

COUNTY AUDIT

# KIOWA COUNTY

For the fiscal year ended June 30, 2016



*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, 2016**

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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 12, 2017

TO THE CITIZENS OF  
KIOWA COUNTY, OKLAHOMA

Transmitted herewith is the audit of Kiowa County, Oklahoma for the fiscal year ended June 30, 2016. The audit was conducted in accordance with 19 O.S. § 171.

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

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

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

Sincerely,

A handwritten signature in blue ink that reads "Gary A. Jones". The signature is written in a cursive style with a long, sweeping underline.

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

**KIOWA COUNTY, OKLAHOMA  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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**KIOWA COUNTY, OKLAHOMA  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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INTERNAL CONTROL AND COMPLIANCE SECTION

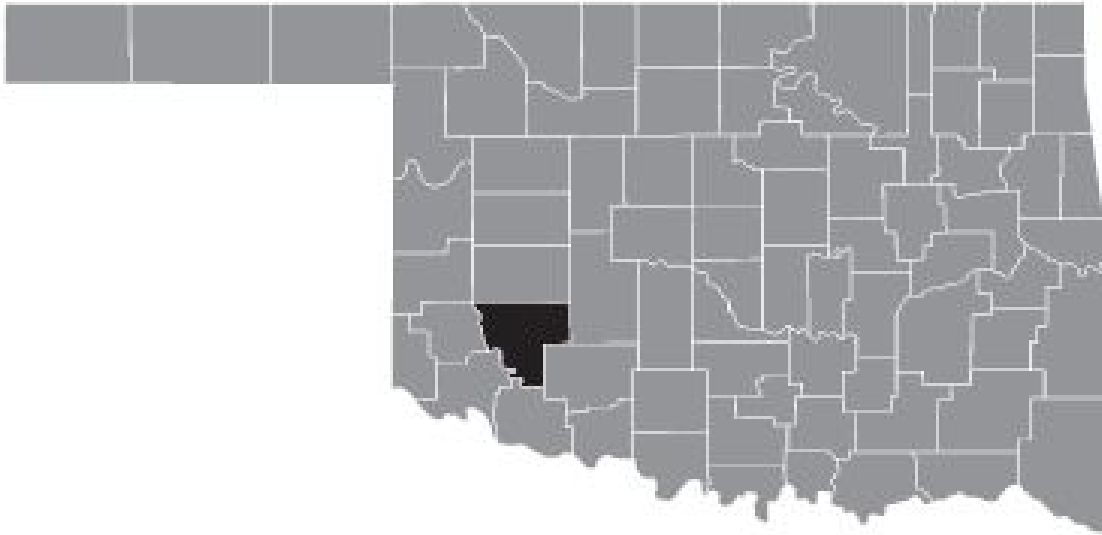
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**PRESENTED FOR INFORMATIONAL PURPOSES ONLY**

**KIOWA COUNTY, OKLAHOMA  
STATISTICAL INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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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 additional information, call the county clerk 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, 2016**

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**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**

