

COUNTY AUDIT

# KIOWA COUNTY

For the fiscal year ended June 30, 2012



*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, 2012**

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This publication, issued by the Oklahoma State Auditor and Inspector's Office as authorized by 19 O.S. § 171, has not been printed, but is available on the agency's website ([www.sai.ok.gov](http://www.sai.ok.gov)) and in the Oklahoma Department of Libraries Publications Clearinghouse Digital Collection, pursuant to 74 O.S. § 3105.B.



# Oklahoma State Auditor & Inspector

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

March 24, 2014

TO THE CITIZENS OF  
KIOWA COUNTY, OKLAHOMA

Transmitted herewith is the audit of Kiowa County, Oklahoma for the fiscal year ended June 30, 2012. The audit was conducted in accordance with 19 O.S. § 171.

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

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

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

Sincerely,

A handwritten signature in blue ink, 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

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

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

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INTERNAL CONTROL AND COMPLIANCE SECTION

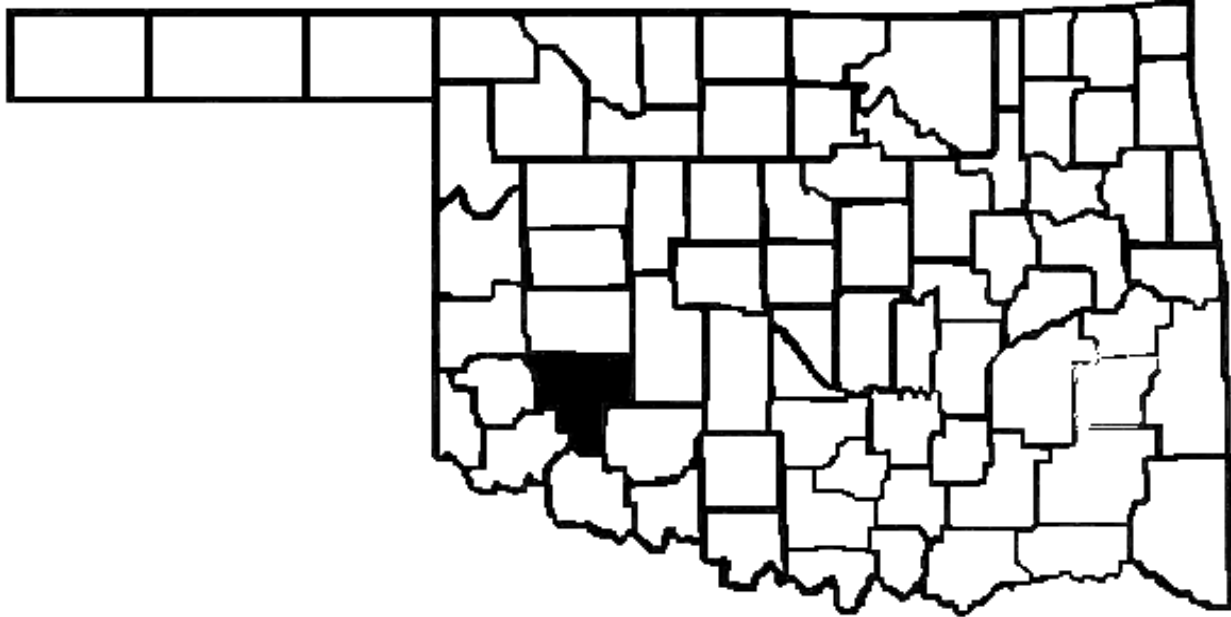
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**PRESENTED FOR INFORMATIONAL PURPOSES ONLY**

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

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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 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 – 9,101  
(2009 est.)

Farms – 682

Land in Farms – 564,592 Acres

Primary Source: Oklahoma Almanac 2011-2012

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

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**Board of County Commissioners**

District 1 – Tim Bingham  
District 2 – Dee Max Corbin  
District 3 – Tom Anderson

