

COUNTY AUDIT

KIOWA 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

**KIOWA COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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Oklahoma State Auditor & Inspector

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

March 21, 2016

TO THE CITIZENS OF
KIOWA COUNTY, OKLAHOMA

Transmitted herewith is the audit of Kiowa County, Oklahoma for the fiscal year ended June 30, 2015. The audit was conducted in accordance with 19 O.S. § 171.

A report of this type can be critical in nature. Failure to report commendable features in the accounting and operating procedures of the entity should not be interpreted to mean that they do not exist.

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

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

Sincerely,

A handwritten signature in blue ink, appearing to read 'Gary A. Jones', is written over a light blue horizontal line.

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

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

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

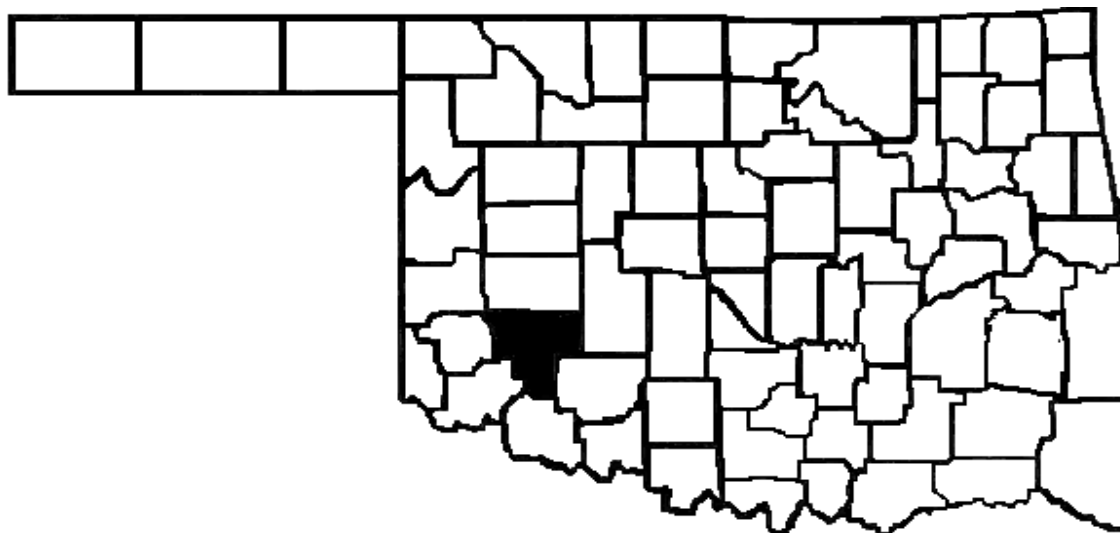
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**KIOWA COUNTY, OKLAHOMA
STATISTICAL INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**



Located in southwestern Oklahoma, Kiowa County was formed in 1901 from part of the original Kiowa-Comanche-Apache Indian Reservation area, and was named for the Kiowa Indian tribe. Cattle, agriculture, and cash crops are the major sources of income for the county.

Special annual events held in Hobart, the county seat, include the Kiowa County Junior Livestock Show, the Arts-Crafts Festival, the Hobart Birthday Celebration, the Kiowa County Free Fair, and several Shortgrass Theater productions. The county was also home to author N. Scott Momaday. The Kiowa Tribal Museum and Headquarters is located in Carnegie.

The Kiowa County Historical Society has published six books, which are available at the Kiowa County Museum in Hobart. For more information, call the county clerk's office at 580-726-5286.

County Seat – Hobart

Area – 1,030.66 Square Miles

County Population – 9,336
(2014 est.)

Farms – 667

Land in Farms – 593,315 Acres

Primary Source: Oklahoma Almanac 2015-2016

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

Board of County Commissioners

District 1 – Tim Bingham
District 2 – Stanley Funkhouser
District 3 – Tom Anderson

County Assessor

Buddy Jones Jr.

County Clerk

Geanea Watson

County Sheriff

William Lancaster

County Treasurer

Deanna Miller

Court Clerk

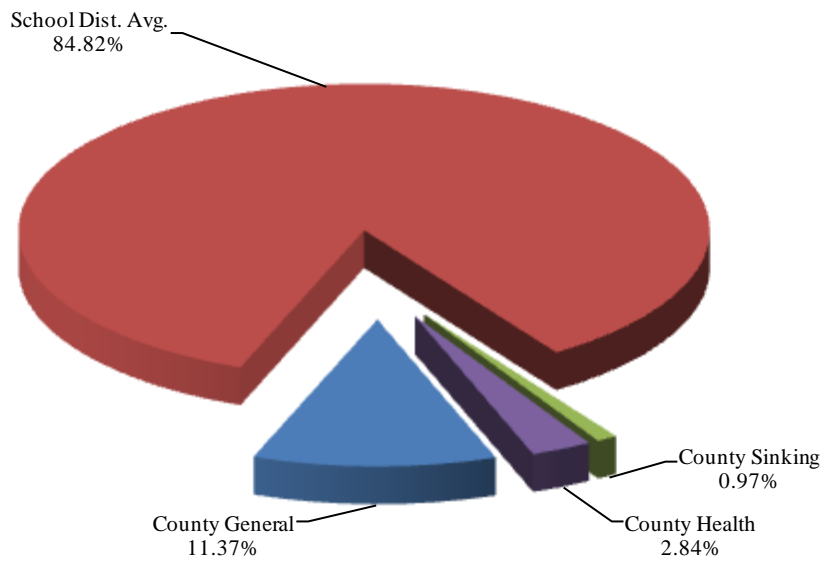
Chris Sanders

District Attorney

John Wampler

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

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



County-Wide Millages			School District Millages							
			Gen.	Bldg.	Skg.	EMS	Career		Total	
							Tech	Common		
County General	10.44									
County Sinking	0.89	Hobart	I-1	36.29	5.18	12.53	0.00	12.39	4.18	70.57
County Health	2.61	Lone Wolf	I-2	36.60	5.23	-	0.00	12.39	4.18	58.40
		Mtn View-Gotebo	I-003	36.58	5.23	-	3.14	11.52	4.18	60.65
		Snyder	I-4	36.68	5.24	-	0.00	14.53	4.18	60.63
		Sentinel	J-1	36.54	5.22	-	0.00	12.39	4.18	58.33
		Indiahoma	J-2	35.16	5.02	13.91	0.00	14.53	4.18	72.80
		Carnegie	J-003	37.53	5.37	22.08	0.00	11.52	4.18	80.68
		Blair	J-54	36.21	5.17	5.87	0.00	10.35	4.18	61.78

