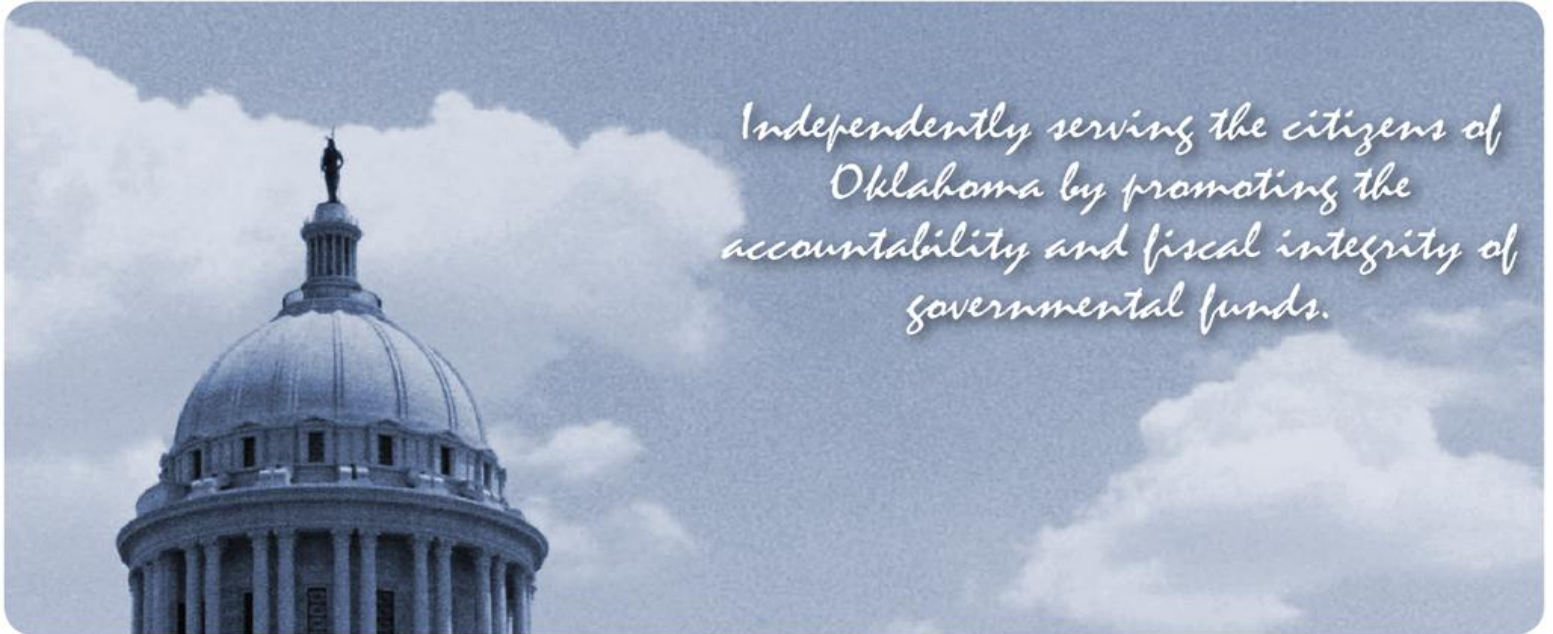


OPERATIONAL AUDIT

# JEFFERSON COUNTY

For the fiscal year ended June 30, 2015



*Independently serving the citizens of  
Oklahoma by promoting the  
accountability and fiscal integrity of  
governmental funds.*



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

**JEFFERSON COUNTY OPERATIONAL AUDIT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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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 Prairie Collection (<http://digitalprairie.ok.gov/cdm/search/collection/audits/>) pursuant to 65 O.S. § 3-114.



# Oklahoma State Auditor & Inspector

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

December 15, 2016

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

Transmitted herewith is the audit report of Jefferson County for the fiscal year ended June 30, 2015.

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

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

Sincerely,

A handwritten signature in blue ink that reads "Gary A. Jones". The signature is fluid and cursive, with the first name "Gary" being the most prominent.

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

**JEFFERSON COUNTY, OKLAHOMA  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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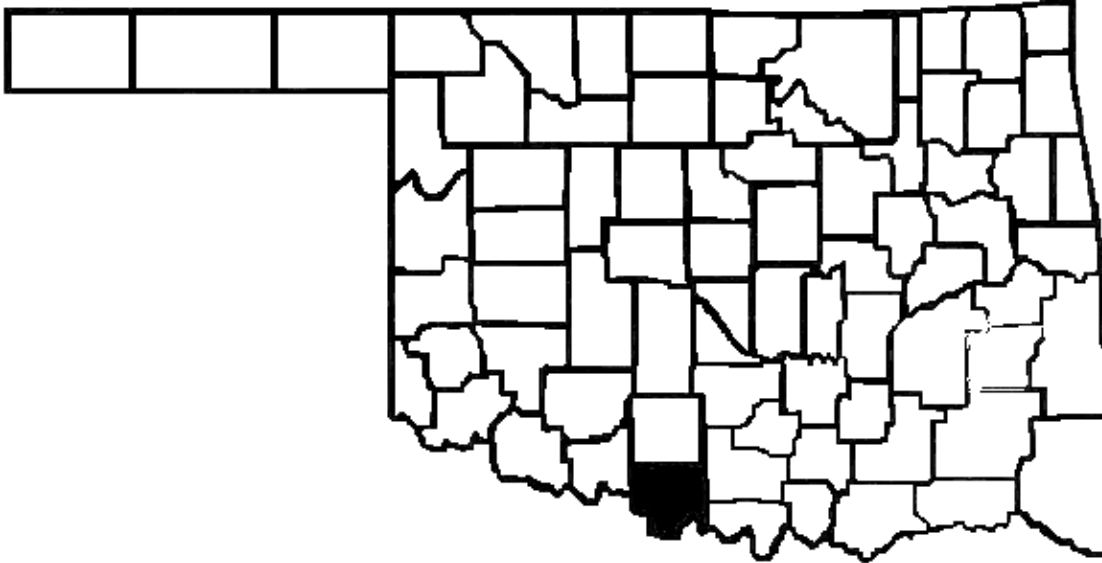
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**PRESENTED FOR INFORMATIONAL PURPOSES ONLY**

**JEFFERSON COUNTY, OKLAHOMA  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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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 98<sup>th</sup> Meridian, the dividing line between Indian Territory and Oklahoma Territory.

