1,415,401	$2,474,723	$2,721,902	$2,571,577

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
JEFFERSON 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 Jefferson 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 Jefferson 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 Jefferson 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 Jefferson 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 15, 2015, on our consideration of Jefferson 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.

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

June 15, 2015

REGULATORY BASIS FINANCIAL STATEMENT

JEFFERSON 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 Cash Balances July 1, 2011	Receipts Apportioned	Transfers In	Disbursements	Ending Cash Balances June 30, 2012
Combining Information:					
Major Funds:					
County General Fund	$ 145,159	$ 831,095	$ -	$ 776,082	$ 200,172
T-Highway	2,449,298	2,176,213	-	2,571,577	2,053,934
County Health	101,879	84,318	-	50,179	136,018
Sheriff Service Fee	53,689	183,202	-	195,652	41,239
Department of Corrections	100,402	139,127	-	123,109	116,420
Community Development Block Grant	21,740	146,831	-	168,470	101
Remaining Aggregate Funds	214,084	195,760	6,405	211,979	204,270
Combined Total - All County Funds	$ 3,086,251	$ 3,756,546	$ 6,405	$ 4,097,048	$ 2,752,154

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

1. Summary of Significant Accounting Policies

A. Reporting Entity

Jefferson 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, 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.

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

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

Department of Corrections – accounts for the monies received from the State of Oklahoma for the boarding and feeding of Department of Corrections' prisoners.

Community Development Block Grant – accounts for federal grant monies received from the Oklahoma Department of Commerce and disbursements as restricted by the grant agreement.

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.

E. Cash and Investments

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

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

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

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

2. Ad Valorem Tax

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

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

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 voters of Jefferson County approved a 1% sales tax that went into effect on December 1, 1992. This sales tax has an unlimited duration. The sales tax was established to be used for the general operating of the County Government, and for the support of County Civil Defense, OSU Extension services, County Law Enforcement, County-Wide Rural Fire Protection, and Fair Board maintenance and operations. This sales tax is to be apportioned to the County General Fund.

The voters of Jefferson County also approved a 1% sales tax through a special election on June 9, 2009. This sales tax has a limited duration of 5 years. The sales tax was established for planning, financing, and construction of the Jefferson County Healthcare Authority or related medical facilities. This sales tax is apportioned and remitted to the Jefferson County Healthcare Authority, a trust and agency fund.

E. Interfund Transfers

During the fiscal year, the County made the following transfer between cash funds.

- $6,405 was transferred from Excess Resale, a trust and agency fund, to the Resale Property fund in accordance with 68 O.S. § 3131 (C).

OTHER SUPPLEMENTARY INFORMATION

JEFFERSON 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 Balance:	$ 145,159	$ 145,159	$ -
Less: Prior Years Outstanding Warrants	(33,871)	(33,823)	48
Less: Prior Year Reserves	(5,826)	(5,470)	356
Beginning Cash Balances, Budgetary Basis	105,462	105,866	404
Receipts:			
Ad Valorem Taxes	318,886	334,472	15,586
Sales Tax	219,288	285,672	66,384
Charges for Services	26,245	43,284	17,039
Intergovernmental Revenues	120,184	141,536	21,352
Miscellaneous Revenues	19,839	26,131	6,292
Total Receipts, Budgetary Basis	704,442	831,095	126,653
Expenditures:			
District Attorney - County	2	-	2
County Sheriff	186,145	185,940	205
County Treasurer	65,781	65,316	465
County Commissioners OSU Extension	15,801	9,659	6,142
County Clerk	67,186	67,137	49
Court Clerk	69,434	69,432	2
County Assessor	56,673	56,377	296
Revaluation of Real Property	66,251	54,582	11,669
General Government	72,893	68,864	4,029
Excise - Equalization Board	3,701	2,899	802
County Election Expense	58,205	57,973	232
Insurance - Benefits	139,580	130,840	8,740
Charity	1	-	1
Fire Fighting Services	1	-	1
Recording Account	3,000	2,540	460
Civil Defense	250	66	184
County Audit Budget Account	1,500	982	518
Free Fair Budget Account	3,500	2,993	507
Total Expenditures, Budgetary Basis	809,904	775,600	34,304
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	$ -	161,361	$ 161,361
Reconciliation to Statement of Receipts Disbursements, and Changes in Cash Balances			
Add: Current Year Reserves		4,317	
Add: Current Year Outstanding Warrants		34,494	
Ending Cash Balances		$ 200,172	