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

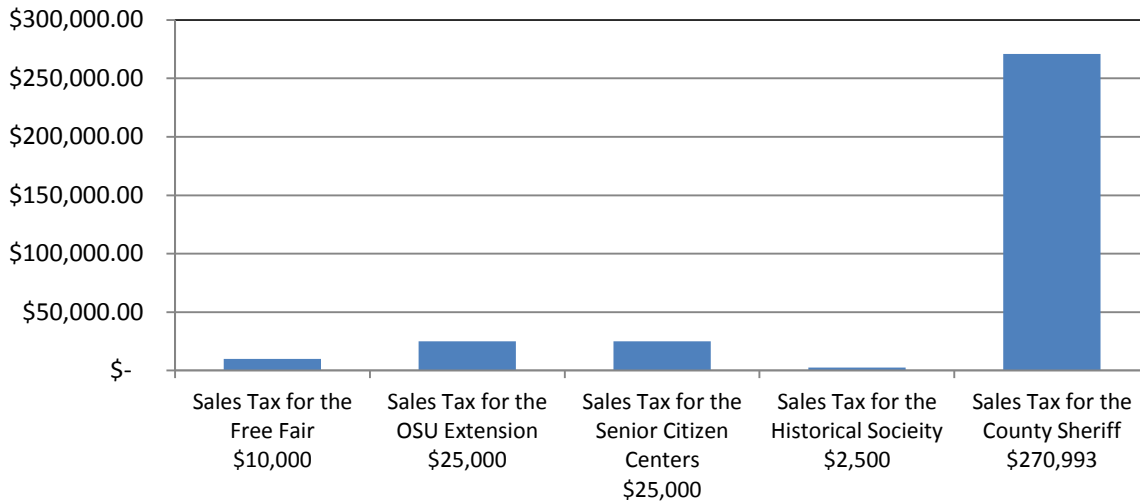
Sales Tax

Sales Tax of April 6, 1993

The voters of Kiowa County approved a one-half of one percent (1/2%) sales tax on April 6, 1993. This sales tax is distributed as follows: \$10,000 for Kiowa County Free Fair; \$25,000 for the OSU Extension Center in Kiowa County, \$25,000 to be apportioned among the authorized senior citizen centers of Gotebo, Hobart, Lone Wolf, Mountain Park, Mountain View, Roosevelt and Snyder based on each towns percentage of total county population using the most recent decennial census, \$2,500 for the Kiowa County Historical Society; and the balance of the funds to the Kiowa County Sheriff's office to improve rural law enforcement.

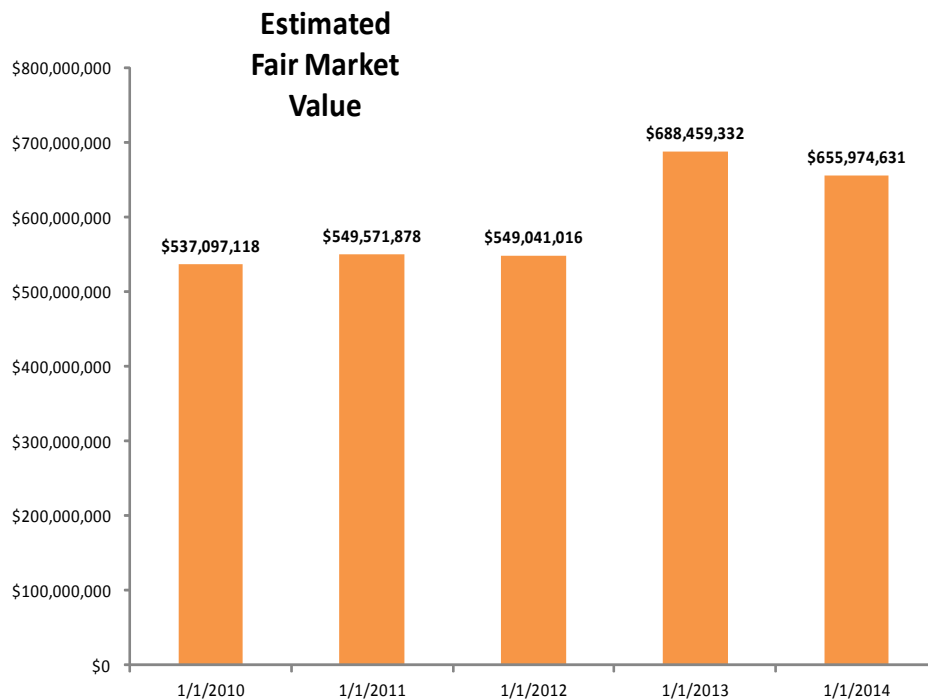
During the fiscal year the County collected \$333,493 in total sales tax.

These funds are accounted for in the following funds: Sales Tax Free Fair, Sales Tax OSU Extension, Sales Tax Museum, Sales Tax Sheriff, Sales Tax Senior Citizens Gotebo Sales Tax Senior Citizens Hobart, Sales Tax Senior Citizens Lone Wolf, Sales Tax Senior Citizens Mountain Park, Sales Tax Senior Citizens Mountain View, Sales Tax Senior Citizens Roosevelt, and Sales Tax Senior Citizens Snyder.



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

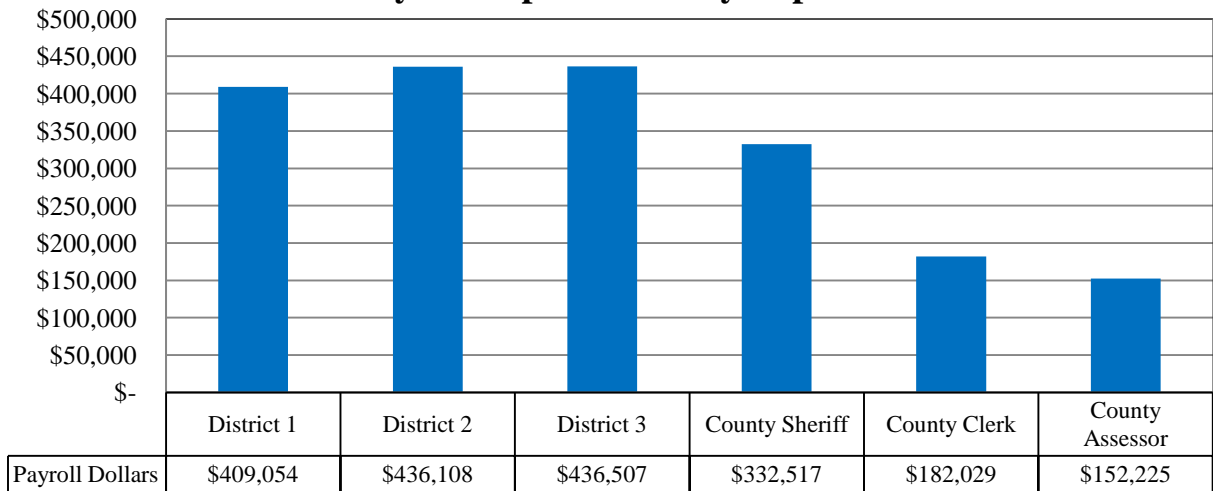
Valuation Date	Personal	Public Service	Real Estate	Total Exemptions	Net Value	Estimated Fair Market Value
1/1/2014	\$28,230,094	\$11,911,315	\$40,546,063	\$2,519,942	\$78,167,530	\$655,974,631
1/1/2013	\$32,886,336	\$12,465,991	\$39,583,585	\$2,567,746	\$82,368,166	\$688,459,332
1/1/2012	\$17,494,368	\$11,702,116	\$38,724,604	\$2,575,209	\$65,345,879	\$549,041,016
1/1/2011	\$18,119,302	\$12,049,587	\$38,042,870	\$2,620,468	\$65,591,291	\$549,571,878
1/1/2010	\$18,230,403	\$10,222,729	\$37,448,254	\$2,608,060	\$63,293,326	\$537,097,118