Waurika, meaning “camp of clear water,” was built on 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 built 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, 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 – 6,292  
(2014 est.)

Farms – 417

Land in Farms – 475,462 Acres

Primary Source: Oklahoma Almanac 2015-2016

**JEFFERSON COUNTY OFFICIALS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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**Board of County Commissioners**

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

**County Assessor**

Sandra Watkins

**County Clerk**

Traci Smith

**County Sheriff**

Michael Bryant

**County Treasurer**

Ann Medlinger

**Court Clerk**

Kim Berry

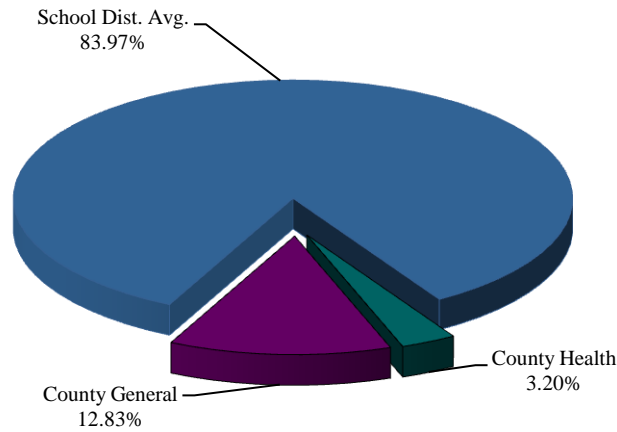
**District Attorney**

Jason Hicks

**JEFFERSON COUNTY, OKLAHOMA  
AD VALOREM TAX DISTRIBUTION  
SHARE OF THE AVERAGE MILLAGE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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



County-Wide Millages		School District Millages							
		Career							
		Gen.	Bldg.	Skg.	Tech.	Common	Total		
County General	10.54								
County Health	2.63								
		Ryan	I-1	36.52	5.22	19.59	12.00	4.21	77.54
		Terral	I-3	36.34	5.19	-	12.54	4.21	58.28
		Ringling	I-14	37.87	5.41	7.83	15.21	4.21	70.53
		Waurika	I-23A	36.62	5.23	10.09	12.54	4.21	68.69
		Waurika	I-23B	36.62	5.23	10.09	12.54	4.21	68.69
		Comanche	JT-2	36.05	5.15	14.24	12.54	4.21	72.19
		Healdton	JT-55	35.00	5.00	16.69	15.21	4.21	76.11
		Grandview	JT-82	35.00	5.00	-	12.54	4.21	56.75
		Temple	JT-101	37.12	5.30	13.03	12.54	4.21	72.20
EMS, SD 1	3.00								
EMS, SD 3	3.00								
EMS, SD 14	3.25								
EMS, SD 23	3.14								
EMS, JT 55	3.25								



**JEFFERSON COUNTY, OKLAHOMA  
SALES TAX DISTRIBUTION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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## **Sales Tax**

### **Sales Tax of December 1, 1992**

The voters of Jefferson County approved a one percent (1%) sales tax that went into effect on December 1, 1992. This sales tax has an unlimited duration. This sales tax was established to provide revenue 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 apportioned to the County General Fund.

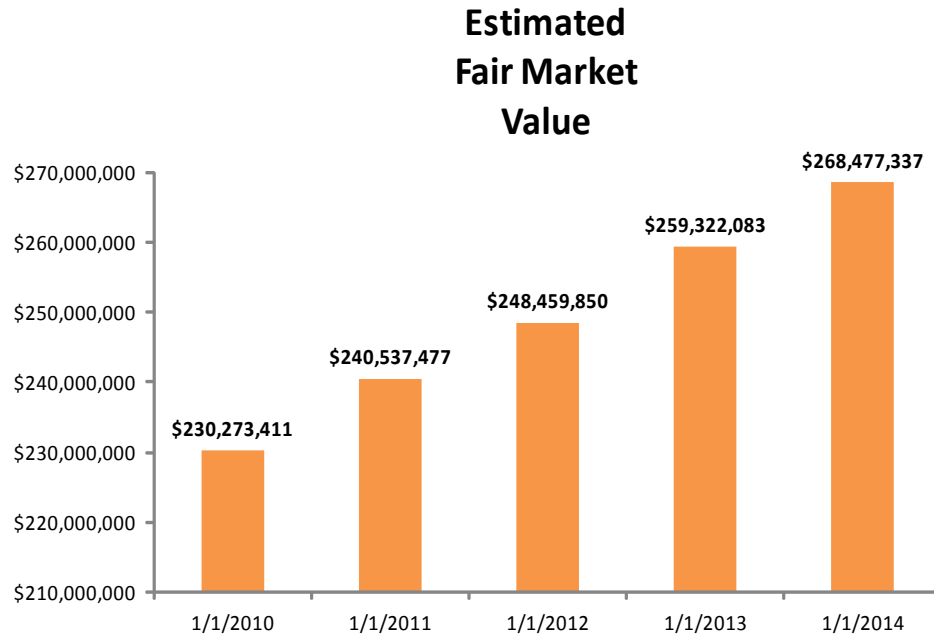
### **Sales Tax of June 24, 2014**

The voters of Jefferson County approved the continuation of the one percent (1%) sales tax originally approved through a special election on June 9, 2009, for an additional five (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 to the Jefferson Healthcare–Sales Tax fund.