**County Assessor**

Letitia Stockton

**County Clerk**

Geanea Watson

**County Sheriff**

Russ Tate

**County Treasurer**

Deanna Miller

**Court Clerk**

Chris Sanders

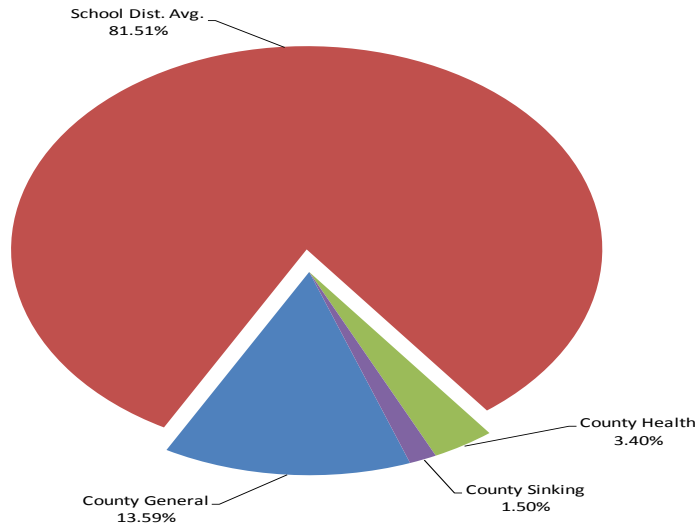
**District Attorney**

John Wampler



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

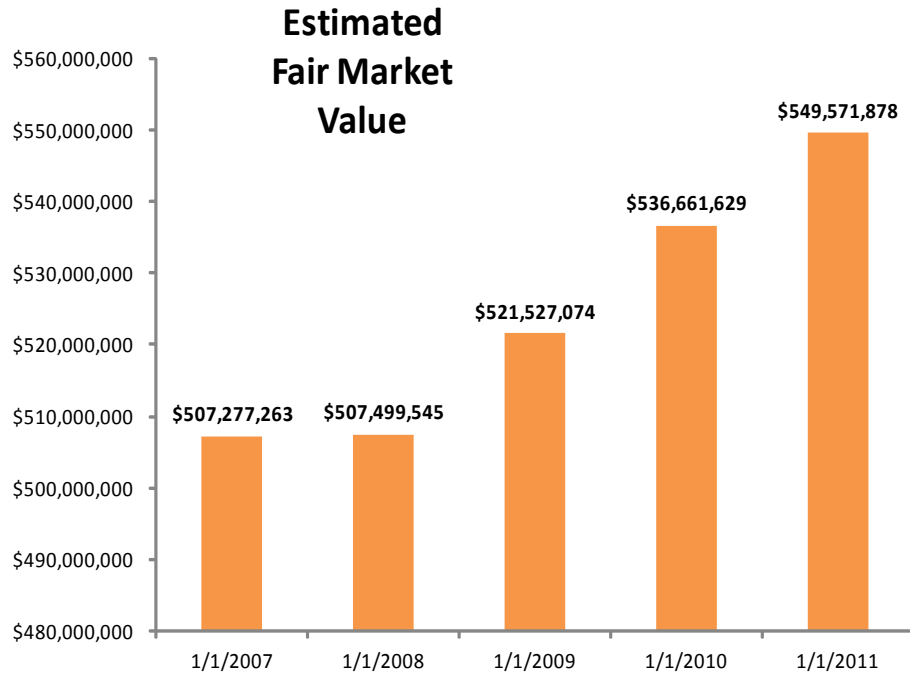
Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of a property is \$1,000.00 and the millage rate is 1.00, then the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



County-Wide Millages		School District Millages								
				Gen.	Bldg.	Skg.	Vo-tech	Common	EMS	Total
County General	10.44									
County Health	2.61	Hobart	I-1	36.29	5.18	21.36	12.39	4.18	-	79.40
County Sinking	1.16	Lone Wolf	I-2	36.60	5.23	5.97	12.39	4.18	-	64.37
		Greer County	I-2	35.67	5.10	5.97	12.74	-	-	59.48
		Mtn. View-Gotebo	I-003	36.58	5.23	-	11.52	4.18	3.14	60.65
		Comanche County	I-03	36.72	5.25	-	11.89	-	3.15	57.01
		Washita County	I-03	36.95	5.28	-	11.57	-	3.17	56.97
		Snyder	I-4	36.68	5.24	-	14.53	4.18	-	60.63
		Tillman County	I-4	36.60	5.23	-	14.51	-	-	56.34
		Comanche County	I-4	37.97	5.42	-	14.25	-	-	57.64
		Washita County	J-1	36.54	5.22	-	12.39	-	-	54.15
		Comanche County	J-2	35.16	5.02	15.30	14.53	4.18	-	74.19
		Caddo County	J-33	37.53	5.37	12.81	11.52	4.18	-	71.41

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

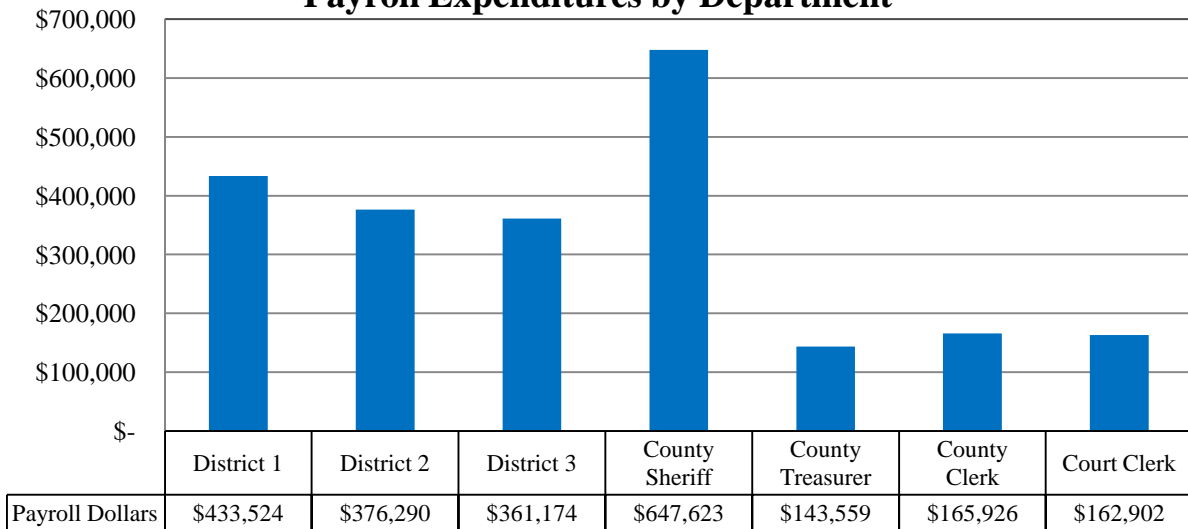
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2011	\$18,119,302	\$12,049,587	\$38,042,870	\$2,620,468	\$65,591,291	\$549,571,878
1/1/2010	\$18,232,980	\$10,222,729	\$37,397,988	\$2,608,516	\$63,245,181	\$536,661,629
1/1/2009	\$19,590,895	\$9,198,154	\$36,380,823	\$2,647,790	\$62,522,082	\$521,527,074
1/1/2008	\$19,114,249	\$8,852,085	\$35,399,240	\$2,624,250	\$60,741,324	\$507,499,545
1/1/2007	\$20,054,919	\$8,589,578	\$34,484,240	\$2,647,737	\$60,481,000	\$507,277,263