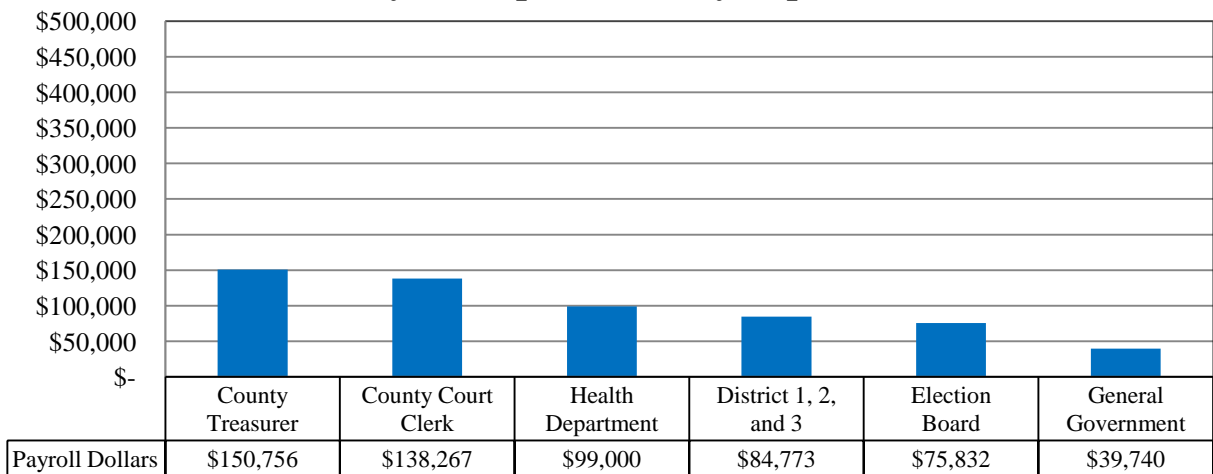
**KIOWA COUNTY, OKLAHOMA
COUNTY PAYROLL EXPENDITURES ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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