During the fiscal year, the County collected \$549,494 in total sales tax.

**JEFFERSON COUNTY, OKLAHOMA  
 ASSESSED VALUE OF PROPERTY  
 TREND ANALYSIS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

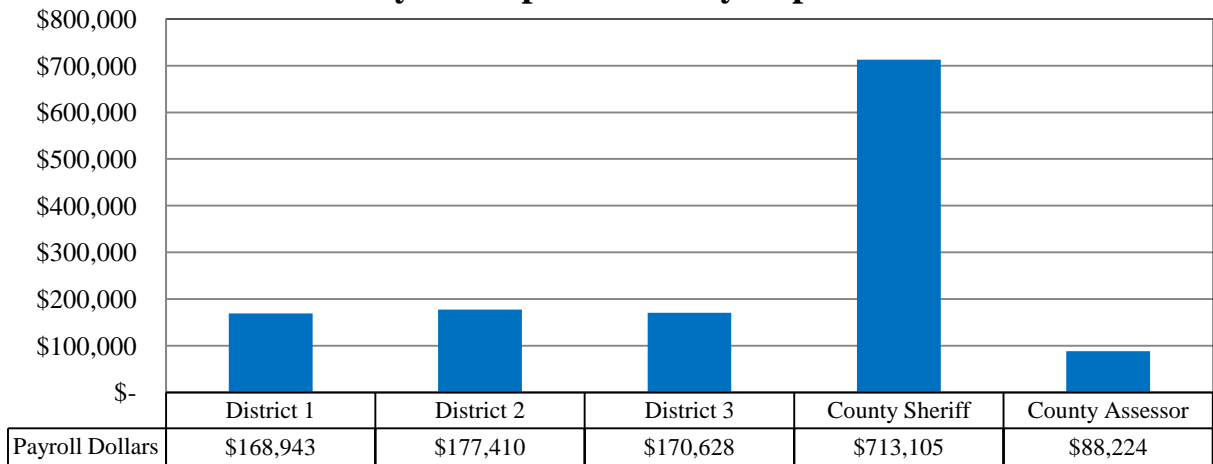
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2014	\$2,933,089	\$10,777,930	\$23,201,851	\$1,495,858	\$35,417,012	\$268,477,337
1/1/2013	\$2,763,967	\$10,777,930	\$22,278,657	\$1,522,708	\$34,297,846	\$259,322,083
1/1/2012	\$2,604,222	\$9,841,210	\$21,623,406	\$1,548,117	\$32,520,721	\$248,459,850
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



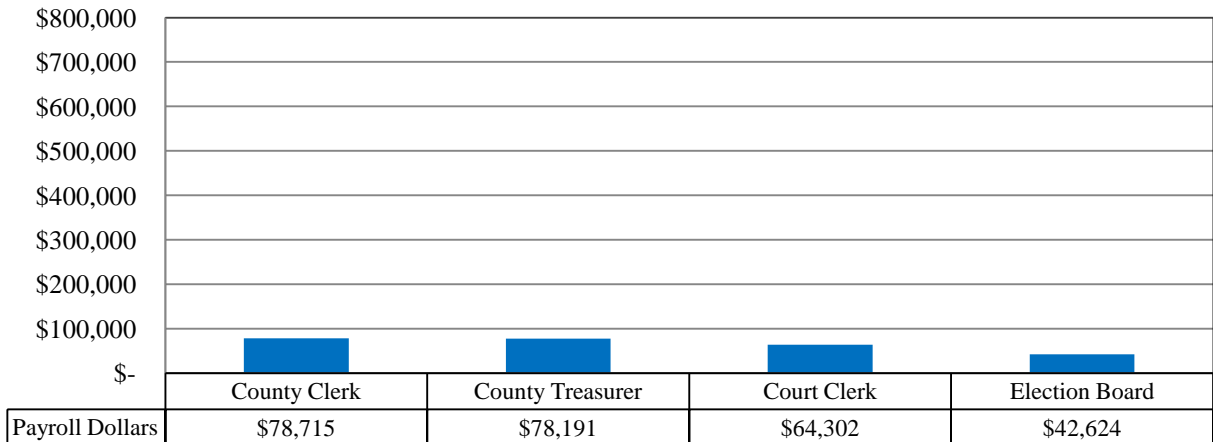
**JEFFERSON COUNTY, OKLAHOMA  
COUNTY PAYROLL EXPENDITURES ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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, 2015.