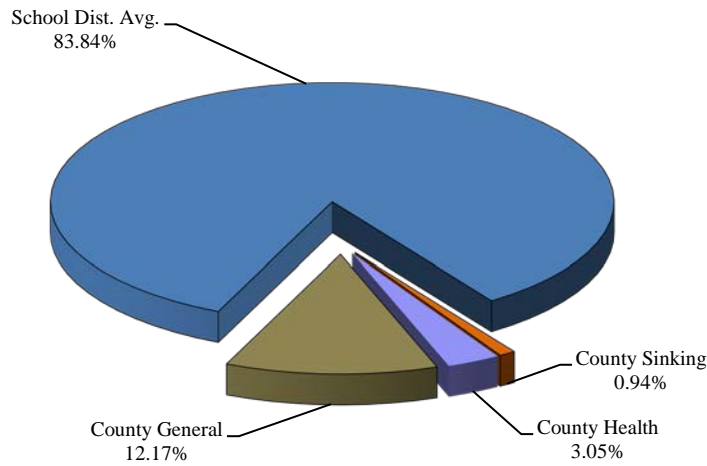
Ken Darby



**KIOWA COUNTY, OKLAHOMA  
AD VALOREM TAX DISTRIBUTION  
SHARE OF THE AVERAGE MILLAGE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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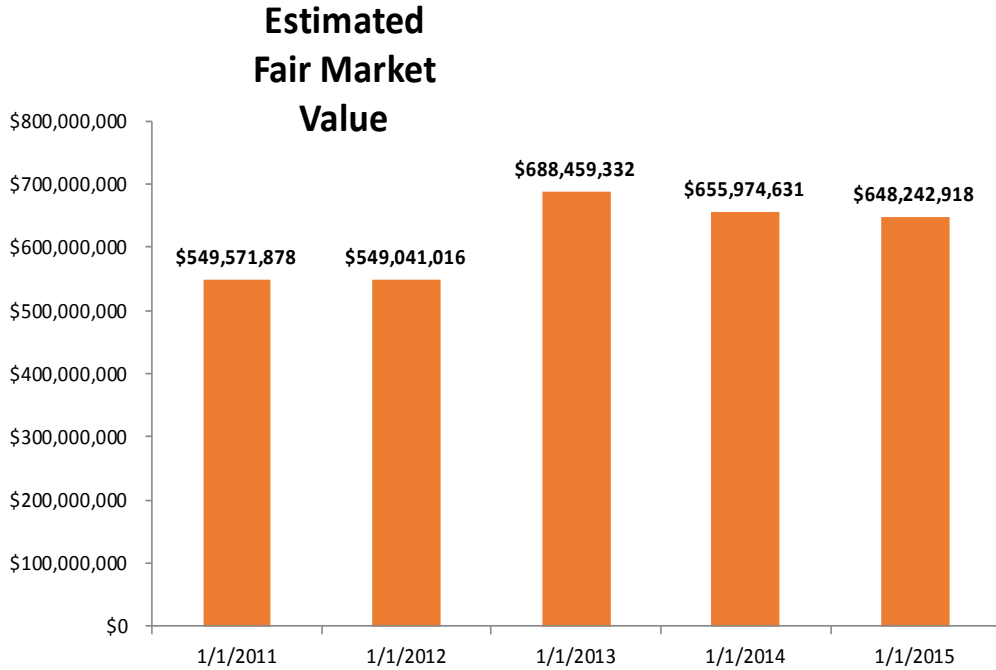
Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of a property is \$1,000.00 and the millage rate is 1.00, then the 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								
				Gen.	Bldg.	Skg.	Ems	Career Tech	Common	Total
County General	10.44									
County Sinking	0.81	Hobart	I-1	36.29	5.18	29.71	-	12.39	4.18	87.75
County Health	2.61	Lone Wolf	I-2	36.60	5.23	-	-	12.39	4.18	58.40
		Mtn View-Gotebo	I-003	36.58	5.23	42.37	3.14	11.52	4.18	103.02
		Snyder	I-4	36.68	5.24	-	-	14.53	4.18	60.63
		Sentinel	J-1	36.54	5.22	-	-	12.39	4.18	58.33
		Indiahoma	J-2	35.16	5.02	11.88	-	14.53	4.18	70.77
		Camegie	J-033	37.53	5.37	16.48	-	11.52	4.18	75.08
		Blair	J-54	36.21	5.17	5.37	-	10.35	4.18	61.28

**KIOWA COUNTY, OKLAHOMA  
 ASSESSED VALUE OF PROPERTY  
 TREND ANALYSIS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2015	\$25,966,093	\$12,423,435	\$41,523,822	\$2,453,212	\$77,460,138	\$648,242,918
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

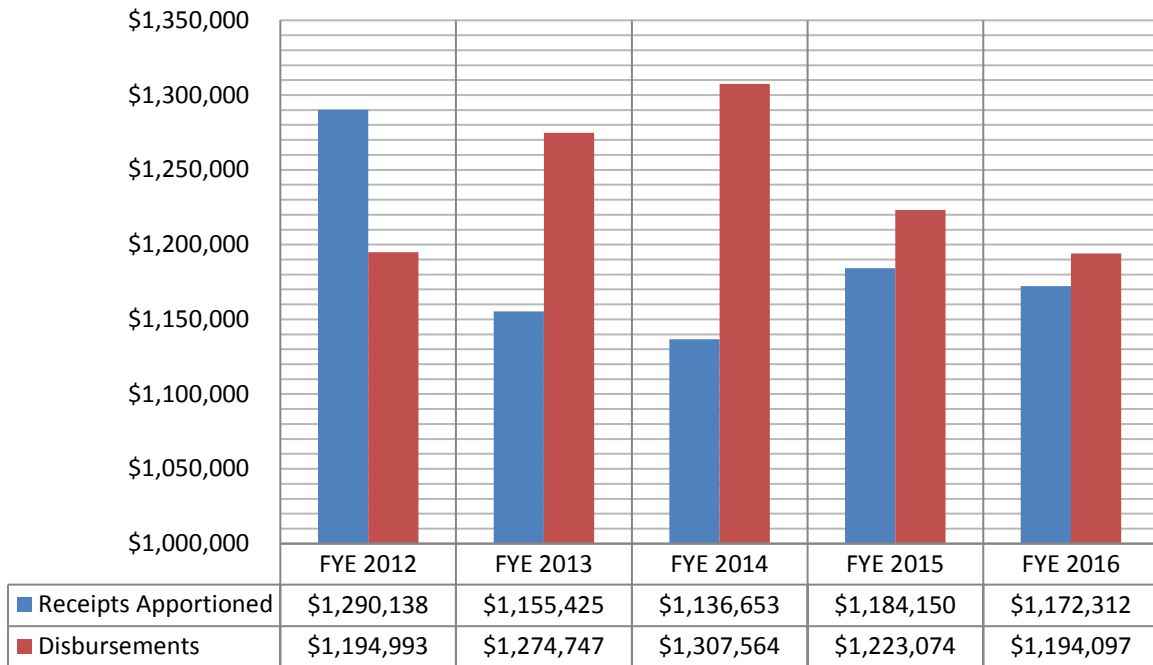


**KIOWA COUNTY, OKLAHOMA  
COUNTY GENERAL FUND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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## County General Fund