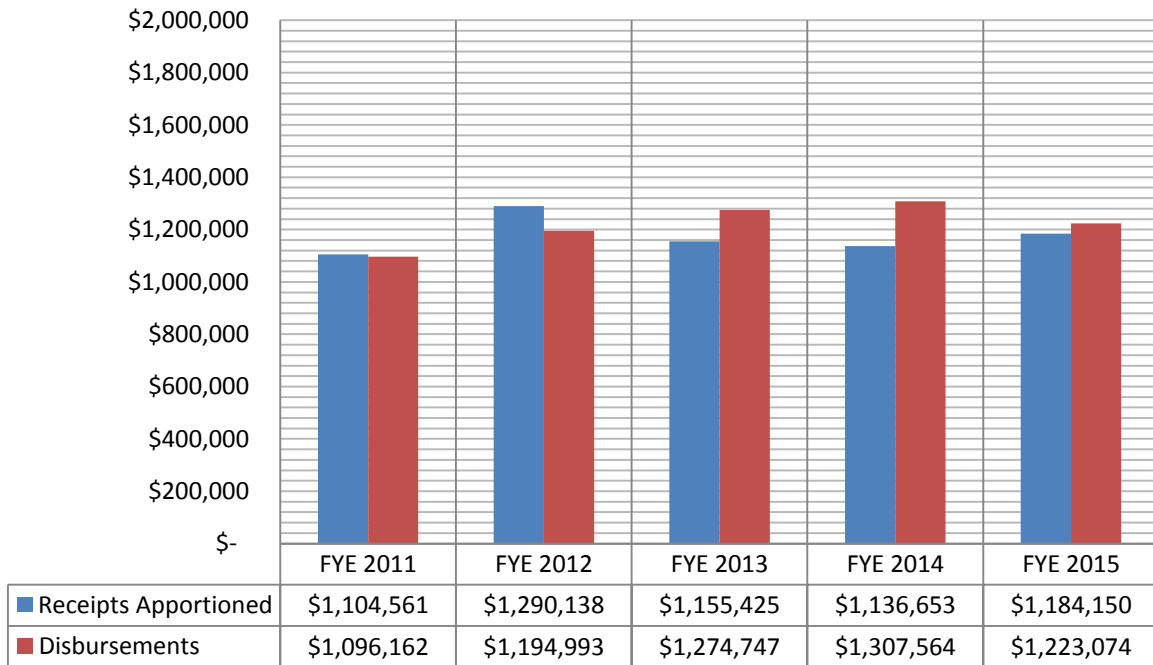
Payroll Expenditures by Department



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

County General Fund

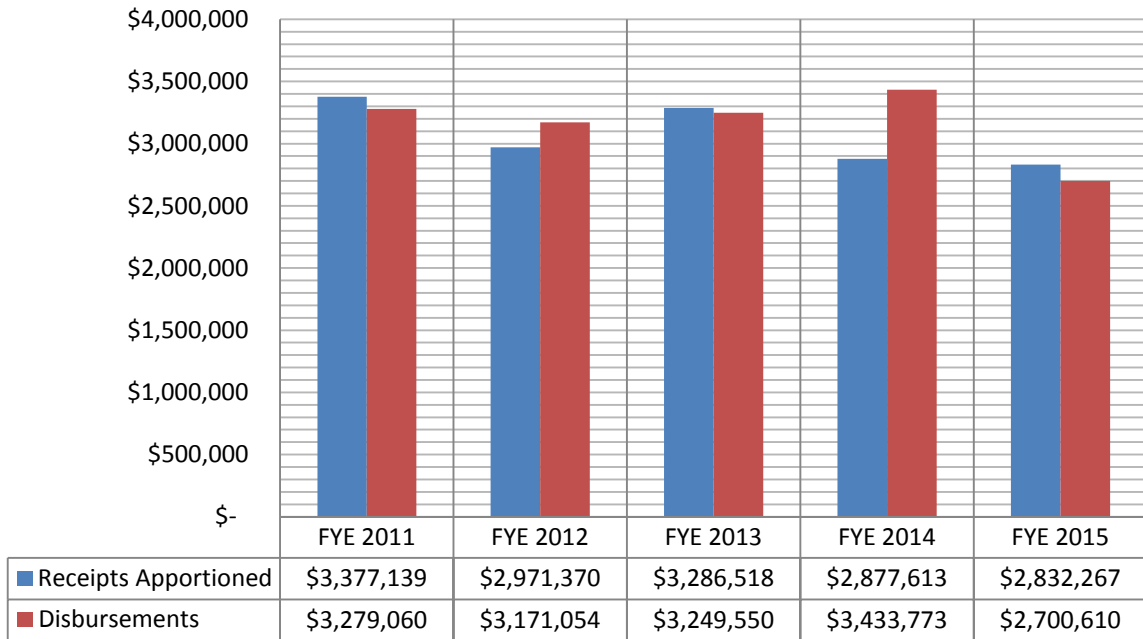
The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the county's primary source of operating revenue. The County General Fund is typically used for county employees' salaries plus many expenses for county maintenance and operation. It also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



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

County Highway Fund

The County receives major funding for roads and highways from a state imposed fuel tax. Taxes are collected by the Oklahoma Tax Commission. Taxes are imposed on all gasoline, diesel, and special fuel sales statewide. The County's share is determined on formulas based on the County population, road miles, and land area and is remitted to the County monthly. These funds are earmarked for roads and highways only and are accounted for in the County Highway Fund. The chart below summarizes receipts and disbursements of the County's Highway Fund for the last five fiscal years.



FINANCIAL SECTION



Oklahoma State Auditor & Inspector

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

Independent Auditor's Report

TO THE OFFICERS OF
KIOWA COUNTY, OKLAHOMA

Report on the Financial Statement

We have audited the combined total—all county funds on the accompanying regulatory basis Statement of Receipts, Disbursements, and Changes in Cash Balances of Kiowa County, Oklahoma, as of and for the year ended June 30, 2015, and the related notes to the financial statement, which collectively comprise the County's basic financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the regulatory basis of accounting described in Note 1, and for determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the financial statement is prepared by Kiowa County using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Kiowa County as of June 30, 2015, or changes in its financial position for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined total of receipts, disbursements, and changes in cash balances for all county funds of Kiowa County, for the year ended June 30, 2015, in accordance with the basis of accounting described in Note 1.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the combined total of all county funds on the financial statement. The Other Supplementary Information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statement.

The Other Supplementary Information, as listed in the table of contents, is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Other Supplementary Information, as listed in the table of contents, is fairly stated, in all material respects, in relation to the combined total—all county funds.

The information listed in the table of contents under Introductory Section has not been subjected to the auditing procedures applied in the audit of the financial statement, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2016, on our consideration of Kiowa County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and in considering Kiowa County's internal control over financial reporting and compliance.

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

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

March 21, 2016

REGULATORY BASIS FINANCIAL STATEMENT

KIOWA 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, 2015

	Beginning Cash Balances July 1, 2014	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2015
Combing Information:						
Major Funds:						
County General Fund	\$ 417,456	\$ 1,184,150	\$ -	\$ -	\$ 1,223,074	\$ 378,532
County Highway Cash	2,932,954	2,832,267	-	-	2,700,610	3,064,611
Highway County Bridge and Road Improvement Fund	1,264,647	320,952	-	-	-	1,585,599
County Health Department	356,088	207,934	-	-	154,026	409,996
Governmental Obligation Bond - Sinking Fund	25,912	69,813	-	-	68,640	27,085
Sales Tax Free Fair	10,247	10,000	-	-	15,594	4,653
Sales Tax Museum	1,148	2,500	-	-	3,565	83
Sales Tax OSU Extension	98,589	25,000	-	-	28,876	94,713
Sales Tax Sheriff	77,258	271,230	-	-	249,692	98,796
Sales Tax Senior Citizens Gotebo	-	803	-	-	803	-
Sales Tax Senior Citizens Hobart	-	12,895	-	-	12,895	-
Sales Tax Senior Citizens Lone Wolf	-	1,504	-	-	1,504	-
Sales Tax Senior Citizens Mountain Park	-	1,404	-	-	1,404	-
Sales Tax Senior Citizens Mountain View	-	2,729	-	-	2,729	-
Sales Tax Senior Citizens Roosevelt	-	879	-	-	879	-
Sales Tax Senior Citizen Snyder	-	4,786	-	-	4,786	-
Remaining Aggregate Funds	295,343	301,409	932	-	258,508	339,176
Combined Total - All County Funds	\$ 5,479,642	\$ 5,250,255	\$ 932	\$ -	\$ 4,727,585	\$ 6,003,244

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

**KIOWA COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

1. Summary of Significant Accounting Policies

A. Reporting Entity

Kiowa 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.

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

Highway County Bridge and Road Improvement Fund – accounts for state receipts and disbursed for the purpose of maintaining bridges and roads.

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

Governmental Obligation Bond - Sinking Fund – accounts for the collection of an ad valorem tax levy to be disbursed for the payment of bond indebtedness.

**KIOWA COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Sales Tax Free Fair – accounts for sales tax collections to be disbursed for the operations of the Kiowa County Free Fair.

Sales Tax Museum – accounts for sales tax collections to be disbursed for the operations of the Kiowa County Historical Society.

Sales Tax OSU Extension – accounts for sales tax collections to be disbursed for the operations of the Kiowa County OSU Extension.

Sales Tax Sheriff – accounts for sales tax collections to be disbursed for the operations of the Kiowa County Sheriff's Office.

Sales Tax Senior Citizens – accounts for seven separate cash funds established to account for sales tax collections to be disbursed for the operations of senior citizens centers within Kiowa County and named as follows; Sales Tax Senior Citizens Gotebo, Sales Tax Senior Citizens Hobart, Sales Tax Senior Citizens Lone Wolf, Sales Tax Senior Citizens Mountain Park, Sales Tax Senior Citizens Mountain View, Sales Tax Senior Citizens Roosevelt, and Sales Tax Senior Citizens Snyder.