JEFFERSON 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 Balance:	$ 101,879	$ 101,879	$ -
Less: Prior Years Outstanding Warrants	(88)	(88)	-
Less: Prior Year Reserves	(5,673)	(5,153)	520
Beginning Cash Balances, Budgetary Basis	96,118	96,638	520
Receipts:			
Ad Valorem Taxes	74,680	83,336	8,656
Charges for Services	-	969	969
Miscellaneous Revenues	-	13	13
Total Receipts, Budgetary Basis	74,680	84,318	9,638
Expenditures:			
County Health Budget	170,798	55,964	114,834
Total Expenditures, Budgetary Basis	170,798	55,964	114,834
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	$ -	124,992	$ 124,992
Reconciliation to Statement of Receipts Disbursements and Changes in Cash Balances			
Add: Current Year Reserves		7,596	
Add: Current Year Outstanding Warrants		3,430	
Ending Cash Balance		$ 136,018	

JEFFERSON 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 Cash Balances July 1, 2011	Receipts Apportioned	Transfers In	Disbursements	Ending Cash Balances June 30, 2012
Remaining Aggregate Funds:					
REAP Grant	$ 60,205	$ 4,783	$ -	$ 36,203	$ 28,785
Resale Property	48,129	45,203	6,405	39,914	59,823
Mortgage Certification Fee	894	1,225	-	1,150	969
Assessor Visual Inspection	1,161	-	-	35	1,126
Assessor Revolving	1,507	3,183	-	2,963	1,727
INS Account	86	-	-	-	86
Community Service Sentencing Program (CSSP)	365	-	-	-	365
County Clerk Lien Fee	11,902	7,680	-	9,148	10,434
County Clerk Preservation	16,151	11,110	-	6,512	20,749
Sheriff Commissary	9,434	13,789	-	20,338	2,885
Juvenile Justice Delinquency Prevention (JJDP)	488	-	-	-	488
Indigent Grant	800	-	-	-	800
Free Fair Special	2,742	4,450	-	2,689	4,503
Safety Awards	5	-	-	-	5
K-9	583	-	-	-	583
FEMA	-	166	-	-	166
Rewards	-	15	-	-	15
911 Landline Fees	47,355	77,585	-	70,513	54,427
911 Wireless Fees	12,277	26,571	-	22,514	16,334
Combined Total - Remaining Aggregate Funds	$ 214,084	$ 195,760	$ 6,405	$ 211,979	$ 204,270

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:

REAP Grant – accounts for state grant funds received and disbursed for various projects.

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

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

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

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

INS Account – accounts for the receipt and disbursement of monies for the Immigration and Naturalization Services (INS) Detention Facility.

Community Service Sentencing Program (CSSP) – accounts for the collection of funding through the State Department of Corrections for administrative expenses and supervision of offenders.

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

County Clerk Preservation – accounts for fees collected for instruments filed with the County Clerk's office as restricted by statute for preservation of funds.

Sheriff Commissary – accounts for monies received from inmates for purchases from the County's commissary and disbursements as restricted by state statutes.

Juvenile Justice Delinquency Prevention (JJDP) – accounts for grant funds received from the U.S. Department of Justice disbursed as restricted by grant agreement.

Indigent Grant – accounts for monies received from Association of South Central Oklahoma Government to aide in funeral expense for the indigent.

Free Fair Special – accounts for revenue derived from the rental of the fair building.

Safety Awards – accounts for monies received from the Association of County Commissioners of Oklahoma to be disbursed for employee safety awards.

K-9 – accounts for monies received from donations to be disbursed for the maintenance and supplies for the Sheriff's K-9 program.

FEMA – accounts for federal funds received and expenditures are for the maintenance of highways and roads.

Rewards – accounts for money received from the Court Clerk's office and expended for rewards in cases of littering.

911 Landline Fees – accounts for funds received for landline connections and disbursed for operating emergency landline services.

911 Wireless Fees – accounts for money received from wireless connections and disbursed for operating emergency wireless services.

INTERNAL CONTROL AND COMPLIANCE SECTION

Oklahoma State Auditor & Inspector
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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
JEFFERSON COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Jefferson County, Oklahoma, as of and for the year ended June 30, 2012, which comprises Jefferson County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated June 15, 2015. 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 Jefferson 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 Jefferson 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, 2012-3, 2012-4, and 2012-5.

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 a significant deficiency in internal control over financial reporting. 2012-2.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Jefferson 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 matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2012-5.