The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the county’s primary source of operating revenue. The County General Fund is typically used for county employees’ salaries plus many expenses for county maintenance and operation. It also provides revenue for various budget accounts and accounts that support special services and programs. The Board of County Commissioners must review and approve all expenditures made from the County General Fund. The primary revenue source for the County General Fund is usually the county’s ad valorem tax collected on real, personal (if applicable), and public service property. Smaller amounts of revenue can come from other sources such as fees, sales tax, use tax, state transfer payments, in-lieu taxes, and reimbursements. The chart below summarizes receipts and disbursements of the County’s General Fund for the last five fiscal years.

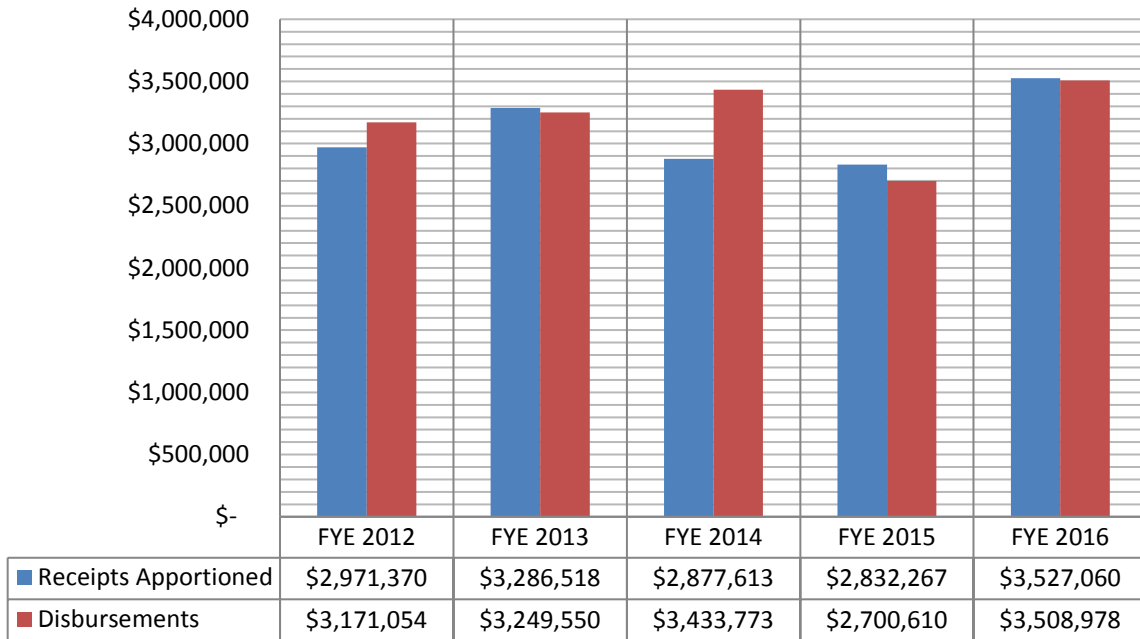


**KIOWA COUNTY, OKLAHOMA  
COUNTY HIGHWAY FUND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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## County Highway Fund

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



**FINANCIAL SECTION**



# Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 123 • 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, 2016, 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 misstatements 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, 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, 2016, or changes in financial position for the year then ended.

***Unmodified 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, 2016, in accordance with the basis of accounting described in Note 1.

***Other Matters***

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 December 11, 2017, 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 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