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

**KIOWA COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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.

**KIOWA COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

2. 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. Long Term Obligations

1. General Obligation Bonds

The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. Debt service on the bonds will be paid from ad

**KIOWA COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

valorem taxes levied and assessed on behalf of the issuer and deposited to the Sinking Fund.

Kiowa County General Obligation Bond of 2008 – These bonds were issued June 1, 2008, in the amount of \$550,000 to a financial institution in Kansas City, Missouri. The General Obligation Bond of 2008 was to provide funds for the purpose of repairing and replacing the roof of the courthouse and jail, remodeling the courthouse to make it handicap accessible under the provisions of the Americans with Disabilities Act including the repair and replacement of an elevator in the courthouse, exterior masonry to the courthouse, repair and/or replacement of window in the courthouse.

For the ad valorem tax year of 2014, fiscal year ending June 30, 2015, a .89 mill levy was collected by the Kiowa County Treasurer.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds are required to be fully paid within 10 years from the date of issue. General obligation bonds currently outstanding are as follows:

Purpose	Interest Rate	Original Amount
Kiowa County General Obligation Bond	2.75% to 3.60%	\$550,000

Beginning Balance	Additions	Reductions	Ending Balance	Amount due within one year
\$250,000	\$ - 0-	\$60,000	\$190,000	\$60,000

During fiscal year 2015, payments included \$60,000 for principal and \$8,640 for interest.

Annual debt service requirements to maturity for general obligation bonds, including interest of \$13,800, are as follows:

Fiscal Year Ending June 30, 2015	Principal	Interest	Total
2016	\$ 60,000	\$ 6,660	\$ 66,660
2017	60,000	4,620	64,620
2018	70,000	2,520	72,520
Total	\$250,000	\$13,800	\$263,800

**KIOWA COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

E. Sales Tax

The voters of Kiowa County approved a permanent one-half percent (1/2%) sales tax on April 6, 1993. This sales tax is to be distributed as follows: \$10,000 for Kiowa County Free Fair; \$25,000 for the OSU Extension Center in Kiowa County; \$25,000 to be apportioned among the authorized Senior Citizen Centers of Gotebo, Hobart, Lone Wolf, Mountain Park, Mountain View, Roosevelt and Snyder based on each towns percentage of total County population using the most recent decennial census; \$2,500 for the Kiowa County Historical Society; and the balance of the funds to the Kiowa County Sheriff's Office to improve rural law enforcement.

These funds are accounted for in the following funds: Sales Tax Free Fair, Sales Tax OSU Extension, Sales Tax Museum, Sales Tax Sheriff, Sales Tax Senior Citizens Gotebo, Sales Tax Senior Citizens Hobart, Sales Tax Senior Citizens Lone Wolf, Sales Tax Senior Citizens Mountain Park, Sales Tax Senior Citizens Mountain View, Sales Tax Senior Citizens Roosevelt, and Sales Tax Senior Citizens Snyder.

F. Interfund Transfers

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

- \$932 was transferred from the Excess Resale fund, (a trust and agency fund) to the Resale Property fund in accordance with 68 O.S. § 3131.

OTHER SUPPLEMENTARY INFORMATION

**KIOWA 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, 2015**

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 417,456	\$ 417,456	\$ -
Less: Prior Year Outstanding Warrants	(51,719)	(51,719)	-
Less: Prior Year Encumbrances	(2,900)	(1,722)	1,178
Beginning Cash Balances, Budgetary Basis	362,837	364,015	1,178
Receipts:			
Ad Valorem Taxes	741,881	826,598	84,717
Charges for Services	30,000	38,612	8,612
Intergovernmental Revenues	80,109	215,418	135,309
Miscellaneous Revenues	56,801	103,522	46,721
Total Receipts, Budgetary Basis	908,791	1,184,150	275,359
Expenditures:			
County Sheriff	270,622	270,622	-
County Treasurer	143,168	142,922	246
County Commissioners	5	-	5
County Clerk	196,121	196,121	-
Court Clerk	143,859	143,435	424
County Assessor	78,575	78,451	124
Revaluation of Real Property	99,764	98,676	1,088
General Government	210,553	205,421	5,132
Excise-Equalization Board	4,998	3,426	1,572
County Election Board	84,857	81,036	3,821
Emergency Management	23,052	8,852	14,200
County Audit Budget Account	16,054	975	15,079
Total Expenditures, Budgetary Basis	1,271,628	1,229,937	41,691
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	318,228	\$ 318,228
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Outstanding Warrants		57,265	
Add: Current Year Encumbrances		3,039	
Ending Cash Balance		\$ 378,532	

**KIOWA 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**

County Health Department Fund			
	Budget	Actual	Variance
Beginning Cash Balances	\$ 356,088	\$ 356,088	\$ -
Less: Prior Year Outstanding Warrants	(11,152)	(11,152)	-
Beginning Cash Balances, Budgetary Basis	344,936	344,936	-
Receipts:			
Ad Valorem Taxes	185,470	206,655	21,185
Charges for Services	-	1,279	1,279
Miscellaneous Revenues	1,107	-	(1,107)
Total Receipts, Budgetary Basis	186,577	207,934	21,357
Expenditures:			
Health and Welfare	531,513	167,660	363,853
Total Expenditures, Budgetary Basis	531,513	167,660	363,853
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	385,210	\$ 385,210
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		9,355	
Add: Current Year Outstanding Warrants		15,431	
Ending Cash Balance		\$ 409,996	

KIOWA COUNTY, OKLAHOMA
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS—
REMAINING AGGREGATE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Beginning Cash Balances July 1, 2014	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2015
Remaining Aggregate Funds:						
Resale Property	\$ 143,972	\$ 49,233	\$ 932	\$ -	\$ 45,300	\$ 148,837
Treasurer Mortgage Tax Certification Fee	1,697	1,905	-	-	2,000	1,602
County Clerk Lien Fee	6,978	4,532	-	-	8,282	3,228
County Clerk Records Preservation Fee	4,025	10,230	-	-	7,057	7,198
Assessor Revolving	1,882	3,320	-	-	815	4,387
Assessor Visual Inspection	142	-	-	-	-	142
Assessor Hardware Upgrade	297	-	-	-	-	297
Sheriff Service Fee	39,056	83,552	-	-	65,770	56,838
Sheriff Board of Prisoners	49,322	77,587	-	-	81,814	45,095
Sheriff Emergency Management/EOC	29,256	49,011	-	-	23,897	54,370
Sheriff Courthouse Security	4,445	11,934	-	-	13,072	3,307
Sheriff Commissary Revolving Fund	3,102	9,105	-	-	8,979	3,228
Law Enforcement Fund	4,919	-	-	-	53	4,866
Sheriff Emergency Management EOC/FDS	3,120	1,000	-	-	1,469	2,651
Juvenile Supervision	343	-	-	-	-	343
Sheriff Training	80	-	-	-	-	80
County Reward Fund	1,100	-	-	-	-	1,100
Kiowa County Industrial Development Authority Building	1,607	-	-	-	-	1,607
Combined Total - Remaining Aggregate Funds	\$ 295,343	\$ 301,409	\$ 932	\$ -	\$ 258,508	\$ 339,176

**KIOWA COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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.

3. Remaining County Funds

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

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

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

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

County Clerk Records Preservation Fee – accounts for fees collected for instruments filed in the County Clerk's office and disbursed as restricted by statute for preservation of records.