**Payroll Expenditures by Department**



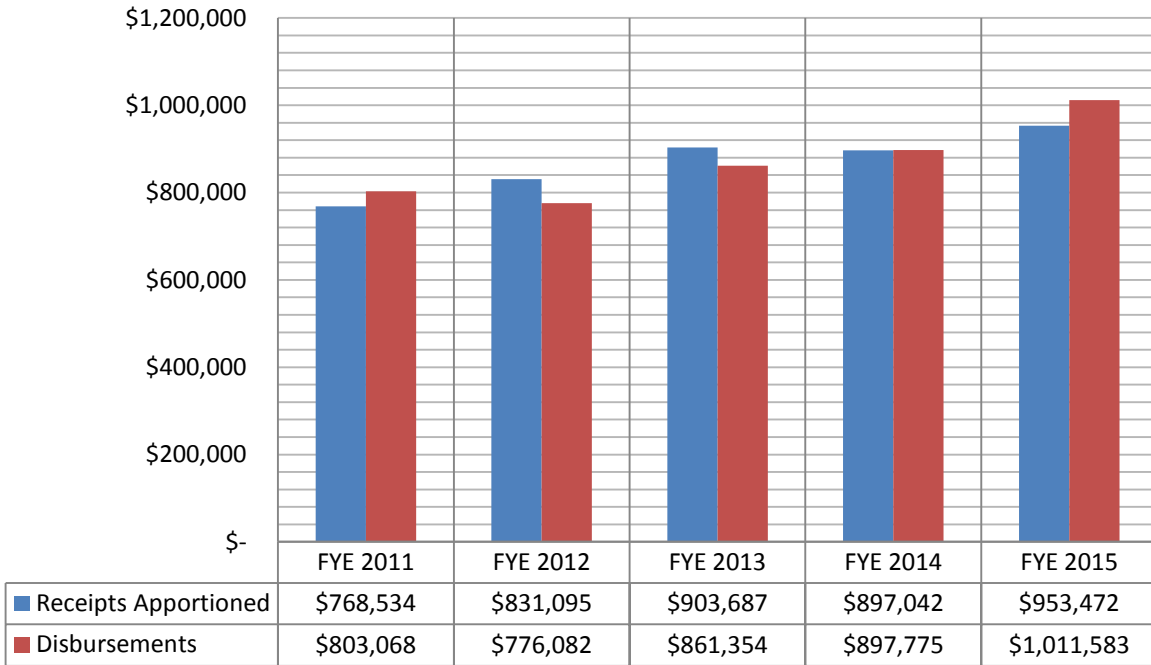
**Payroll Expenditures by Department**



**JEFFERSON COUNTY, OKLAHOMA  
COUNTY GENERAL FUND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

## 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.

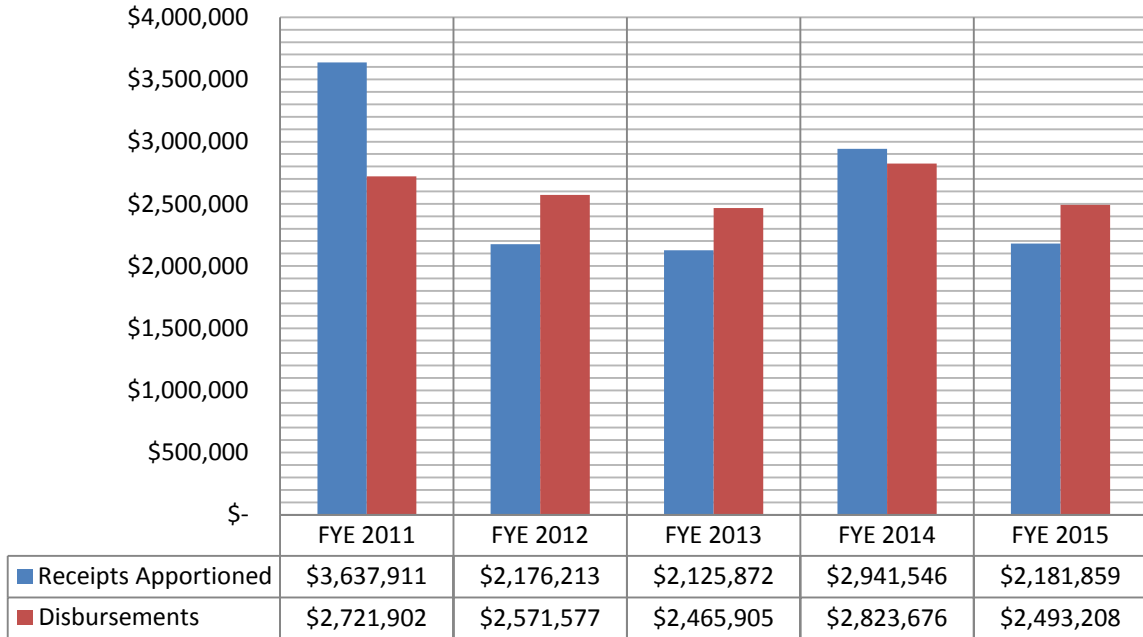


**JEFFERSON COUNTY, OKLAHOMA  
COUNTY HIGHWAY FUND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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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.



**JEFFERSON COUNTY  
OPERATIONAL AUDIT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**Presentation of Apportionments, Disbursements, and Cash Balances of County Funds for Fiscal Year Ending June 30, 2015**

	Beginning Cash Balances July 1, 2014	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2015
Combing Information:						
County Funds:						
County General Fund	\$ 242,361	\$ 953,472	\$ -	\$ -	\$ 1,011,583	\$ 184,250
Highway Cash Fund	1,831,771	2,181,859	-	-	2,493,208	1,520,422
REAP	28,785	-	-	-	-	28,785
County Health Department	126,508	96,419	-	-	120,912	102,015
Resale Property	90,920	39,800	9,926	-	23,912	116,734
Mortgage Certification Fee	1,270	1,050	-	-	793	1,527
Assessor Visual Inspection	1,126	-	-	-	-	1,126
Assessor Revolving	2,310	3,438	-	-	3,865	1,883
Sheriff Service Fee	74,491	177,177	-	-	148,321	103,347
Sheriff Department of Corrections	215,566	1,227,209	-	-	1,125,529	317,246
Community Development Block Grant	-	10,000	-	-	-	10,000
INS Account	86	-	-	-	-	86
Community Service Sentencing Program (CSSP)	365	-	-	-	-	365
County Clerk Lien Fee	5,735	3,922	-	-	4,934	4,723
County Clerk Preservation	21,080	8,870	-	-	7,763	22,187
Sheriff Commissary	17,458	86,901	-	-	58,861	45,498
Indigent Grant	800	-	-	-	-	800
Free Fair Special	5,028	1,100	-	-	840	5,288
Safety Awards	5	-	-	-	-	5
K-9	583	-	-	-	-	583
FEMA	166	-	-	-	-	166
Rewards	415	-	-	-	-	415
911 Landline Fees	49,828	54,618	-	-	68,667	35,779
911 Wireless Fees	3,787	27,752	-	-	23,341	8,198
Jefferson Healthcare-Sales Tax	25,725	299,053	-	-	302,748	22,030
<b>Combined Total - All County Funds</b>	<b>\$ 2,746,169</b>	<b>\$ 5,172,640</b>	<b>\$ 9,926</b>	<b>\$ -</b>	<b>\$ 5,395,277</b>	<b>\$ 2,533,458</b>