December 11, 2017



**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, 2016**

	Beginning Cash Balances July 1, 2015	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2016
Combining Information:						
Major Funds:						
County General Fund	\$ 378,532	\$ 1,172,312	\$ 200,000	\$ 200,000	\$ 1,194,097	\$ 356,747
County Highway Fund	3,064,611	3,527,060	753,687	200,000	3,508,978	3,636,380
Highway County Bridge and Road Improvement Fund	1,585,599	387,860	-	553,687	77,859	1,341,913
County Health Department	409,996	202,489	-	-	176,413	436,072
Governmental Obligation Bond - Sinking Fund	27,085	63,654	-	-	66,660	24,079
Sales Tax Free Fair	4,653	10,225	-	-	9,514	5,364
Sales Tax Museum	83	2,500	-	-	2,574	9
Sales Tax OSU Extension	94,713	25,000	-	-	24,824	94,889
Sales Tax Sheriff	98,796	258,381	-	-	286,794	70,383
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 Citizens Snyder	-	4,786	-	-	4,786	-
Sheriff Emergency Management/EOC	54,370	20,000	-	-	40,032	34,338
Sheriff Emergency Management EOC/FDS	2,651	1,000	-	-	1,604	2,047
Remaining Aggregate Funds	282,155	225,144	8,084	-	222,788	292,595
<b>Combined Total - All County Funds</b>	<b>\$ 6,003,244</b>	<b>\$ 5,920,625</b>	<b>\$ 961,771</b>	<b>\$ 953,687</b>	<b>\$ 5,637,137</b>	<b>\$ 6,294,816</b>

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, 2016**

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**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 Fund – 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, 2016**

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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.

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

Sheriff Emergency Management EOC/FDS – accounts for the collection of grant money and disbursed for equipment for Emergency Management.

**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.

**KIOWA COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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**D. Budget**

Under current Oklahoma Statutes, a general fund and a county health department fund are the only funds required to adopt a formal budget. On or before the first Monday in July of each year, each officer or department head submits an estimate of needs to the governing body. The budget is approved for the respective fund by office, or department and object. The County Board of Commissioners may approve changes of appropriations within the fund by office or department and object. To increase or decrease the budget by fund requires approval by the County Excise Board.

**E. Cash and Investments**

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

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

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

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

**2. Ad Valorem Tax**

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

Taxes are due on November 1 following the levy date, although they may be paid in two equal installments. If the first half is paid prior to January 1, the second half is not delinquent until April

**KIOWA COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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1. The County Treasurer, according to the law, shall give notice of delinquent taxes and special assessments by publication once a week for two consecutive weeks at any time after April 1, but prior to the end of September following the year the taxes were first due and payable. Unpaid real property taxes become a lien upon said property after the treasurer has perfected the lien by public notice.

Unpaid delinquent personal property taxes are usually published in May. If the taxes are not paid within 30 days from publication, they shall be placed on the personal tax lien docket.

**3. Other Information**

**A. Pension Plan**

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

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

**B. Other Post Employment Benefits (OPEB)**

In addition to the pension benefits described in the Pension Plan note, OPERS provides post-retirement health care benefits of up to \$105 each for retirees who are members of an eligible group plan. These benefits are funded on a pay-as-you-go basis as part of the overall retirement benefit. OPEB expenditure and participant information is available for the state as a whole; however, information specific to the County is not available nor can it be reasonably estimated.

**C. Contingent Liabilities**

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

**KIOWA COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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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 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 2015, fiscal year ending June 30, 2016, a .81 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
\$190,000	\$ - 0-	\$60,000	\$130,000	\$60,000

During fiscal year 2016, payments included \$60,000 for principal, \$6,660 interest.

**KIOWA COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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Annual debt service requirements to maturity for general obligation bonds, including interest of \$7,140 are as follows:

Fiscal Year Ending June 30, 2016	Principal	Interest	Total
2017	\$ 60,000	\$ 4,620	\$ 64,620
2018	70,000	2,520	72,520
Total	\$ 130,000	\$ 7,140	\$ 137,140

**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 transfers between cash funds.

- \$200,000 was transferred from the County Highway Fund to the County General Fund for the purpose of funding operating expenses as allowed by 68 O.S. § 3021.
- \$200,000 was transferred from the County General Fund to the County Highway Fund to repay the operating transfer as required by 68 O.S. § 3021.
- \$8,084 was transferred from the Excess Resale Fund (a trust and agency fund) to the Resale Property fund in accordance with 68 O.S. § 3131c.
- \$553,687 was transferred from the Highway County Bridge and Road Improvement Fund to the County Highway Fund for bridge projects.



**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, 2016**

	General Fund		
	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 378,531	\$ 378,532	\$ 1
Less: Prior Year Outstanding Warrants	(57,265)	(57,265)	-
Less: Prior Year Encumbrances	(3,038)	(2,786)	252
Beginning Cash Balances, Budgetary Basis	<u>318,228</u>	<u>318,481</u>	<u>253</u>
Receipts:			
Ad Valorem Taxes	735,167	806,585	71,418
Charges for Services	30,000	38,632	8,632
Intergovernmental Revenues	136,688	220,743	84,055
Miscellaneous Revenues	-	106,352	106,352
Total Receipts, Budgetary Basis	<u>901,855</u>	<u>1,172,312</u>	<u>270,457</u>
Expenditures:			
County Sheriff	237,184	237,184	-
County Treasurer	143,663	143,632	31
County Commissioners	5	-	5
County Clerk	192,000	191,970	30
Court Clerk	165,514	165,474	40
County Assessor	78,012	77,889	123
Revaluation of Real Property	94,178	92,173	2,005
General Government	182,608	168,300	14,308
Excise -Equalization Board	5,000	3,568	1,432
County Election Board	78,203	76,807	1,396
Emergency Management	20,000	348	19,652
County Audit Budget Account	23,716	23,716	-
Total Expenditures, Budgetary Basis	<u>1,220,083</u>	<u>1,181,061</u>	<u>39,022</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ 309,732</u>	<u>\$ 309,732</u>
Operating Transfers:			
Operating Transfers In		200,000	
Operating Transfers Out		(200,000)	
Net Operating Transfers		<u>-</u>	
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Outstanding Warrants		45,074	
Add: Current Year Encumbrances		1,941	
Ending Cash Balance		<u>\$ 356,747</u>	