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

Jefferson County's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit Jefferson 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

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

June 15, 2015

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

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

Cause of Condition: Policies and procedures have not been designed and implemented to address risks of the County.

Effect of Condition: Without an adequate system of county-wide internal controls, there is risk of a breakdown in control activities which could result in unrecorded transactions, undetected errors, or misappropriation of funds.

Recommendation: The Oklahoma State Auditor & Inspector's Office (OSAI) recommends that the County design and implement procedures to identify and address risks. OSAI also recommends that the County design monitoring procedures to assess the quality of performance over time. These procedures should be written policies and procedures and could be included in the County's policies and procedures handbook.

Management Response*:*
Board of County Commissioners Chairman, County Clerk, and County Treasurer: We will set up quarterly meetings, with all elected officials to discuss and take action regarding risk management and monitoring.

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 2012-2 – Disaster Recovery Plan

Condition: The County Sheriff's office does not have a written Disaster Recovery Plan.

Cause of Condition: Policies and procedures have not been designed to develop and implement a Disaster Recovery plan for all County offices.

Effect of Condition: The failure to have a current formal Disaster Recovery Plan could result in the County being unable to function in the event of a disaster. The lack of a formal plan could cause significant problems in ensuring that county business could continue uninterrupted.

Recommendation: OSAI recommends that each elected official develop and maintain a current Disaster Recovery Plan that addresses how critical information and systems within their offices would be restored in the event of a disaster. The Plan should include the following:

- Current names, addresses, contact numbers of key county personnel and their roles and responsibilities of information services function.
- Listing of contracted service providers.
- Information on location of key resources, including back-up site for recovery operating system, application, data files, operating manuals and program/system/user/documentation.
- Alternative work locations once IT resources are available.

Management Response:
County Sheriff: The Jefferson County Sheriff's office is currently implementing a Disaster Recovery Plan.

Criteria: An important aspect of internal control is the safeguarding of assets which includes adequate Disaster Recovery Plans. 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 in a County being unable to function in the event of a disaster. Disaster Recovery Plan(s) are an integral part of county operations to ensure that business can be continued as usual in the event of a disaster. Each office or the county as a whole should have a current, detailed Disaster Recovery Plan on file and should be aware of its content.

According to the standards of the Information Systems Audit and Control Association (CobiT, Deliver and Support 4), information services function management should ensure that a written Disaster Recovery Plan is documented and contains guidelines and instructions for the County to follow in the event of a disaster.

Finding 2012-3 – Inadequate Internal Controls Over Information Systems Security

Condition: Upon review of the computer systems within the County Treasurer and the County Clerk's office, it was noted that there does not appear to be adequate internal controls in place to safeguard data from unauthorized modification, loss, or disclosure. The following was noted:

- Passwords are not required to be changed periodically in the County Clerk's or the County Treasurer's office.
- All users have full administrative rights. User roles have not been assigned in the County Clerk's or the County Treasurer's computer programs to segregate duties and responsibilities effectively.
- The audit log is not being utilized as a form of management oversight.

Cause of Condition: Policies and procedures have not been designed to address security management over information systems.

Effect of Condition: These conditions could result in compromised security for the computers, computer programs, and data.

Recommendation: OSAI recommends the County work with IT personnel or in conjunction with software vendors to setup password requirements for length, character, and an expiration of a minimum of at least every ninety days. In addition, OSAI recommends passwords not be shared, access to servers be limited, user rights be assigned, and the audit log be utilized as a form of management oversight.

Management Response:
County Treasurer: The County Treasurer's office will begin changing passwords every ninety days and check with the software vendor about installing the audit log and to assign user rights.

County Clerk: The County Clerk's office will begin changing passwords every ninety days and will check with the software vendor to determine what levels of administrative rights are in place and what restrictions can be password protected.

Criteria: According to the standards of the Information Systems Audit and Control Association (CobiT, Deliver and Support DS5), the need to maintain the integrity of information and protect IT assets requires a security management process. This process includes establishing and maintaining IT security roles and responsibilities, policies, standards, and procedures. Security management also includes performing security monitoring and periodic testing and implementing corrective actions for identified security weaknesses or incidents. Effective security management protects all IT assets to minimize the business impact of security vulnerabilities and incidents.