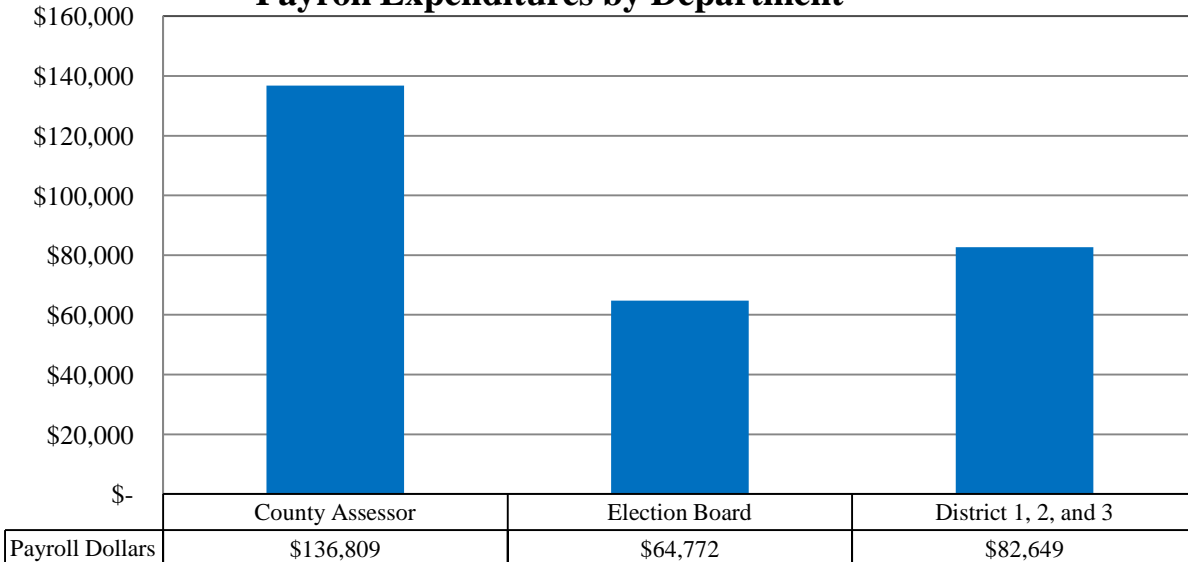
**KIOWA COUNTY, OKLAHOMA  
COUNTY PAYROLL EXPENDITURES ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

County officers' salaries are based upon the assessed valuation and population of the counties. State statutes provide guidelines for establishing elected officers' salaries. The Board of County Commissioners sets the salaries for all elected county officials within the limits set by the statutes. The designated deputy or assistant's salary cannot exceed the principal officer's salary. Salaries for other deputies or assistants cannot exceed the principal officer's salary. The information presented below is for the fiscal year ended June 30, 2012.