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

**JEFFERSON COUNTY  
DESCRIPTION OF COUNTY FUNDS AND TRANSFERS  
OPERATIONAL AUDIT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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**Description of County Funds**

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

Following are descriptions of the county funds within the Presentation of Apportionments, Disbursements, and Cash Balances of County Funds:

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

Highway Cash Fund – accounts for state, local, and miscellaneous receipts and disbursements are for the purpose of constructing and maintaining county roads and bridges.

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

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

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

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

Assessor Visual Inspection – accounts for the receipt and disbursement of funds by the Assessor as restricted by state statute for the visual inspection program.

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

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

Sheriff Department of Corrections – accounts for the collections 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.

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

**JEFFERSON COUNTY  
DESCRIPTION OF COUNTY FUNDS AND TRANSFERS  
OPERATIONAL AUDIT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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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 state statute.

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

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

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

Free Fair Special – accounts for revenues derived from the rental of the fair building and disbursements are for fair expenses.

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 disbursements are for the repairs of highways and roads.

Rewards – accounts for monies received from the Court Clerk’s office and disbursements are 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.

Jefferson Healthcare-Sales Tax – accounts for the receipts and disbursements of sales tax for the County Healthcare Authority.



**JEFFERSON COUNTY  
DESCRIPTION OF COUNTY FUNDS AND TRANSFERS  
OPERATIONAL AUDIT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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**Transfers**

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

- \$9,926 was transferred from the Excess Resale Account, a trust and agency fund, to Resale Property fund for in accordance with 68 O.S. § 3131 (C).

**JEFFERSON COUNTY, OKLAHOMA**  
**COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND**  
**CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—**  
**COUNTY GENERAL FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 242,361	\$ 242,361	\$ -
Less: Prior Year Outstanding Warrants	(58,348)	(58,348)	-
Less: Prior Year Encumbrances	(24,794)	(23,073)	1,721
Beginning Cash Balances, Budgetary Basis	<u>159,219</u>	<u>160,940</u>	<u>1,721</u>
Receipts:			
Ad Valorem Taxes	353,388	387,194	33,806
Charges for Services	28,156	45,919	17,763
Intergovernmental Revenues	240,895	234,872	(6,023)
Sales Tax	249,270	274,747	25,477
Miscellaneous Revenues	15,390	10,740	(4,650)
Total Receipts, Budgetary Basis	<u>887,099</u>	<u>953,472</u>	<u>66,373</u>
Expenditures:			
District Attorney - State	2	-	2
County Sheriff	220,000	219,995	5
County Treasurer	90,491	89,501	990
County Commissioners OSU Extension	20,272	19,788	484
County Clerk	105,654	101,543	4,111
Court Clerk	71,631	71,629	2
County Assessor	60,014	59,457	557
Revaluation of Real Property	134,344	117,701	16,643
General Government	67,864	45,947	21,917
Excise-Equalization Board	3,951	2,846	1,105
County Election Expense	58,593	57,480	1,113
Insurance - Benefits	196,541	187,799	8,742
Fire Fighting Services	1	-	1
Recording Account	3,500	3,491	9
Civil Defense	1,000	764	236
County Audit Budget Account	4,000	960	3,040
Free Fair Budget Account	8,460	7,917	543
Total Expenditures, Budgetary Basis	<u>1,046,318</u>	<u>986,818</u>	<u>59,500</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>127,594</u>	<u>\$ 127,594</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Outstanding Warrants		6,582	
Add: Current Year Encumbrances		<u>50,074</u>	
Ending Cash Balance		<u>\$ 184,250</u>	

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

**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, 2015**

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	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 126,508	\$ 126,508	\$ -
Less: Prior Year Outstanding Warrants	(8,112)	(8,112)	-
Less: Prior Year Encumbrances	(1,262)	(985)	277
Beginning Cash Balances, Budgetary Basis	117,134	117,411	277
Receipts:			
Ad Valorem Taxes	88,179	96,387	8,208
Intergovernmental Revenues	-	25	25
Miscellaneous Revenues	-	7	7
Total Receipts, Budgetary Basis	88,179	96,419	8,240
Expenditures:			
County Health Budget Account	205,313	119,939	85,374
Total Expenditures, Budgetary Basis	205,313	119,939	85,374
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	93,891	\$ 93,891
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		7,976	
Add: Current Year Outstanding Warrants		148	
Ending Cash Balance		\$ 102,015	

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

**JEFFERSON COUNTY  
OPERATIONAL AUDIT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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**PURPOSE, SCOPE, AND SAMPLE METHODOLOGY**

This audit was conducted in response to 19 O.S. § 171, which requires the State Auditor and Inspector's Office to audit the books and accounts of county officers.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

In planning and conducting our audit, we focused on the major financial related areas of operations based on assessment of materiality and risk for the fiscal year ended June 30, 2015. Our audit procedures included:

- Inquiries of appropriate personnel,
- Inspections of documents and records,
- Observations of the County's operations,
- Reconciling total apportionments, disbursements, and balances presented on the County's Presentation of Apportionments, Disbursements, and Cash Balances of County Funds for the fiscal year to the County Treasurer's and County Clerk's financial ledgers,
- Confirming third party confirmations to the financial ledgers,
- Selecting representative samples to determine disbursements were made in accordance with state statutes, approved ballots, and county purchasing procedures, and
- Gaining an understanding of the County's internal controls as it relates to each audit objective.