Finding 2012-4 – Inadequate Segregation of Duties Over Cash Receipts

Condition: A lack of segregation of duties exists in the following offices:

- County Treasurer **-** All employees are utilized to issue receipts and work from the same cash drawer. Additionally, a mail log is not maintained and deposits are not reviewed before they are taken to the bank. Ad valorem levies and monthly reports are also input into the computer system with no documented form of review. Bank reconciliations are not reviewed by anyone other than the preparer and employees who prepare the deposits are also able to perform bank reconciliations.

- County Clerk **-** All employees are utilized to issue receipts and work from the same cash drawer. A mail log is not maintained and deposits are not reviewed before they are taken to the County Treasurer.

- County Assessor **-** All employees are utilized to issue receipts and work from the same cash drawer. A mail log is not maintained and deposits are not reviewed before they are taken to the County Treasurer.

- County Sheriff **-** All employees are utilized to issue receipts and work from the same cash drawer. A mail log is not maintained and deposits are not reviewed before they are taken to the County Treasurer.

Cause of Condition: In order to provide prompt services to the citizens of Jefferson County and for ease of operations, all offices utilize all employees to issue receipts. Additionally, due to the limited number of personnel, one individual is sometimes responsible for all the key functions of the office.

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

Recommendation: OSAI recommends the following key accounting functions of all offices be adequately segregated:

- Issuing receipts.
- Preparing/reviewing deposits and taking them to the bank.
- Maintaining accounting ledgers and reconciling bank statements.

In addition OSAI recommends establishing a system of controls to adequately protect the collections of all offices, which include but are not limited to the following:

- Establish separate cash drawers for all employees receiving cash.
- A daily log of mailed in receipts should be compiled.

Management Response:
County Treasurer: Management is aware of this condition and will work to implement compensating controls to mitigate the risk involved with a concentration of duties. We will start initialing the bank reconciliations to document that they are reviewed by someone other than the preparer.

County Clerk, County Assessor, and County Sheriff: Management is aware of this condition and will work to implement compensating controls to mitigate the risk involved with a concentration of duties.

Criteria: Effective internal controls require that key functions within a process be adequately segregated to allow for prevention and detection of errors and possible misappropriation of funds.

Finding 2012-5 – Inadequate Internal Controls and Noncompliance Over Disbursement Process

Condition: Upon inquiry and observation of the County's disbursement process, it was noted that the Purchasing Agent prepares purchase orders, encumbers purchase orders, approves/authorizes the encumbrance, reviews the purchase orders for accuracy, prepares the warrants, maintains ledgers, and distributes warrants. Additionally, it was noted that the Payroll Clerk enrolls new hires, makes payroll changes, runs verification reports, prints payroll checks, distributes payroll checks, and maintains personnel files.

Also, while testing sixty-nine purchase orders, we noted the following:

- Thirteen (13) purchase orders were not timely encumbered**.**
- Six (6) purchase orders did not have adequate supporting documentation (i.e., receiving reports).

Cause of Condition: Procedures have not been designed to adequately segregate key accounting functions regarding the disbursement process to ensure compliance with purchasing statutes.

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

Recommendation: OSAI recommends the County implement a system of internal controls over the disbursement process. Such controls may include an independent verification of the accuracy of components necessary to initiate and authorize expenditure.

OSAI recommends the following key accounting functions of the payroll process be adequately segregated:

- Posting new hires and/or making payroll changes to the payroll system.
- Maintaining personnel files.
- Performing the direct deposit.
- Preparing end of month payroll reports.

Further, OSAI recommends the following in accordance with 19 O.S. § 1505C and § 1505E:

- County funds should be encumbered prior to the receipt of goods and/or services.
- Disbursements of County funds should be supported with invoices and receiving reports.

Management Response:
Chairman of the Board: 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 and that invoices and receiving reports are to be attached to purchase orders to support disbursements in accordance with Oklahoma Statutes.

County Clerk: The County Clerk is aware of these conditions and has implemented some review processes over payroll. In the review of purchase orders, the Purchasing Agent will place an emphasis on ensuring documentation such as receiving reports are attached to support the disbursements of County funds.

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

Additionally, 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 and § 1505E.

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 2012-6 – Inadequate Internal Controls and Noncompliance Over Audit Expense Account

Condition: For the fiscal year ending June 30, 2012, it was noted that the County did not appropriate the mandatory one-tenth of one mill to the audit budget.

Cause of Condition: Procedures have not been designed to ensure compliance with 19 O.S § 177.2.

Effect of Condition: This condition resulted in noncompliance with state statute and underfunding of the audit expense account.