**Payroll Expenditures by Department**



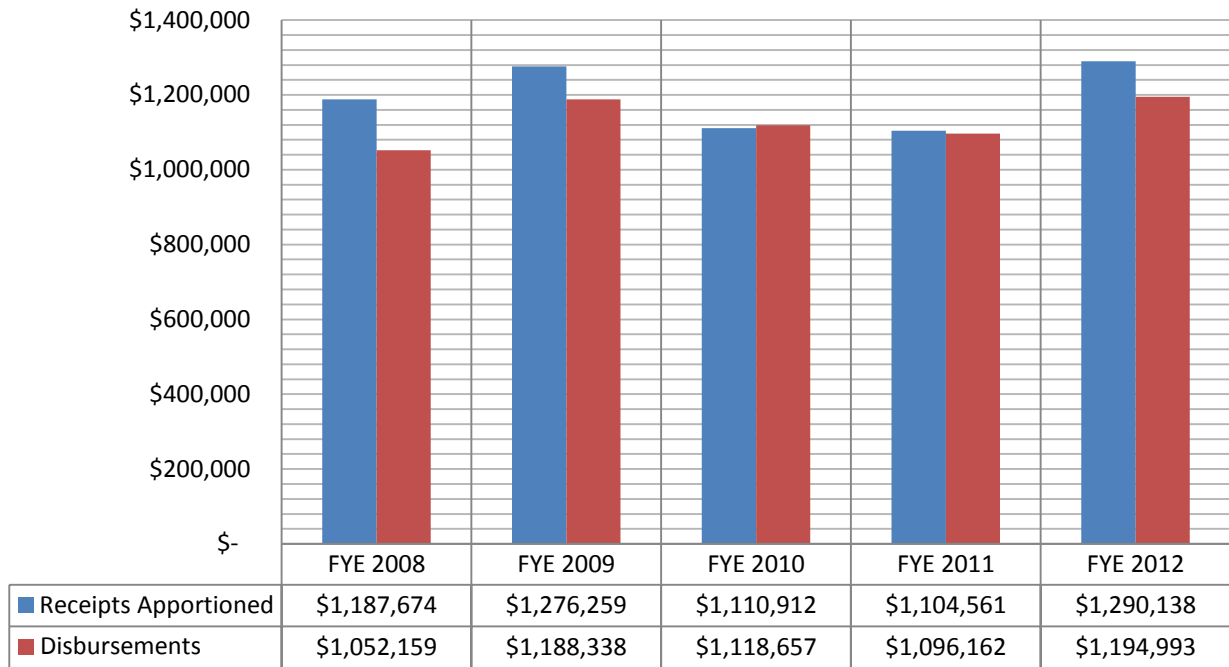
**Payroll Expenditures by Department**



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

## 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.

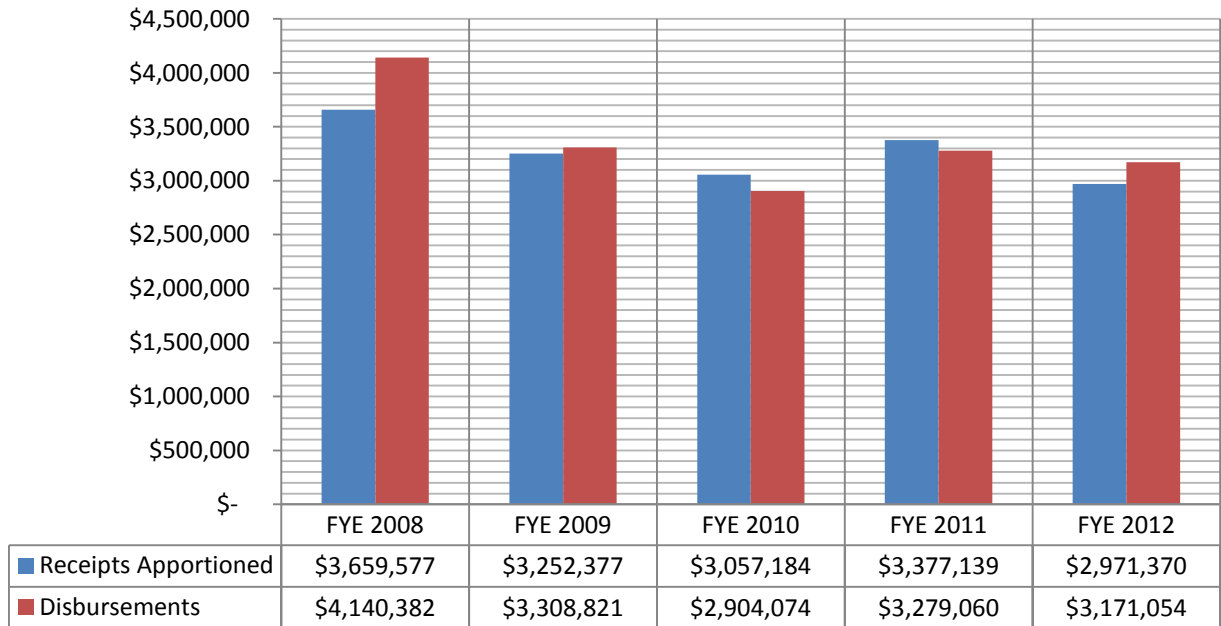


**KIOWA COUNTY, OKLAHOMA  
COUNTY HIGHWAY FUND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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## County Highway Fund

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



**FINANCIAL SECTION**



# Oklahoma State Auditor & Inspector

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

## Independent Auditor's Report

TO THE OFFICERS OF  
KIOWA COUNTY, OKLAHOMA

We have audited the combined total—all county funds on the accompanying regulatory basis Statement of Receipts, Disbursements, and Changes in Cash Balances of Kiowa County, Oklahoma, as of and for the year ended June 30, 2012, listed in the table of contents as the financial statement. This financial statement is the responsibility of Kiowa County's management. Our responsibility is to express an opinion on the combined total—all county funds on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, this financial statement was prepared using accounting practices prescribed or permitted by Oklahoma state law, which practices differ from accounting principles generally accepted in the United States of America. The differences between this regulatory basis of accounting and accounting principles generally accepted in the United States of America are also described in Note 1.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Kiowa County as of June 30, 2012, or changes in its financial position for the year then ended.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined total of receipts, disbursements, and changes in cash balances for all county funds of Kiowa County, for the year ended June 30, 2012, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2014, 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 should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the combined total of all county funds on the financial statement. The Other Supplementary Information, as listed in the table of contents, is presented for purposes of additional analysis, and is not a required part of the financial statement. Such supplementary information has been subjected to the auditing procedures applied in the audit of the combined total—all county funds on the regulatory basis Statement of Receipts, Disbursements and Changes in Cash Balances and, in our opinion, is fairly stated, in all material respects, in relation to the combined total—all county funds. The information listed in the table of contents under Introductory Section has not been audited by us, and accordingly, we express no opinion on it.