Assessor Revolving – accounts for the collections of fees for copies and disbursed for the operation of the office.

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

Assessor Hardware Upgrade – accounts for the collection and disbursement of funds received from the State of Oklahoma for the upgrade of Assessor computer equipment.

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

**KIOWA COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Sheriff Board of Prisoners – accounts for state receipts and disbursed for the purpose of housing Department of Corrections inmates in the county jail.

Sheriff Emergency Management/EOC – accounts for the collection of state grant money to maintain the Civil Defense Coordinator within the Sheriff's Department.

Sheriff Courthouse Security – accounts for the collection of fees through the court system and disbursed for courthouse security.

Sheriff Commissary Revolving Fund – accounts for the funds from the sale of commissary items to inmates and disbursed to purchase commissary items from the vendor. The funds can be used for the maintenance and operations of the county jail.

Law Enforcement Fund – accounts for the collection of contracts for law enforcement of surrounding cities and towns and disbursed for personal services within the Sheriff's office.

Emergency Management EOC/FDS – accounts for the collections of grant money and disbursed for equipment for Emergency Management within the Sheriff's office.

Juvenile Supervision – accounts for the collection of state funds and disbursed to provide housing for juveniles.

Sheriff Training – accounts for the collection of miscellaneous receipts and disbursed for the training of Sheriff's deputies.

County Reward Fund – accounts for fees collected and disbursed to citizens involved in the reporting of littering offenses.

Kiowa County Industrial Development Authority Building – accounts for the collections from tiles sold and disbursed for maintenance of tiles and to provide assistance to the 4-H program.

INTERNAL CONTROL AND COMPLIANCE SECTION



Oklahoma State Auditor & Inspector

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

Independent Auditor's 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
KIOWA COUNTY, OKLAHOMA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined total—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Kiowa County, Oklahoma, as of and for the year ended June 30, 2015, and the related notes to the financial statement, which collectively comprises Kiowa County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated March 21, 2016.

Our report included an adverse opinion on the financial statement because the statement is prepared using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. However, our report also included our opinion that the financial statement does present fairly, in all material respects, the receipts, disbursements, and changes in cash balances – regulatory basis of the County for the year ended June 30, 2015, on the basis of accounting prescribed by Oklahoma state law, described in Note 1.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered Kiowa County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of Kiowa County's internal control. Accordingly, we do not express an opinion on the effectiveness of Kiowa County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and 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 described in the accompanying schedule of findings and responses to be a material weakness: 2015-1.

A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies: 2015-2, 2015-3, 2015-4, and 2015-5.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Kiowa County's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 2015-3.

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

Kiowa County's Responses to Findings

Kiowa County's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. Kiowa County's responses were not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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



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

March 21, 2016

**KIOWA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 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 2015-1 - Inadequate County Wide Controls (Repeat Finding)

Condition: The County has not addressed all of the components of an internal control framework which are the control environment, risk assessment, information and communication, and monitoring.

In addition, the County Sheriff, County Assessor, County Court Clerk, District 1 Commissioner, District 2 Commissioner, and District 3 Commissioner have not designed or implemented a Disaster Recovery Plan. The County Clerk did have a Disaster Recovery Plan, but it had not been updated since 2007.

Cause of Condition: This condition is a result of the County not being aware of how the process of identifying risk, implementing control activities, communicating pertinent information, and monitoring could positively impact the operations and reporting of the County.

Effect of Condition: This condition does not allow the County to function in the most effective manner possible.

Recommendation: The Oklahoma State Auditor & Inspector's Office (OSAI) recommends that the County design procedures to document their Internal Control Framework. This documentation should outline the importance of internal controls, the risk that the County has identified, the control activities established to address the risk, the steps to take to properly communicate pertinent information in a timely manner and the methodology to monitor the quality of performance over time.

Management Response:

County Clerk, District 1 Commissioner, District 2 Commissioner, District 3 Commissioner, County Treasurer, County Sheriff, and County Court Clerk: As elected officials we will work to implement a policy to address risks to the County and we will address those risks in our quarterly officers' meetings and ensure that all county employees are kept up to date with all policies concerning risk.

District 1 Commissioner, District 2 Commissioner, District 3 Commissioner and Court Clerk: We will work to prepare a disaster recovery plan.

County Clerk: I will update my disaster recovery plan with current information and send the new version to the Auditor's office.

County Assessor: All information for County Assessor's office is now available, including employee cell phone numbers, next of kin contact and information on recovery of county information that is backed-up off site.

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

**KIOWA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

of financial reporting and compliance with laws and regulations are being met. Internal control comprises the plans, methods, and procedures used to meet missions, goals, and objectives. Internal control also serves as the first line of defense in safeguarding assets and preventing and detecting errors and fraud. County management is responsible for designing a county-wide internal control system comprised of Control Environment, Risk Assessment, Information and Communication, and Monitoring for the achievement of these goals.

Finding 2015-2 - Inadequate Internal Controls and Lack of Segregation of Duties Over the County Treasurer's Cash Drawers (Repeat Finding)

Condition: Based upon inquiry and observation of the collection process for the County Treasurer's office, the following weaknesses were noted:

- The two cash drawers in the County Treasurer's Office are not locked and the County Treasurer can work from either cash drawer.
- Although a reconciliation of the cash drawers was performed daily by the deputies, evidence of a documented review was not present.

Subsequent to the initial documentation of internal controls over the collection process, it was determined that:

- The County Treasurer's personal funds of \$200.00 had been established as the change funds in the cash drawers.
- The practice in the County Treasurer's office is the County Treasurer and her deputies correct any shortage in the daily deposit with their personal funds.

Cause of Condition: Policies and procedures have not been designed and internal controls have not been implemented to ensure that the cash drawers are secured and personal funds are not comingled with County funds.