Recommendation: OSAI recommends that the County implement policies and procedures designed to ensure that one-tenth mill upon the net total assessed valuation be set aside in the audit expense account, and that any unused portion be carried forward into the next year's audit expense account in accordance with 19 O.S. § 177.2.

Management Response:
County Commissioner District 1, 2, and 3: Jefferson County will implement policies and procedures to ensure that the one-tenth mill upon the net total assessed valuation required to be appropriated pursuant to 19 O.S. § 177.2 will be set aside in the audit expense account, and that any unused portion will be carried forward into the next year's audit expense account.

Criteria: 19 O.S § 177.2 states in part, "…The net proceeds of the one-tenth mill annual ad valorem levy upon the net total assessed valuation in any county for any year authorized and mandatorily required to be appropriated and dedicated to county audit…"

Finding 2012-7 – Inadequate Internal Controls and Noncompliance Over Inmate Trust Fund Checking Account and Sheriff Commissary Fund

Condition: An examination of the Inmate Trust Fund Checking Account and Sheriff Commissary Fund reflected the following weaknesses:

- One employee performs all of the daily activity of the Inmate Trust Fund Checking Account. This employee receives payments, receipts and logs these payments, prepares checks for disbursements, prepares deposits, and reconciles the bank statements.
- The Sheriff's office does not make daily deposits.
- The Sheriff's office does not file an annual report for the Sheriff Commissary Fund with the Board of County Commissioners (BOCC) by January 15th of each year.

Cause of Condition: Policies and procedures have not been designed regarding the Inmate Trust Fund Checking Account and Sheriff Commissary Fund.

Effect of Condition: These conditions resulted in noncompliance with state statutes, laws, regulations or legislative intent. Also, without proper segregation of duties over the Inmate Trust Fund Checking Account, there is an increased risk of unrecorded transactions, misstated financial reports, undetected errors, or misappropriation of funds.

Recommendation: OSAI recommends the following:

- 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.
- Collections should be deposited daily with the County Treasurer.
- The Sheriff should file an annual report of the Sheriff Commissary with the Board of County Commissioners by January 15th, of each year in accordance with 19 O.S. § 180.43 (D).

Management Response:
County Sheriff: We will implement compensating controls to mitigate the risks involved with a concentration of duties. All funds collected for the Inmate Trust Fund Checking Account are deposited daily, and we will work on completing and filing the commissary report with the BOCC by January 15th each year.

Criteria: The overall goal of effective internal controls is to demonstrate accountability and stewardship. To help ensure a proper accounting of funds, no one individual should have the ability to authorize transactions, have physical custody of assets, and record transactions. All collections should be receipted in sequential order and deposited daily, bank reconciliations should be performed each month and reviewed by someone other than the preparer.

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

Finding 2012-8 – Driving County Vehicle While Receiving the Monthly Travel Allowance

Condition: During the audit period, District 1, District 2, and District 3 County Commissioners, and the County Sheriff received the monthly travel allowance in addition to driving a county-owned vehicle.

Cause of Condition: Policies and procedures have not been designed to ensure compliance with state statutes regarding travel.

Effect of Condition: This condition resulted in violation of state statutes that prohibit an official from receiving both the travel allowance and driving a vehicle for in-county travel purposes.

Recommendation: OSAI recommends that the Board of County Commissioners establish and approve a policy pertaining to County Officials' monthly travel allowance. Further, OSAI recommends after establishing a travel policy for the elected official that each officer choose and document one of the following travel elections:

- Receive the monthly travel allowance as outlined by state statute.
- File monthly claims with appropriate documentation for actual out of pocket travel expenses.
- Drive a County-owned vehicle in lieu of a monthly allowance.

Management Response:
County Sheriff: I only drive a County vehicle while on call for emergencies.

County Commissioner District 1: I only drive a county vehicle to pick up and deliver parts and inmates. This issue will be discussed with our legal counsel.

County Commissioner District 2: I only drive a county vehicle to pick up and deliver parts and employees. This issue will be discussed with our legal counsel.

County Commissioner District 3: I only drive a county vehicle when transporting employees, delivering fuel to equipment, as well as driving a dump truck. This issue will be discussed with our legal counsel.