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

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

March 24, 2014



**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, 2012**

	Beginning Cash Balances July 1, 2011	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2012
Combining Information:						
Major Funds:						
County General Fund	\$ 599,881	\$ 1,290,138	\$ -	\$ -	\$ 1,194,993	\$ 695,026
County Highway Cash	3,276,541	2,971,370	150,000	-	3,171,054	3,226,857
County Health Department	277,427	232,284	-	-	171,176	338,535
Highway County Bridge and Road Improvement Fund	654,546	394,354	-	150,000	38,854	860,046
Governmental Obligation Bond - Sinking Fund	43,324	87,060	-	-	74,220	56,164
Governmental Obligation Bond of 2008	135,288	-	-	-	21,209	114,079
Sales Tax Sheriff	-	302,781	106,109	-	326,508	82,382
Sales Tax OSU Extension	-	25,503	80,836	-	15,432	90,907
Sales Tax Free Fair	-	10,201	12,761	-	13,424	9,538
Sales Tax Senior Citizens Hobart	-	10,966	-	-	10,966	-
Sales Tax Senior Citizens Snyder	-	4,335	-	-	4,335	-
Sales Tax Senior Citizens Mt. View	-	4,113	-	-	4,113	-
Sales Tax Museum	-	2,550	31	-	2,556	25
Sales Tax Senior Citizens Lone Wolf	-	2,550	-	-	2,550	-
Sales Tax Senior Citizens Roosevelt	-	1,530	-	-	1,530	-
Sales Tax Senior Citizens Mt. Park	-	1,275	-	-	1,275	-
Sales Tax Senior Citizens Gotebo	-	815	-	-	815	-
Sales Tax Revolving Fund	228,561	-	-	199,737	28,824	-
Remaining Aggregate Funds	321,024	362,530	11,662	2,546	391,092	301,578
<b>Combined Total - All County Funds</b>	<b>\$ 5,536,592</b>	<b>\$ 5,704,355</b>	<b>\$ 361,399</b>	<b>\$ 352,283</b>	<b>\$ 5,474,926</b>	<b>\$ 5,775,137</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, 2012**

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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 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 major 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.

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

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

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, 2012**

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Governmental Obligation Bond of 2008 – accounts for the sale of a general obligation bond in the amount of \$550,000 to be disbursed for the addition of a new elevator on the north side of the courthouse and other renovations.

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

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

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

Sales Tax Senior Citizens in Kiowa County – seven separate cash funds established to account for sales tax collections to be disbursed for the operations of senior citizens centers within Kiowa County in the cities and towns of Hobart, Snyder, Mt. View, Lone Wolf, Roosevelt, Mt. Park, and Gotebo.

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

Sales Tax Revolving Fund – accounts for collection of sales tax and disbursed in accordance with the sales tax ballot.

**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 on a regulatory basis. 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,

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

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each officer or department head submits an estimate of needs to the governing body. The budget is approved for the respective fund by office, or department and object. The County Board of Commissioners may approve changes of appropriations within the fund by office or department and object. To increase or decrease the budget by fund requires approval by the County Excise Board.

**E. Cash and Investments**

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

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

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

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

**2. Ad Valorem Tax**

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

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

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

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**3. Other Information**

**A. Pension Plan**

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

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

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

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

**C. Contingent Liabilities**

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

As of the end of the fiscal year, there were no claims or judgments that would have a material adverse effect on the financial condition of the County; however, the outcome of any lawsuit would not be determinable.

**D. Long Term Obligations**

**General Obligation Bonds**

The government issues general 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, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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 and Disabilities Act including the repair and replacement of an elevator in the courthouse, exterior masonry to the courthouse, repair and/or replacement of windows in the courthouse.

For the ad valorem tax year of 2011, fiscal year ending June 30, 2012, a 1.16 mills levy was collected by the tax payers of Kiowa County.

Principal payments of the General Obligation Bond of 2008 are due annually as of June 1<sup>st</sup>, until the final maturity date of June 1, 2018.

General obligation bonds are direct obligations and are pledged in full faith and credit of the government. These bonds are required to be fully paid within ten years from the date of issue. General obligation bonds currently outstanding June 30, 2012, are as follows:

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

Beginning Balance	Additions	Reductions	Ending Balance	Amount due within one year
\$430,000	\$-0-	\$60,000	\$370,000	\$60,000

During fiscal year 2012, payments included \$60,000 for principal and \$14,470 for interest.

Annual debt service requirements to maturity for general obligation bonds, including interest of \$45,420 are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2013	\$60,000	\$12,420	\$72,420
2014	\$60,000	\$10,560	\$70,560
2015	\$60,000	\$8,640	\$68,640
2016	\$60,000	\$6,660	\$66,660
2017	\$60,000	\$4,620	\$64,620
2018	\$70,000	\$2,520	\$72,520
Totals	<u>\$370,000</u>	<u>\$45,420</u>	<u>\$415,420</u>

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

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**E. Sales Tax**

On April 6, 1993, the voters of Kiowa County approved a sales tax of 0.5%. The duration of the sales tax is unlimited. The money derived from the sales tax is distributed as follows: \$10,000 for Kiowa County Free Fair; \$25,000 for OSU Extension; \$25,000 for each of the seven Senior Citizen Centers; \$2,500 for Kiowa County Historical Society, with the remaining sales tax to be apportioned to the Sheriff's office in the Sales Tax Revolving Fund. The sales tax is accounted for as such on the general ledger in separate cash funds.

**F. Interfund Transfers**

Interfund transfers consist of the following:

- \$9,116 from Treasurer Excess Resale, an agency fund, to the Resale Property fund for the purpose of complying with Title 68 O.S. § 3131.
- \$150,000 from Highway County Bridge and Road Improvement Fund to County Highway Cash Fund for the purpose of transferring funds for bridge projects.
- A total of \$199,735 was transferred from the Sales Tax Revolving Fund to separate sales tax funds as follows: \$106,109 to Sales Tax Sheriff, \$80,836 to Sales Tax OSU Extension, \$12,761 to Sales Tax Free Fair, and \$31 to Sales Tax Museum.
- \$2,546 from Sheriff Service Fee to Sheriff Miscellaneous Grants in the amount of \$1,575 to transfer grant funds to the designated account, and Sheriff Commissary Revolving Fund in the amount of \$971 to establish the Commissary fund.