**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, 2016**

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	County Health Department Fund		
	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 409,996	\$ 409,996	\$ -
Less: Prior Year Outstanding Warrants	(15,431)	(15,431)	-
Less: Prior Year Encumbrances	(9,355)	(9,355)	-
Beginning Cash Balances, Budgetary Basis	385,210	385,210	-
Receipts:			
Ad Valorem Taxes	148,200	201,566	53,366
Charges for Services	-	355	355
Intergovernmental Revenues	-	126	126
Miscellaneous Revenues	-	442	442
Total Receipts, Budgetary Basis	148,200	202,489	54,289
Expenditures:			
Health and Welfare	533,410	172,707	360,703
Total Expenditures, Budgetary Basis	533,410	172,707	360,703
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	414,992	\$ 414,992
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		9,570	
Add: Current Year Outstanding Warrants		11,510	
Ending Cash Balance		\$ 436,072	

**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, 2016**

	Beginning Cash Balances July 1, 2015	Receipts Apportioned	Transfer In	Transfer Out	Disbursements	Ending Cash Balances June 30, 2016
<b>Remaining Aggregate Funds:</b>						
Resale Property	\$ 148,837	\$ 37,645	\$ 8,084	\$ -	\$ 53,036	\$ 141,530
Treasurer Mortgage Tax Certification Fee	1,602	1,945	-	-	2,000	1,547
County Clerk Lien Fee	3,228	3,915	-	-	3,672	3,471
County Clerk Records Preservation Fee	7,198	10,572	-	-	11,915	5,855
Assessor Revolving	4,387	3,110	-	-	1,513	5,984
Assessor Visual Inspection	142	-	-	-	-	142
Assessor Hardware Upgrade	297	-	-	-	-	297
Sheriff Service Fee	56,838	73,329	-	-	52,086	78,081
Sheriff Board of Prisoners	45,095	69,846	-	-	74,213	40,728
Sheriff Courthouse Security	3,307	12,914	-	-	13,993	2,228
Sheriff Commissary Revolving Fund	3,228	10,624	-	-	4,637	9,215
Law Enforcement Fund	4,866	-	-	-	4,831	35
Juvenile Supervision	343	-	-	-	-	343
Sheriff Training	80	-	-	-	-	80
County Reward Fund	1,100	98	-	-	-	1,198
Kiowa County Industrial Development Authority Building	1,607	-	-	-	892	715
Sheriff Courthouse Security - Civil	-	1,146	-	-	-	1,146
<b>Combined Total - Remaining Aggregate Funds</b>	<b>\$ 282,155</b>	<b>\$ 225,144</b>	<b>\$ 8,084</b>	<b>\$ -</b>	<b>\$ 222,788</b>	<b>\$ 292,595</b>

**KIOWA COUNTY, OKLAHOMA  
NOTES TO OTHER SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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**1. Budgetary Schedules**

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

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

**2. Remaining County Funds**

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

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

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

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 the Assessor's computer equipment.

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

**KIOWA COUNTY, OKLAHOMA  
NOTES TO OTHER SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

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 and 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.

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.

Sheriff Courthouse Security - Civil – accounts for the collections of fees through the court system and disbursed for additional courthouse security.

**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, 2016 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 December 11, 2017.

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, 2016, 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 material weaknesses: 2016-001 and 2016-006.



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: 2016-003 and 2016-004.

### **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 matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2016-006.

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.

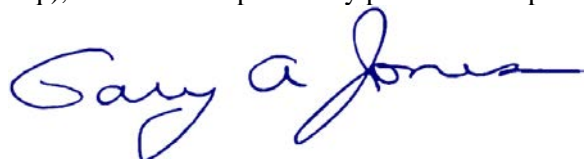
### **Kiowa County's Responses to Findings**

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 the responses.