Effect of Condition: These conditions could result in misappropriation of funds and undetected errors.

Recommendation: OSAI recommends the following:

- Ensure that cash drawers are kept locked and restrict the access to the assigned individual.
- Evidence of the reconciliation of the cash drawers is documented with signature and date of reviewer.

Further, OSAI recommends the County Treasurer discontinue the use of personal funds in the cash drawers. The \$200.00 change fund should be replenished with county funds. Additionally, any deposit shortage should be thoroughly investigated to determine the cause of the shortage.

**KIOWA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Management Response:

County Treasurer: We will keep the two cash drawers and lock them when out of the office. If a customer is paying cash, the two deputies will take the cash payment. We will discontinue use of personal funds as means of replenishment.

Criteria: Accountability and stewardship are overall goals of management in accounting of funds. 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 from loss, damage, or misappropriation.

Finding 2015-3 - Inadequate Internal Controls and Noncompliance Over Disbursement of County Sales Tax (Repeat Finding)

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

- Sales tax collections are being distributed directly to the Senior Citizen Centers of Gotebo, Hobart, Lone Wolf, Mountain Park, Mountain View, Roosevelt and Snyder, which results in these sales tax expenditures not being monitored to determine they are expended in accordance with the sales tax ballot.

Cause of Condition: Policies and procedures with regard to sales tax collections and the disbursement process have not been designed and implemented due to the officials being unaware of the necessity of such procedures.

Effect of Condition: This condition resulted in noncompliance with state statute and could result in unrecorded transactions, misstated financials reports, undetected errors, and misappropriation of funds.

Recommendation: OSAI recommends the County incorporate the Senior Citizens sales tax funds in the purchasing process in order to properly monitor the expenditures of the sales tax.

Management Response:

County Clerk, District 1 Commissioner, District 2 Commissioner, and District 3 Commissioner: We have required that the Treasurers at each Senior Citizen Center are bonded and we are training them in the county purchasing process.

Auditor Response: State statutes do not allow for County sales tax funds to be remitted to other entities. Expenditures of sales tax funds should be made on purchase orders that are approved by the Board of County Commissioners.

**KIOWA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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.

Finding 2015-4 – Inadequate Internal Controls and Noncompliance Over the Bidding Process (Repeat Finding)

Condition: Based on inquiry of County officials and staff, observation of the bidding process and review of the BOCC minutes, we noted the following:

- Six month bids were awarded to all vendors that submitted a bid. The documentation in the BOCC minutes reflected that these bids were awarded to all vendors based on lowest to highest bid and based on availability; however, the lowest or best vendor was not designated.
- Of the 6 bids tested, three instances were noted where the bid file did not contain proof of publication to determine bid was published 10 days prior to opening.
- Bid No. 2015-1 did not have written notification of successful bidder retained in file.

Subsequently, we learned that vendors were selected that did not submit a bid but would offer the bid price if solicited.

Cause of Condition: Policies and procedures have not been designed and implemented for the BOCC to comply with state statute regarding the awarding of bids for the purchase of commonly-used items.

Effect of Condition: These conditions resulted in noncompliance with state statutes regarding the awarding of bids. As a result, the County may not have obtained the best prices for road projects or for materials purchased from the commonly-used goods bid lists.

Recommendation: OSAI recommends that the County thoroughly review bids and determine which vendor is the lowest and best bidder. The successful bidder should be clearly documented in the minutes. If the successful bidder was not the lowest bidder, the reasons for not awarding the bid to the lowest and best bidder should be clearly documented in the minutes.

Management Response:

County Clerk: I highlight the lowest bid for the Commissioners on the 6 month bids list and they award the bids.

District 1 Commissioner, District 2 Commissioner, and District 3 Commissioner: We will award the lowest bid or best bid for the County and state specifically why the bid was awarded and to whom the bid was awarded.

Criteria: Best business practices would include soliciting bids from vendors with the goal of obtaining quality goods and/or services for the best price.

**KIOWA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

When counties purchase “needed or commonly [-] used supplies, materials, [or] equipment,” 19 O.S. § 1505(B) requires the counties to solicit bids, compare them to the state contract price for the items, and select “the lowest and best bid based upon, if applicable, the availability of material and transportation cost to the job site within 30 days,” specifying the reason “any time the lowest bid was not considered to be the lowest and best bid.”

When counties purchase “processed native materials for road and bridge improvements,” 19 O.S. § 1501(A)(3)(j) requires the counties to solicit bids but allows them to accept all bids received, with the lowest and best bid from those accepted to be selected based upon availability, bid price, plus transportation costs at the time of opening of any construction project.” OSAI would note the distinction between the terms “accept” and “award.” A decision to accept a bid is based upon it meeting certain bid specifications and, thus, is determined to be a qualified bid. The statutory guidance to award a bid is to identify the lone bidder who best meets the “lowest and best bid” criteria to the exclusion of all other bidders.

Further, 19 O.S. § 1505(B)(5) outlines the procedures to follow when the low bidder cannot fulfill a county bid contract. The statute states, “If a vendor who is the low bidder cannot or will not sell goods or services as required by a county bid contract, the county purchasing agent may purchase from the next low bidder or take quotations as provided in paragraph 6 of this subsection.

Finding 2015-5 – Inadequate Internal Controls Over Signature Stamps – County Commissioners (Repeat Finding)

Condition: Upon inquiry, observation, and review of documents, we noted the following internal control weakness with regard to the disbursement process:

- The County Clerk has physical control of District 1, 2, and 3 County Commissioners’ signature stamps. The stamps are retained in the cash register in the County Clerk’s office. The cash register is not locked during the business hours of the office. The County Clerk and her employees have access to this cabinet.

Cause of Condition: Policies and procedures have not been designed to safeguard the County from unauthorized use of the signature stamps.

Effect of Condition: This condition could result in unauthorized transactions and misappropriation of funds.

Recommendation: OSAI recommends signature stamps be adequately safeguarded from unauthorized use and be used only by the official to which they belong.

Management Response:

County Clerk: We will work on a solution for the Commissioners to have custody of their own signature stamps.

**KIOWA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

District 1 Commissioner, District 2 Commissioner, and District 3 Commissioner: We will work on implementing controls to safeguard our signature stamps.

Criteria: An important 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 from loss, damage, or misappropriation.

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

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

District 1, District 2, District 3 Commissioners, Assessor, County Clerk and Court Clerk:

- No audit evidence was available to verify that an inventory of fixed assets was performed.

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

Districts 1, 2, and 3 Commissioners:

- Audit evidence of a monthly inventory of consumable items was not available to verify that an inventory was performed.