Interfund transfers do not balance because the Treasurer Excess Resale fund is not reported on the County's financial statement.

**G. Restatement**

The prior year's reported ending balance for the following funds were combined into one fund and are being reported as such in the fiscal year 2012 beginning balance.

Fund	Balance June 30, 2011	Balance July 1, 2012
Governmental Obligation Bond of 2008	\$4,429	\$135,288
Governmental Obligation Bond - Investment	\$130,859	0



**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, 2012**

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 599,881	\$ 599,881	\$ -
Less: Prior Year Outstanding Warrants	(50,930)	(50,930)	
Less: Prior Year Encumbrances	(15,628)	(11,571)	(4,057)
Beginning Cash Balances, Budgetary Basis	<u>533,323</u>	<u>537,380</u>	<u>4,057</u>
Receipts:			
Ad Valorem Taxes	622,520	782,221	159,701
Charges for Services	-	37,356	37,356
Intergovernmental Revenues	151,017	328,947	177,930
Miscellaneous Revenues	-	141,614	141,614
Total Receipts, Budgetary Basis	<u>773,537</u>	<u>1,290,138</u>	<u>516,601</u>
Expenditures:			
County Sheriff	229,275	229,275	-
County Treasurer	144,510	134,739	9,771
County Commissioners	118,073	47,231	70,842
County Clerk	196,476	195,823	653
Court Clerk	170,378	168,155	2,223
County Assessor	75,504	74,835	669
Revaluation of Real Property	95,303	83,048	12,255
General Government	187,158	156,650	30,508
Excise-Equalization Board	4,498	3,581	917
County Election Board	74,627	72,430	2,197
County Audit Budget Account	11,053	11,053	-
Provisions for Interest on Warrants	5	-	5
Total Expenditures, Budgetary Basis	<u>1,306,860</u>	<u>1,176,820</u>	<u>130,040</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	650,698	<u>\$ 650,698</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Reserves		1,811	
Add: Current Year Outstanding Warrants		42,517	
Ending Cash Balance		<u>\$ 695,026</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, 2012**

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	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 277,427	\$ 277,427	\$ -
Less: Prior Year Outstanding Warrants	(9,007)	(9,007)	-
Less: Prior Year Encumbrances	(6,132)	(4,154)	1,978
Beginning Cash Balances, Budgetary Basis	262,288	264,266	1,978
Receipts:			
Ad Valorem Taxes	155,630	195,555	39,925
Charges for Services	-	36,223	36,223
Intergovernmental	36,935	227	(36,708)
Miscellaneous Revenues	-	279	279
Total Receipts, Budgetary Basis	192,565	232,284	39,719
Expenditures:			
Health and Welfare	454,853	175,393	279,460
Total Expenditures, Budgetary Basis	454,853	175,393	279,460
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	321,157	\$ 321,157
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		15,181	
Add: Current Year Outstanding Warrants		2,197	
Ending Cash Balance		\$ 338,535	

**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, 2012**

	Beginning Cash Balances July 1, 2011	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2012
Remaining Aggregate Funds:						
Resale Property	\$ 66,067	\$ 137,333	\$ 9,116	\$ -	\$ 62,536	\$ 149,980
Treasurer Mortgage Tax Certification Fee	4,902	2,115	-	-	5,000	2,017
County Clerk Lien Fee	8,421	6,042	-	-	5,555	8,908
County Clerk Records Preservation Fee	10,009	11,055	-	-	9,849	11,215
Assessor Visual Inspection	142	-	-	-	-	142
Assessor Hardware Upgrade	297	-	-	-	-	297
Assessor Revolving	11,361	3,006	-	-	4,258	10,109
Sheriff Board of Prisoners	133,818	72,984	-	-	178,019	28,783
Sheriff Service Fee	34,273	72,377	-	2,546	64,393	39,711
Sheriff Miscellaneous Grants	(684)	17,426	1,575	-	18,317	-
Sheriff Emergency Management/EOC	27,876	10,020	-	-	14,085	23,811
Sheriff Courthouse Security	10,908	8,644	-	-	7,197	12,355
Sheriff Commissary Revolving Fund	-	-	971	-	-	971
Sheriff Training	246	-	-	-	-	246
Law Enforcement Fund	7,023	4,812	-	-	4,812	7,023
County Reward Fund	800	200	-	-	-	1,000
Community Service Sentencing Program	296	-	-	-	296	-
Juvenile Supervision	343	-	-	-	-	343
National Rifle Association	259	-	-	-	259	-
Emergency Management/EOC/FDS	3,060	-	-	-	-	3,060
Kiowa County Industrial Development Authority Building	1,607	-	-	-	-	1,607
Community Development Block Grant (CDBG)	-	9,016	-	-	9,016	-
Hazard Mitigation	-	7,500	-	-	7,500	-
<b>Combined Total - Remaining Aggregate Funds</b>	<b>\$ 321,024</b>	<b>\$ 362,530</b>	<b>\$ 11,662</b>	<b>\$ 2,546</b>	<b>\$ 391,092</b>	<b>\$ 301,578</b>

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

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**1. Budgetary Schedules**

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

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

**2. Remaining County Funds**

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

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

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

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

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

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 upgrade of Assessor computer equipment.