To ensure the samples were representative of the population and provided sufficient, appropriate evidence, both random sample and judgmental sample methodologies were used. We identified specific attributes for testing each of the samples and when appropriate, we projected our results to the population.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, errors or fraud may occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that conditions may change or compliance with policies and procedures may deteriorate.

This report is a public document pursuant to the Oklahoma Open Records Act (51 O.S. § 24A.1 et seq.), and shall be open to any person for inspection and copying.

**JEFFERSON COUNTY  
OPERATIONAL AUDIT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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**Objective 1:** To determine the receipts apportioned, disbursements, and cash balances are accurately presented on the County Treasurer's monthly reports for FY 2015.

**Conclusion:** With respect to the items reconciled and reviewed; the receipts apportioned, disbursements, and cash balances were accurately presented on the County Treasurer's monthly reports.

**Objective 2:** To determine the County's financial operations complied with 68 O.S. § 1370E, which requires the sales tax collections to be deposited in the general revenue or Sales Tax Revolving Fund of the County and be used only for the purpose for which such sales tax was designated.

**Conclusion:** With respect to the items tested, the County did not comply with 68 O.S. § 1370E, which requires the sales tax collections to be deposited in the general revenue or Sales Tax Revolving Fund of the County and be used only for the purpose for which such sales tax was designated.

**FINDINGS AND RECOMMENDATIONS**

**Finding 2015-4 – Inadequate Internal Controls and Noncompliance Over the Disbursements of County Sales Tax (Repeat Finding)**

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

- County sales tax funds were deposited into the County General Fund as specified by Title 68 O.S. § 1370E and identified as such as a revenue source. However, the funds were not presented in a separate account within the County General Fund and therefore, specific expenditures made with sales tax funds could not be identified.

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure sales tax revenue is properly disbursed and discretely presented on the County's financial statement.

**Effect of Condition:** This condition resulted in noncompliance with state statute and Attorney General (AG) Opinions.

**Recommendation:** The Oklahoma State Auditor & Inspector's Office (OSAI) recommends that the County sales tax apportioned to the County General Fund be accounted for in a separate account so as to discretely present the expenditures. In addition, the sales tax should be expended in such a manner to

**JEFFERSON COUNTY  
OPERATIONAL AUDIT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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provide assurance that expenditures are made in accordance with purposes specified by the ballot as outlined by Title 68 O.S. § 1370E.

**Management Response:**

**Chairman of the Board of County Commissioners:** The Board of County Commissioners will implement changes and report sales tax in accordance with Oklahoma Statutes and AG Opinion 2005 and 2014.

**Criteria:** Title 68 O.S. § 1370E, requires the sales tax collections be deposited in the general revenue or sales tax revolving fund of the County and be used only for the purpose for which such sales tax was designated.

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

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

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

“4. C. As the fiscal agent responsible for superintending the funds of Canadian County, the board of county commissioners is responsible to ensure that the sales tax proceeds are not intermingled and are used exclusively for the purpose expressed in the ballot measure and resolution. The board can direct that the funds be deposited in a dedicated revolving fund and not intermingled with other revenues. Okla. Const. art. X, § 19; 68 O.S. 2011, § 1370; 19 O.S. Supp. 2013, § 339; 19 O.S. 2011, § 345; Cavin v. Bd. of County Comm’rs, 1934 OK 245 ¶ 11, 33 P.2d 477, 479.”

**Objective 3:** To determine the County’s financial operations complied with 68 O.S. § 2923, which requires the ad valorem tax collections to be apportioned and distributed monthly among the different funds to which they belong.

**Conclusion:** With respect to the items tested, the County complied with 68 O.S. § 2923, which requires the ad valorem tax collections to be apportioned and distributed monthly among the different funds to which they belong.

**Objective 4:** To determine whether the County’s internal controls provide reasonable assurance that expenditures (including payroll) were accurately reported in the accounting records and financial operations complied with significant laws and regulations.

**Conclusion:** The County’s internal controls did not provide reasonable assurance that expenditures (including payroll) were accurately reported in the accounting records and financial operations did not comply with significant laws and regulations.

**FINDINGS AND RECOMMENDATIONS**

**Finding 2015-5 – Inadequate Internal Controls and Noncompliance Over the Disbursement Process (Repeat Finding)**

**Condition:** During a test of forty (40) purchase orders, we noted the following weaknesses with regard to the disbursement process:

- There were two (2) instances noted where the purchase orders were not properly encumbered.

During a test of five (5) payroll claims which included thirty-one (31) timesheets, we noted the following weaknesses with regard to the payroll process:

- One (1) timesheet could not be located.
- One (1) timesheet was not signed by the employee or the supervisor.
- One (1) timesheet was not signed by the supervisor.

**Cause of Condition:** Policies and procedures have not been designed and implemented to strengthen internal controls and ensure compliance with state statute.

**Effect of Condition:** These conditions resulted in noncompliance with state statute which 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 should include ensuring that funds are encumbered prior to the receipt of goods and/or services in accordance with 19 O.S. § 1505, and that all timesheets are retained and signed by the employee and supervisor.