### **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.

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

December 11, 2017

**KIOWA COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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**SECTION 1—Findings related to the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

**Finding 2016-001 – Inadequate County-Wide Controls and Disaster Recovery Plan (Repeat Finding)**

**Condition:** Assessing county-wide controls reflected the following:

- County-wide controls regarding Risk Assessment and Monitoring have not been designed.
- The offices of the County Sheriff, District 1 Commissioner, District 2 Commissioner, and District 3 Commissioner have not designed a Disaster Recovery Plan within the office.

**Cause of Condition:** Policies and procedures have not been designed and implemented to address risks of the County and to prepare a formal Disaster Recovery Plan.

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

The failure to have a formal Disaster Recovery Plan could result in the County being unable to function in the event of a disaster. The lack of a formal plan could cause significant problems in ensuring County business could continue uninterrupted. These conditions could also result in the loss of data, and the unreliability of data.

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

Further, a Disaster Recovery Plan should be designed and implemented for each office that addresses how critical information and systems within the office would be restored in the event of an emergency and/or disaster. The plan should include current names, addresses, contact numbers of key county personnel and their roles and responsibilities of the information services function, a listing of contracted service providers, information on location of key resources, including back-up site for recovery operation system, application, data files, operating manuals, and program/system/user documentation, and alternative work locations once IT resources are available.

**Management Response:**

**Chairman, Board of County Commissioners:** The Board of County Commissioners will work towards assessing and identifying risks to design written county-wide controls. Further, the County Commissioners will work towards the design of Disaster Recovery Plan for each district.

**KIOWA COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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**County Sheriff:** The office will work toward the design of a Disaster Recovery Plan.

**Criteria:** Internal control is an integral component of an organization's management that provides reasonable assurance that the objectives of effectiveness and efficiency of operations, reliability of financial reporting and compliance with laws and regulations are being met. Internal control comprises the plans, methods, and procedures used to meet missions, goals, and objectives. Internal control also serves as the first line of defense in safeguarding assets and preventing and detecting errors and fraud. County management is responsible for designing a county-wide internal control system comprised of Risk Assessment and Monitoring for the achievement of these goals.

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.

Disaster Recovery Plans are an integral part of county operations to ensure that business can continue in the event of an emergency and/or disaster. Each office or the county as a whole should have a current, detailed Disaster Recovery Plan on file and should be aware of its content. According to the standards of the Information Systems Audit and Control Association (CobiT, Deliver and Support 4), information services function management should ensure that a written Disaster Recovery Plan is documented and contains guidelines and instructions for the County to follow in the event of a disaster.

**Finding 2016-003 – Inadequate Internal Controls and Noncompliance over Disbursement of Sales Tax (Repeat Finding)**

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

**KIOWA COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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**Effect of Condition:** These conditions resulted in noncompliance with state statute and Attorney General Opinions and could result in unrecorded transactions, misstated financial 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 and to ensure that the sales tax is expended in accordance with purposes as specified by the sales tax ballot as outlined by 68 O.S. § 1370E.

**Management Response:**

**County Clerk, Chairman, Board of County Commissioners:** We now require the Treasurer of each Senior Citizens Center to be bonded. Further, 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.

**Criteria:** Title 68 O.S. § 1370E states in part, “Any sales tax which may be levied by a county shall be designated for a particular purpose...The County shall identify the purpose of the sales tax when it is presented to the voters pursuant to the provisions of subsection A of this section...the proceeds of any sales tax levied by a County shall be deposited in the General revenue or Sales Tax Revolving Fund of the County and shall 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.](#)”

**Finding 2016-004 - Inadequate Internal Controls and Noncompliance with State Statutes Regarding Acceptance of Bids (Repeat Finding)**

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

**KIOWA COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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- Six (6) month bids were awarded to all vendors that submitted a bid. The documentation in the BOCC minutes reflected these bids were awarded to all vendors based on lowest to highest bid and based on availability; however, the lowest or best bidder was not designated.
- Bid No. 2016-6 and 2016-9 did not have written notification of the successful bidder retained in file.

**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.

**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:**

**Chairman, Board of County Commissioners:** We will award the lowest or best bid for the County and state specifically why the bid was awarded and to whom the bid was awarded.

**County Clerk:** I highlight the lowest bid for the Commissioners on the 6-month bid list and they award the bids. I will make sure that a copy of the notification of the successful bidder is retained in file.

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

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 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

**KIOWA COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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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 2016-006 - Inadequate Internal Controls and Noncompliance over Disbursement and Payroll Processes (Repeat Finding)**

**Condition:** We noted the following weaknesses with regards to the disbursement process:

- The duties of processing payroll are not adequately segregated. The Payroll Clerk enrolls new hires, makes payroll changes, maintains personnel files, and prepares end of month payroll reports, and there is no evidence of independent oversight with regards to the review of accuracy.
- The County Clerk has physical control of District 1, 2, and 3 County Commissioners' signature stamps. The stamps are retained in a cabinet in the County Clerk's office. The cabinet is locked; however, the County Clerk and her employees have access to the key.
- The names of the County Clerk and the Chairman of the Board are printed on all warrants and these warrants are not initialed by the Official.