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

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

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

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

Sheriff Miscellaneous Grants – accounts for grant funds received by the Sheriff’s Department for disbursement in accordance with grant agreements.

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 disbursements to purchase commissary items from the vendor. The funds can be used for the maintenance and operations of the county jail.

Sheriff Training – accounts for the collection of miscellaneous receipts and disbursements for the training of Sheriff’s deputies.

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

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

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

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

National Rifle Association – accounts for funds received from a private foundation and disbursements made for earplugs and ammunition for OSU extension training purposes.

Emergency Management/EOC/FDS – accounts for the collections of grant money for the disbursements for equipment for Emergency Management within the Sheriff’s office.

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.

Community Development Block Grant (CDBG) – accounts for the collection of federal grants to be disbursed to comply with ADA (American’s with Disabilities Act) accessibility requirements with regard to the renovation of the court house.

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

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Hazard Mitigation – accounts for federal grant funds for the purpose of hazard mitigation.

**INTERNAL CONTROL AND COMPLIANCE SECTION**





# Oklahoma State Auditor & Inspector

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

## **Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

TO THE OFFICERS OF  
KIOWA COUNTY, OKLAHOMA

We have audited the combined totals—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, 2012, which 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 24, 2014. Our report on the basic financial statement was adverse because the statement is not a presentation in conformity with accounting principles generally accepted in the United States of America. However, our report also included our opinion that the financial statement does present fairly, in all material respects, the receipts, disbursements, and changes in cash balances – regulatory basis of the County for the year ended June 30, 2012, on the basis of accounting prescribed by Oklahoma state law, described in Note 1. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Kiowa County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Kiowa County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies in internal control described in the accompanying schedule of findings and responses to be material weaknesses in internal control over financial reporting. *2012-1, 2012-2, and 2012-5.*

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting. 2012-13.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Kiowa County's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2012-5.

We noted certain matters 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 the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit Kiowa County's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, those charged with governance, others within the entity, and is not intended to be and should not be used by anyone other than the specified parties. This report is also a public document pursuant to the Oklahoma Open Records Act (51 O.S., section 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 24, 2014

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

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

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

**Condition:** County-wide controls regarding Risk Management and Monitoring have not been designed. Further, the offices of the County Assessor and County Sheriff do not have a Disaster Recovery Plan in place for the information systems.

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

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

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

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

**Management Response:**

**Board of County Commissioners Chairman:** Management will work towards assessing and identifying risks and work to implement these recommendations of OSAI.

**County Assessor:** The County Assessor will work towards the implementation of a Disaster Recovery Plan.

**County Sheriff:** The County Sheriff will work to develop a Disaster Recovery Plan for the department.

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

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

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**Finding 2012-2 – Inadequate Internal Controls Over the Collections Process (Repeat Finding)**

**Condition:** Upon inquiry and observation of the County’s collection process, the duties of receipting, depositing, and reconciling are not adequately segregated within the County Treasurer’s office.

**Cause of Condition:** Procedures have not been designed and implemented with regard to segregating the duties over all aspects of the receipting and cash balancing processes.

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

**Recommendation:** OSAI recommends management be aware of these conditions and realize that a concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. The most effective procedures lie in management’s overseeing of office operations and a periodic review of operations. OSAI recommends management provide segregation of duties so that one employee is unable to perform all accounting functions. In the event that segregation of duties is not possible due to limited personnel, OSAI 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 accounting functions.

Further, OSAI recommends that all review processes not only reflect the initials of the reviewer but also the date in which the review was performed to enhance compensating controls over the receipting and balancing processes.

**Management Response:** The County Treasurer is aware of these conditions. The County Treasurer has implemented the dating of reviews by the reviewer as a mitigating control.

**Criteria:** Accountability and stewardship are overall goals of management in accounting of funds. To help ensure a proper accounting of funds, the duties of receiving, receipting, recording, depositing cash and checks, reconciliations, and transaction authorization should be segregated.

**Finding 2012-5 – Inadequate Internal Controls and Noncompliance Over the Disbursement Process – Including Payroll (Repeat Finding)**

**Condition:** Upon inquiry and observation of the County’s payroll process, it was noted that the First Deputy in the County Clerk’s office not only inputs new hire information into the payroll system but also maintains personnel files, makes payroll changes upon approval of the official, runs payroll affidavits, and prepares tax and retirement reports.

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

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Further, the audit of fifty-eight purchase orders reflected the following:

- Three purchase orders were not encumbered prior to the goods and services being received.
- One purchase order was approved for payment by only one member of the Board of County Commissioners.

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

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

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

- Posting new hires and/or making payroll changes to the payroll system.
- Access to personnel files.
- Preparing state and federal tax reports.

Further, OSAI recommends that County funds should be encumbered prior to the receipt of goods and/or services and disbursement of county funds by purchase orders should be signed showing approval by the majority of the Board of County Commissioners in accordance with state statutes.

**Management Response:**

**County Clerk:** The County Clerk is aware of these conditions. The County Clerk has implemented a review process to monitor the activities regarding payroll. The reviews performed by the County Clerk will be initialed and dated.

**Board of County Commissioners Chairman:** The Board of County Commissioners will place an emphasis on ensuring funds are encumbered prior to the receiving of goods and/or services, ensuring all purchase orders maintain two signatures of the Governing Board.