Criteria: Title 19 O.S. § 165A outlines the monthly travel allowance in lieu of reimbursements. Further, 1999 OK AG 68 states in part, "Both the monthly travel allowances of Section 165 and the use of a county-owned vehicle under Section 19 O.S. 180.43(C) are "in lieu of" receiving a mileage reimbursement under Section 164. The use of a county-owned vehicle is also "in lieu of" the Section 165 monthly travel allowance." "Section 165 was amended in 1998 to specify that receipt of a travel allowance under Section 165 does not preclude the "emergency use of a county-owned vehicle or county-owned equipment by a county officer when such county officer is acting on behalf of the county or when such use is related to county business." Under this section, either a county sheriff or county commissioner may use a county-owned vehicle in an emergency situation even if the official receives a monthly travel allowance.

Finding 2012-9 – Unclaimed Funds

Condition: Upon inquiry and observation, it was noted that the County Sheriff moves unclaimed inmate trust funds to the Sheriff Commissary Fund after 6 months without following the unclaimed property or money in sheriff's possession disposition procedures as outlined in Title 22 § 1325.

Cause of Condition: Policies and procedures have not been designed regarding the disposition of the unclaimed property or money in sheriff's possession.

Effect of Condition: This condition could result in a liability to the County.

Recommendation: OSAI recommends that the Sheriff follow the disposition procedures for unclaimed property or money in sheriff's possession as outlined in O.S. 22 § 1325.

Management Response:
County Sheriff: This has been corrected.

Criteria: Effective accounting procedures and internal controls are necessary to ensure stewardship and accountability of public funds. Safeguarding controls are an aspect of internal controls. Safeguarding controls relate to the prevention or timely detection of unauthorized transaction and unauthorized access to assets.

Further, Title 22 O.S. § 1325(F, H) states;

> F. A sheriff's office having in its possession money or legal tender under the circumstances provided in subsection A of this section, prior to appropriating the same for deposit into a special fund, shall file an application in the district court of its county requesting the court to enter an order authorizing it to so appropriate the money for deposit in the special fund. The application shall describe the money or legal tender,

together with serial numbers, if any, the date the same came into the possession of the sheriff's office or campus police agency, and the name and address of the owner, if known. Upon filing, the application, which may be joined with an application as described in subsection C of this section, shall be set for hearing not less than ten (10) days nor more than twenty (20) days from the filing thereof, and notice of the hearing shall be given as provided in subsection D of this section. The notice shall state that, upon no one appearing to prove ownership to the money or legal tender, the same will be ordered by the court to be deposited in the special fund by the sheriff's office or campus police agency. The notice may be combined with a notice to sell personal property as set forth in subsection D of this section. At the hearing, if no one appears to claim and prove ownership to the money or legal tender, the court shall order the same to be deposited by the sheriff's office or campus police agency in the special fund, as provided in subsection H of this section.

H. The money received from the sale of personal property as above provided, after payment of the court costs and other expenses, if any, together with all money in possession of the sheriff's office or campus police agency, which has been ordered by the court to be deposited in the special fund, shall be deposited in such fund which shall be separately maintained by the sheriff's office in a special fund with the county treasurer or campus police agency to be expended upon the approval of the sheriff or head of the campus police agency for the purchase of equipment, materials or supplies that may be used in crime prevention, education, training or programming. The fund or any portion of it may be expended in paying the expenses of the sheriff or any duly authorized deputy or employee of the campus police agency to attend law enforcement or public safety training courses which are conducted by the Oklahoma Council on Law Enforcement Education and Training (CLEET) or other certified trainers, providers, or agencies.

Finding 2012-10 – Inadequate Segregation of Duties - Court Clerk

Condition: Upon inquiry and observation of the Court Clerk’s office, the following was noted:

- All employees issue receipts and work from one cash drawer.
- There is also no independent review of the deposit before or after it is taken to the Treasurer.
- The Court Clerk is the sole preparer of the Court Clerk Revolving Fund and the Court Fund reports.
- The Court Clerk prepares claims, and prepares and mails the checks to vendors.

Cause of Condition: Policies and procedures have not been implemented to ensure adequate segregation of duties regarding the expenditures and reporting of the Court Clerk Revolving Fund and the Court Fund.

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

Recommendation: OSAI recommends that 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 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.

Management Response:
Court Clerk: We will implement compensating controls to mitigate the risks involved with a concentration of duties. I will have a deputy verify the claims and have the Treasurer sign and date the end of the month report to document that the balance agrees with the ledger. I will also review all claims to ensure compliance with state statute.

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 preparing the claim, reviewing supporting documentation, certifying receipt of goods/services, signing the claim, and preparing and signing the checks should be segregated.

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