In addition, the audit of fifty-five (55) disbursements reflected the following:

- Nineteen (19) instances were noted in which the disbursement was not supported by adequate documentation.
- Five (5) instances were noted in which the disbursement was not timely encumbered.

**Cause of Condition:** Policies and procedures have not been designed and implemented over the disbursement process to strengthen internal controls, ensure compliance with state statutes, and to safeguard the County from unauthorized use of the signature stamps.

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

**Recommendation:** OSAI recommends management be aware of these conditions and determine if accounting functions over disbursements can be adequately 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.

Further, OSAI recommends signature stamps are adequately safeguarded from unauthorized use and be used only by the official to whom it belongs. All disbursements must have proper supporting documentation and must be encumbered prior to receiving goods in accordance with 19 O.S. § 1505.

**Management Response:**

**County Clerk and Chairman, Board of County Commissioners:** The Board of County Commissioners will express to fellow County officials the importance of County funds being encumbered prior to the

**KIOWA COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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receipt of goods and/or services in accordance with Oklahoma Statutes. Also, we will work toward having the owners of signature stamps the only employees with access to the stamps and all warrants will be initialed by the County Clerk and Chairman of the Board. We will work towards ensuring all purchases have proper supporting documentation. Further, we will work to improve segregation of duties in regards to payroll.

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

Effective internal controls require that management properly implement procedures to ensure that purchases comply with 19 O.S. § 1505.

**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 2016-008 - Inadequate Internal Controls and Noncompliance Over Fixed Assets and Consumable Inventories (Repeat Finding)**

**Condition:** Upon inquiry and observation of fixed asset inventory items, we noted in the office of the County Clerk that one individual is responsible for maintaining inventory records and performing the annual fixed asset count.

Further, although an annual fixed asset count is performed in District 1, District 2, and District 3, documentation of the count was not filed with the County Clerk in accordance with 19 O.S. § 178.2.

Additionally, we noted an annual fixed assets count was not performed for the office of the County Sheriff.

Upon inquiry and observation of consumable inventory items, we noted the following:

- District 1, District 2, and District 3 do not retain documentation of a periodic consumable inventory count.

**Cause of Condition:** Policies and procedures have not been adequately designed and implemented by county offices/departments to ensure the accurate reporting of fixed assets and consumable inventory items.

**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. Additionally, when consumable inventory items are not

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adequately documented and inadequate segregation of duties exist, the opportunity for the misappropriation and undetected errors could result.

**Recommendation:** OSAI recommends the County Officers implement internal controls to ensure compliance with the 19 O.S. § 178.1, 19 O.S. § 178.2, 1502(A)(1) and 1502(B)(1) regarding fixed assets and consumable inventory records. These controls would include that all offices:

- Retain documentation to verify the physical inventory counts were performed.
- Inventory counts should be performed by someone other than the receiving officer or inventory officer.
- Inventory records should be filed with the County Clerk.
- Perform a monthly consumable inventory count.
- Reconcile fuel usage on a weekly basis.

**Management Response:**

**County Clerk:** I was not in office during fiscal year 2016, but I will work to segregate the annual review duty and inventory control duty.

**County Sheriff:** I was not in office during fiscal year 2016, but I will work to ensure an annual review of fixed assets is performed and filed with County Clerk.

**County Commissioner Districts 1, 2, and 3:** The District will file all documentation of an annual review of inventory with the County Clerk. Further, the District will maintain documentation of a monthly physical count of consumable inventory.

**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 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).

Title 19 O.S. § 178.2 requires each elected county official to create and maintain inventory records of said office and to file the inventory with the County Clerk.

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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**Finding 2016-009 - Inadequate Internal Controls and Noncompliance Over the Court Clerk Collection and Disbursement Processes (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:**

- Only one person is able to void receipts; however, there is no review of the voided receipts.

**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 County Treasurer to be registered,
- Distributing vouchers to vendors, and
- Reconciling the Court Clerk Revolving Fund to the County Treasurer.

**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.

The audit of twenty-five (25) Court Fund claims reflected the following:

- Eleven (11) claims did not have supporting documentation.
- One (1) claim amount differed from the invoice amount with no explanation.
- Twenty-five (25) claims did not list the account the claim was paid from; therefore, it could not be determined if procedures for expenses presented from the restricted categories were followed.

The audit of twelve (12) Court Clerk Revolving Fund claims, reflected the following:

- One (1) claim did not have supporting documentation.

**Cause of Condition:** Policies and procedures have not been designed and implemented with regard to segregating the duties over all aspects of the collection process and the disbursement processes of Court Fund and Court Fund Revolving Fund. Further, procedures have not been designed and implemented to ensure adequate supporting documentation is obtained and kept with the Court Fund and Court Clerk Revolving Fund claims.