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**Management Response:**

**Chairman of the Board of County Commissioners:** We will emphasize to all offices about the importance of timely encumbering funds and ensuring that timesheets are signed by the employee and the supervisor.

**County Clerk:** The County Clerk is aware of this condition and will implement compensating internal controls to mitigate the risks involved.

**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/disbursements calculations and/or transactions.

Further, Title 19 O.S. § 1505 prescribes the procedures for requisition, purchase, and receipt of supplies, material, and equipment.

**All Objectives:**

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

**Finding 2015-1 – County-Wide Internal Controls (Repeat Finding)**

**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:** This condition could result in unrecorded transactions, undetected errors, or misappropriation of funds.

**Recommendation:** OSAI recommends that the County design procedures to identify and address risks. 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:** We will set up quarterly meetings with all elected officials to discuss and take action regarding risk assessment 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



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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.

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.

**Other Item(s) Noted:**

Although not considered significant to the audit objectives, we feel the following issue should be communicated to management.

**Finding 2015-2 – Inadequate Internal Controls Over Information System Security – County Clerk and Treasurer (Repeat Finding)**

**Condition:** Upon review of the computer systems within the County Clerk’s office and County Treasurer’s office, it was noted that there does not appear to be adequate controls in place to safeguard data from unauthorized modification, loss or disclosure. The specifics of the condition has been sanitized to protect the County pursuant to the provision of 51 O.S. § 24A.28.

**Cause of Condition:** Policies and procedures have not been designed and implemented to prevent unauthorized access to data.

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

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**Recommendation:** OSAI recommends the County comply with best practices presented in the criteria. The specifics of the recommendation has been sanitized to protect the County pursuant to the provision of 51 O.S. § 24A.28.

**Management Response:**

**County Clerk:** The County Clerk's office will correct the issue.

**County Treasurer:** The County Treasurer's office will correct these issues and contact the software vendor.

**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 2015-9 – Driving County Vehicle While Receiving the Monthly Travel Allowance and Noncompliance with State Statute (Repeat Finding)**

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

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

**Effect of Condition:** This condition resulted in noncompliance with state statute which prohibits 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 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.

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**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.

**REPORT ON STATUTORY COMPLIANCE – OTHER MATTERS**



# Oklahoma State Auditor & Inspector

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Jefferson County  
Board of County Commissioners  
Jefferson County Courthouse  
Waurika, Oklahoma 73573

Dear Chairman:

For the purpose of complying with 19 O.S. § 171 and 20 O.S. § 1312, we have performed statutory procedures regarding the following offices and departments for the fiscal year ended June 30, 2015:

- All County Offices - Fixed Assets procedures (19 O.S. § 178.1 and 69 O.S. § 645).
- All County Offices - Consumable Inventories procedures (19 O.S. § 1502 and 19 O.S. § 1504).
- Court Clerk procedures (20 O.S. § 1304 and 19 O.S. § 220).
- Inmate Trust Fund procedures (19 O.S. § 531 and 19 O.S. § 180.43).

Our statutory compliance engagement was limited to the procedures related to the statutes above and was less in scope than an audit performed in accordance with generally accepted auditing standards. Accordingly, we do not express an opinion on any basic financial statement of Jefferson County.

Based on our procedures performed, we have presented our findings in the accompanying schedule.

This report is intended for the information and use of the management of the County. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

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

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

October 11, 2016

**JEFFERSON COUNTY, OKLAHOMA  
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**SCHEDULE OF FINDINGS AND RESPONSES**

**Finding 2015-6 – Inadequate Segregation of Duties Over the Court Clerk Revolving Fund and Court Fund Collection Processes and Noncompliance With Court Fund Expenditures (Repeat Finding)**

**Condition:** Upon inquiry and observation of the Court Clerk’s Revolving Fund and Court Fund collection processes, the following weaknesses were noted:

- All employees work out of one (1) cash drawer and issue receipts.
- Deposits are reviewed prior to depositing with the County Treasurer’s office; however, the review is not documented.

Additionally, upon testing twenty-five (25) vouchers from the Court Fund, it was noted that ten (10) did not have supporting documentation attached to the claim and there was no documentation that the claims were reviewed for accuracy.

**Cause of Condition:** Policies and procedures have not been designed and implemented to adequately segregate the duties regarding the Court Clerk Revolving Fund and Court Fund collection processes. Further, procedures have not been designed and implemented to ensure Court Fund claims have proper documentation and are reviewed for accuracy.

**Effect of Condition:** These conditions resulted in noncompliance with state statutes and 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.

OSAI also recommends management establish separate cash drawers for each employee that receipts monies. The cash drawer should be closed out, reconciled to the employee’s daily receipts, and be approved by someone independent of the cash drawer.

Furthermore, OSAI recommends that all Court Fund expenditures have adequate supporting documentation.

**Management Response:**

**Court Clerk:** We will implement compensating controls to mitigate the risks involved with a concentration of duties. We will start documenting the review of deposits and attach supporting documentation to all claims.

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**Criteria:** Effective internal controls are necessary to ensure stewardship and accountability of public funds. Aspects of effective accounting procedures include maintaining invoices and/or supporting documentation for all expenditures of the Court Clerk Revolving Fund and Court Fund.

Furthermore, 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.

Title 19 O.S. § 220 and 20 O.S § 1304 outlines the procedures for expending Court Clerk Revolving Fund monies and Court Fund monies, including proper documentation being attached to all claims.