Cause of Condition: Policies and procedures have not been designed and implemented to provide for accurate fixed assets inventory records and the safeguarding of consumable items.

Effect of Condition: These conditions resulted in noncompliance with state statutes. When fixed assets are not monitored, opportunities for misuse or loss of equipment can occur. Additionally, when consumable inventories are not monitored on a monthly basis, opportunities for misuse or theft of items are more likely to occur.

Recommendation: OSAI recommends management implement internal controls to ensure compliance with 19 O.S. § 178.1, 19 O.S. § 1502(A)(1), 19 O.S. § 1502(B)(1). OSAI recommends the performing and documenting a periodic inventory of fixed assets.

**KIOWA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Management Response:

County Clerk: We will keep the documentation of our annual verification of inventory with signature and date performed.

District 1 Commissioner, District 2 Commissioner, District 3 Commissioner, Court Clerk, County Assessor: We will keep documentation of annual fixed assets inventories performed with signature and date and we will keep documentation of consumable inventory performed with signature and date.

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. § 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.

Title 19 O.S. § 178.1 which requires the board of county commissioners to take, or cause to be taken, an inventory of all working tools, apparatus, machinery and equipment belonging to the county which cost more than Five Hundred Dollars (\$500.00).

Finding 2015-9 - Inadequate Internal Controls Over Court Clerk Receipts and Expenditures (Repeat Finding)

Condition: Upon inquiry of the Court Clerk employees and observation and test of records, we noted the following weaknesses with regard to internal controls related to the receipting process of the Court Clerk and the expenditure process over the Court Clerk Revolving Fund and Court Fund claims:

Receipting Process:

- All employees operate from the same cash drawer.

Expenditure Process for Court Clerk Revolving Fund:

One employee is responsible for:

- Preparing the claims,
- Entering the claim into the software,
- Verifying goods and services and signing the claim acknowledging receipt of goods/services,
- Printing and signing the vouchers for payment,
- Taking vouchers to the Treasurer to be registered,
- Distributing vouchers to vendors, and
- Reconciling the Court Clerk Revolving Fund to the County Treasurer.

**KIOWA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Expenditure Process for Court Fund:

One employee is responsible for:

- Preparing the claims,
- Printing the Court Fund vouchers,
- Taking vouchers to County Treasurer to be registered,
- Distributing the vouchers to vendors, and
- Reconciling the Court Fund to the County Treasurer.

Cause of Condition: Internal controls have not been designed and implemented to safeguard the collections received.

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, undetected errors, or misappropriation of funds not being detected in a timely manner.

Recommendation: OSAI recommends the Court Clerk design and implement procedures to ensure a proper segregation of duties over the receipting and expenditure processes.

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

- Separate cash drawers should be utilized and secured by the individual assigned to the cash drawer.

Further, the expenditures process should be adequately segregated in the following accounting functions of:

- Preparation of claims,
- Initiation of payment,
- Printing and signing of vouchers, and
- Monthly reconciliation with the County Treasurer.

Management Response:

Court Clerk: Cash received in my office is counted by two people if it is over \$100.00 and by three people if it is over \$1,000.00. I will have one of the judges or one of my deputies verify that the claimant and amount on the Revolving Fund Claim agree to the payee and amount on the voucher. I will have one of the judges or one of my deputies verify that the claimant and amount on the Court Fund Claim agree to the payee and amount on the voucher. I will have my designated receiving agent sign the claim acknowledging receipt of goods and services. My deputy does a review of my reconciliation of my Revolving Fund to the County Treasurer. My deputy does a review of my reconciliation of my Court Fund to the County Treasurer.

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

**KIOWA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Finding 2015-10 - Inadequate Internal Controls and Noncompliance Over the Inmate Trust Account (Repeat Finding)

Condition: Upon inquiry of County Sheriff employees, and observation of the recordkeeping processes over the Inmate Trust account, the following weaknesses were noted:

- All jailers can issue and void receipts with little or no oversight.
- Receipts are handwritten and issued from a receipt book not restricted to or designated for the Inmate Trust Checking Account.
- One employee prepares deposit slips, posts payments to inmate records, prepares checks, and is one of the authorized signatures on the checks. In addition, this employee has custody of the bank statements and performs the account reconciliation.
- Passwords to the commissary system have never been changed.
- The Sheriff does not file an Annual Report of the Sheriff Commissary with the Board of County Commissioners by January 15th of each year.

Cause of Condition: Procedures have not been designed and implemented to ensure that controls are in place with regard to Inmate Trust financial operations.

Effect of Condition: These conditions resulted in noncompliance with state statute and could result in the undetected errors or misappropriation of funds.

Recommendation: OSAI recommends the County Sheriff implement policies and procedures to ensure internal controls are designed and implemented with regard to the safeguarding of funds received, which would include issuing receipts from a receipt book dedicated to the Inmate Trust Fund Checking Account, securing and restricting access to these funds and segregating the duties of reconciling receipts, preparing the deposit and delivering the deposit to the bank. Additionally, OSAI recommends the Sheriff comply with state statutes and file an Annual Report of the Sheriff Commissary with the Board of County Commissioners.

Management Response:

County Sheriff: A policy has been put in place to ensure a second review of the deposit is performed before it is taken to the bank. I will contact the vendor to request them to program the system for a password prompt every 90 days. I now have a receipt book restricted to the Inmate Trust Fund Checking Account. I will work to develop internal controls to allow more segregation with regard to the Inmate Trust Fund Checking Account.

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. In addition, two authorized signatures should be required on all inmate trust account checks, bank reconciliations should be performed each month, and contracts should be approved by the Board of County Commissioners.

**KIOWA COUNTY, OKLAHOMA
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Title 19 O.S. § 180.43 E. and D. states in part, “Any funds received pursuant to said operations shall be the funds of the county where the persons are incarcerated and shall be deposited in the Sheriff’s Commissary Account. The sheriff shall be permitted to expend the funds to improve or provide jail services. The sheriff shall be permitted to expend any surplus in the Sheriff’s Commissary Account for administering expenses for training equipment, travel or for capital expenditures. The claims for expenses shall be filed with and allowed by the board of county commissioners in the same manner as other claims. The Sheriff shall receive no compensation for the operation of said commissary. The sheriff shall file an annual report on any said commissary under his or her operation no later than January 15 of each year.”

Title 19 O.S. § 531 A. states in part, “The county sheriff may establish a checking account, to be designated the “Inmate Trust Checking Account”. The county sheriff shall deposit all monies collected from inmates incarcerated in the county jail into this checking account and may write checks to the Sheriff’s Commissary Account for purchases made by the inmate during his or her incarceration and to the inmate from unencumbered balances due the inmate upon his or her discharge.”



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