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

**Recommendation:** OSAI recommends management be aware of these conditions and determine how to implement internal controls over the expenditure process to safeguard assets and to properly segregate duties. OSAI further recommends implementing compensating procedures to mitigate the risks involved with a concentration of duties. Compensating procedures would include separating key processes and/or critical functions of the office, and having management review and approve the accounting functions. OSAI recommends the Court Clerk design and implement policies and procedures to ensure proper internal controls over the Court Clerk Revolving Fund and the Court Fund expenditure processes in compliance with 19 O.S. § 220 and 20 O.S. § 1304.

**Management Response:**

**Current Court Clerk:** We have and are continuing to work on the segregation of duties to include review processes and we will monitor voided receipts in the office. We will work to ensure all claims have supporting documentation attached and made for the correct amount. Further, we will work to ensure all Court Fund claims have account numbers listed to show from what category they were paid. In addition, the line of credit the office had with one vendor was established under prior administration and we have contacted the vendor and discontinued the line of credit.

**Criteria:** Accountability and stewardship are overall goals of management in the accounting of funds. Internal controls should be designed to analyze and check accuracy, completeness, and authorization of Court Fund and Court Clerk Revolving Fund Expenditures.

Title 19 O.S. § 220 provide guidance with regard to the expenditure process for the Court Clerk Revolving Fund.

Title 20 O.S. § 1304 provide guidance with regard to the expenditure process for the Court Fund.

**Finding 2016-010 - Inadequate Internal Controls and Noncompliance over Inmate Trust Fund Checking Account and Sheriff Commissary Revolving Fund (Repeat Finding)**

**Condition:** Upon inquiry and observation of the Inmate Trust Fund Checking Account and Sheriff Commissary Revolving Fund, the following exceptions 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 Fund Checking Account.
- One employee reconciles the money to the receipts, prepares deposit slips, posts payments to inmate records, prepares checks, and is one of the authorized signatures on the checks.
- Review of receipts reflected the bank deposits are not made on a daily basis.

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- Ledgers containing the balance of each inmate's funds are not reconciled to the bank accounts monthly.
- Bank reconciliations are not reviewed for accuracy.
- Passwords to the commissary system are not changed periodically.
- The County Sheriff does not file an Annual Report of the Sheriff Commissary Revolving Fund with the Board of County Commissioners by January 15<sup>th</sup> of each year.

In the audit of 100% of disbursements, it was noted 112 checks, totaling the amount of \$16,827.97, were not issued in compliance with state statute.

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

**Effect of Condition:** These conditions resulted in noncompliance with state statutes, laws, and regulations. Also, without proper accounting and safeguarding of the Inmate Trust Fund Checking Account, there is an increased risk of undetected errors and possible misappropriation of funds. Further, the condition of not timely depositing County earnings from the inmate trust account with the County Treasurer results in deposits not being made as required by 19 O.S. § 682.

**Recommendation:** OSAI recommends the following:

- Management be aware of these conditions and realize that a concentration of duties and responsibilities is not desired from a control point of view. Management should provide segregation of duties so that no one employee is able to perform all accounting functions.
- Collections should be deposited on a daily basis into the Inmate Trust Fund Checking Account as required by 19 O.S. § 531(A) and all profits deposited daily into the Sheriff Commissary Revolving Fund to with and 19 O.S. § 682.
- Inmate Trust Fund monies should be maintained in a manner that reflects each inmate's trust deposits, disbursements, and account balances. The inmate's trust fund balances should be reconciled to the bank statement each month.
- Disbursements should be made from the Sheriff's Commissary Revolving Fund in accordance with 19 O.S. § 180.43D.
- The Sheriff should file a report of the commissary with the County Commissioners by January 15<sup>th</sup> of the fiscal year.

**Management Response:**

**County Sheriff:** These finding relate to the previous administration, but a number of the issues have been corrected and efforts will be made to follow statutes governing Commissary/Inmate Trust Program.

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

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Title 19 O.S. § 531(A) states, "...the County Sheriff may establish a checking account, to be designated the "Inmate Trust Fund Checking Account", to be managed by the County Sheriff and maintained separately from regular county funds...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 to the inmate upon his or her discharge."

Title 19 O.S. § 682 states in part, "It shall be the duty of each and every county officer...to deposit daily...all monies...of every kind received or collected by virtue or under color of office..."

Title 19 O.S. § 180.43D states in part, "Each County Sheriff may operate...a commissary for the benefit of persons lawfully confined in the county jail under the custody of the County Sheriff. 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 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 compensations 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..."



**OFFICE OF THE STATE AUDITOR & INSPECTOR**  
2300 N. LINCOLN BOULEVARD, ROOM 100  
OKLAHOMA CITY, OK 73105-4896

[WWW.SAI.OK.GOV](http://WWW.SAI.OK.GOV)