**Finding 2015-7 – Inadequate Internal Controls Over the Inmate Trust Fund Checking Account and Sheriff Commissary Fund (Repeat Finding)**

**Condition:** Upon inquiry and observation of the collection and disbursement processes, the following weaknesses were noted:

- One employee receives payments, prepares disbursements, and creates deposits.
- Bank statements are reconciled monthly; however, there is no documentation of an independent review of the reconciliations.
- An annual report was prepared for the audit period; however, there is no documentation to indicate the report was filed with the Board of County Commissioners.
- The County Sheriff transferred unclaimed inmate trust funds to the Sheriff Commissary Fund after six (6) months without following the unclaimed property or money in Sheriff's possession disposition procedures as outlined in Title 22 O.S. § 1325.

**Cause of Condition:** Policies and procedures have not been designed and implemented to adequately segregate the duties regarding the Sheriff Commissary Fund and Inmate Trust Fund Checking Account and the disposition of unclaimed property or money in the Sheriff's possession.

**Effect of Condition:** These conditions resulted in noncompliance with state statutes, laws, or regulations. 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. This condition could also result in a liability to the County.

**Recommendation:** OSAI recommends management be aware of these conditions and realize that a concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. The most effective procedures lie in management's overseeing of office operations and a periodic review of operations. OSAI also recommends that the Sheriff follow the disposition procedures for unclaimed property or money in Sheriff's possession as outlined in 22 O.S. § 1325. OSAI further recommends that the Sheriff file his annual report with the Board of County Commissioners in accordance with 19 O.S. § 180.43(D).

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**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 15<sup>th</sup> each year. We will also implement policies to follow the disposition procedures for unclaimed property.

**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.”

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



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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 2015-8 – Inadequate Internal Controls and Noncompliance Over Fixed Assets and Consumable Inventories (Repeat Finding)**

**Condition:** Upon inquiry and observation of fixed assets and consumable inventory records, the following weaknesses were noted:

- District 1, 2, and 3: The consumable inventory process is not adequately segregated. One individual verifies the goods were received, records the items on the inventory cards, and performs a visual verification of the items on hand. Documentation of a periodic independent review of the consumable inventory records is not maintained.
- The Sheriff's office is not conducting an annual inventory of fixed assets. At this time there is not an inventory list being maintained.
- The Court Clerk is not conducting an annual inventory of fixed assets. At this time there is not an inventory list being maintained.
- District 1 is conducting an annual inventory of fixed assets; however, there is no documentation of the annual inventory maintained.
- District 2 is conducting an annual inventory of fixed assets; however, there is no documentation of the annual inventory maintained.
- District 3 is conducting an annual inventory of fixed assets; however, there is no documentation of the annual inventory maintained.

**Cause of Condition:** Policies and procedures have not been designed and implemented by County Officers for the accurate reporting of fixed assets and consumable inventories.

**Effect of Condition:** These conditions resulted in noncompliance with state statutes. Opportunities for loss and misappropriation of County assets may be more likely to occur when the County does not have procedures in place to account for fixed assets and consumable inventories.

**Recommendation:** OSAI recommends the County comply with 19 O.S. § 178.1 by maintaining inventory records and performing and documenting a periodic inventory of fixed assets. The verification should be performed by an individual independent of the fixed assets recordkeeping process. Further, yearly counts of fixed asset items should be filed with the County Clerk.

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Further, OSAI recommends the County adopt policies and procedures to implement a system of internal controls over consumable inventory records.

**Management Response:**

**County Commissioner District 1, 2, and 3:** The Board of County Commissioners will work to implement a system of internal controls over the consumable inventory records and will implement compensating controls to mitigate the risks involved with a concentration of duties.

**County Sheriff:**

I will complete an annual audit and file it with the County Clerk.

**Court Clerk:**

I will complete an annual audit and file it with the County Clerk.

**District 1:**

I will start having someone review the annual inventory and initial and date to document the review.

**District 2:**

I will start having someone review the annual inventory and initial and date to document the review.

**District 3:**

I will start having someone review the annual inventory and initial and date to document the review.

**Criteria:** Accountability and stewardship are overall goals of management in the accounting of funds. An important aspect of internal controls is the safeguarding of assets. Internal controls over safeguarding of assets constitute a process, affected by an entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from misappropriation.

Title 19 O.S. § 178.1, which requires "...cause to be taken, an inventory of all working tools, apparatus, machinery and equipment belonging to the county or leased or otherwise let to it or to any department thereof, other than that which is affixed to and made a part of lands and buildings, the cost of which as to each complete working unit thereof is more than Five Hundred Dollars (\$500.00), and thereafter maintain or cause to be maintained a continuous inventory record thereof and of like tools, apparatus, machinery and equipment purchased, leased or otherwise coming into the custody of the county or of any office, board, department, commission or any or either thereof..."

Title 19 O.S. § 178.3, which requires "...county clerk shall be custodian and repository of all inventory records, files and reports."

Title 19 O.S. § 421.1, which requires "...the following procedures shall be used for the sale, by the board of county commissioners, of any tools, apparatus, machinery or equipment, the original cost of which exceeded Five Hundred Dollars (\$500.00), belonging to the

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county: 1. The board of county commissioners shall give notice of such sale by publication in a newspaper of general paid circulation in the county for two (2) successive weekly issues; 2. Bids for such tools, apparatus, machinery or equipment on sale shall be in writing, sealed and delivered to the county clerk of such county; 3. At the next regular meeting of the board of county commissioners after the expiration of fifteen (15) days from the date of first publication of notice of the sale, the board of county commissioners shall open such bids and award such tools, apparatus, machinery or equipment to the highest and best bidder with the option of rejecting all bids; and 4. The board of county commissioners may hold a public auction or use an Internet auction, which may include online bidding, in lieu of advertising for sealed bids as provided above. Such auction shall be advertised as provided herein...”

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

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



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