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

An aspect of internal control is the safeguarding of assets. Internal controls over safeguarding of assets constitute a process, affected by the entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or untimely detection of unauthorized acquisition, use, or disposition of the entity's assets and safeguarding assets from loss, damage, or misappropriation.

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

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Further, OSAI recommends the following in accordance with 19 O.S. § 1505C and § 1505F (2):

- County funds should be encumbered prior to the receipt of goods and/or services.
- Disbursement of County funds by purchase orders should be signed showing approval by the majority of the Board of County Commissioners.

**Finding 2012-13 – Inadequate Controls and Noncompliance Over Sheriff’s Contract Funds**

**Condition:** Based upon interviews with the current County Sheriff, we became aware of an account that was maintained separately from the Treasurer’s general ledger, without the oversight of the Board of County Commissioners. This bank account was under the direct control of the former County Sheriff. The Board of County Commissioners approved an interlocal agreement beginning May1, 2009, between the City of Gotebo and the County Sheriff to,

*“Furnish a deputy for extra patrol at a cost of \$10.00 per hour up to \$500.00 per month.”*

The funds received for patrolling the City of Gotebo were deposited and appropriated into a Kiowa County cash fund, called the Sheriff Law Enforcement Fund. The purchase orders encumbered from the Sheriff Law Enforcement Fund were paid to the *“Kiowa County Reserve Deputy Association.”* This fund was not on the general ledger of the County Treasurer and funds expended were not approved by the Board of County Commissioners.

Subsequently on January 3, 2011, the former County Sheriff withdrew the funds from the *“Kiowa County Reserve Deputy Association”* bank account. He opened another account by transferring the balance of \$2,255.10 from the closed account and established the *“Sheriff Special Deputies Bank Account.”* This account was also not maintained on the general ledger and funds were not deposited with the County Treasurer, apportioned to a county fund, or disbursed on purchase orders approved by the Board of County Commissioners.

When the current County Sheriff became aware of this account, he obtained the bank account records for our review. We noted the following purchases that were not approved by the Board of County Commissioners.

Date	Check Number	Amount	Payee	Purpose
January 12, 2011	2001	\$238.56	Atwoods	Toolboxes
March 3, 2011	2002	\$236.00	Southwest Bank Cashier’s check	T-shirts
April 12, 2011	2003	\$181.75	T-time Printing	T-shirts
May 12, 2011	2004	\$80.00	Doug Hamm	Kid badges
June 14, 2011	2005	\$52.25	T-time Printing	Shirts
August 15, 2011	2006	\$53.00	Underwood Gifts	Flowers

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

<b>Date</b>	<b>Check Number</b>	<b>Amount</b>	<b>Payee</b>	<b>Purpose</b>
September 16, 2011	2007	\$3,600.00	Southwest Bank	Six cashier's checks for \$600.00 to Murph's Guns for handguns
February 29, 2012	2008	\$600.00	Southwest Bank	Cashier's check for "equip"
March 28, 2012	2009	\$35.00	Monte Watson	CPR
June 19, 2012	2010	\$823.84	Murph's Guns	45 Ammunition
July 17, 2012	2011	\$480.00	Murph's Guns	Ammunition
October 9, 2012	2012	\$917.84	Murph's Guns	900 rounds ammunition
November 16, 2012	2013	\$862.46	Bank of the Wichitas	No explanation

The total expended from this account was \$8,160.70. The account was closed on November 16, 2012. The final check was issued for \$862.46 in the name of the local bank resulting in the account being closed. We determined that the proceeds of this check were not deposited into a County fund.

Additionally, the handguns purchased with these funds were not on the County's fixed assets inventory list.

**Cause of Condition:** Procedures have not been designed and implemented to ensure that county funds are deposited with the County Treasurer and expended in accordance with County purchasing statutes, with regard to the interlocal agreement.

**Effect of Condition:** These conditions resulted in noncompliance with state statutes and could result in county funds received for services being expended outside of the authority of the Board of County Commissioners and possible misuse or misappropriation of funds could occur.

**Recommendation:** OSAI recommends interlocal agreements entered into by the Board of County Commissioners be renewed on a fiscal year basis.

Further, it is the recommendation of OSAI, that all funds received from interlocal agreements of the County be maintained in a county cash fund with all deposits being made with the County Treasurer. All expenditures should be made in accordance with state purchasing laws.

OSAI further recommends, any equipment, including handguns, purchased from the *Kiowa County Special Deputies Bank Account* be accounted for and included on the County's fixed assets inventory records for the County Sheriff.

**Management Response:**

**County Sheriff:** Any contracts and/or agreements will be approved by the Governing Board on an annual basis and funds collected for the County will be maintained as county funds. The County Sheriff will take necessary action to locate, retrieve, and inventory all county property.

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

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**Board of County Commissioners Chairman:** Contracts and/or agreements will be renewed and approved on an annual basis and funds received or disbursed will be treated as county funds. All necessary action will be taken to get county property returned.

**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 and safeguarding assets from loss, damage, or misappropriation.

Further, Title 19 O.S. § 547 E. regarding reserve deputies and interlocal agreements, states, "The sheriff may enter into mutual aid agreements pursuant to the Interlocal Cooperation Act, Section 1002 et seq. of Title 74 of the Oklahoma Statutes, to assist or provide law enforcement services to any town, city, and county within this state and the sheriff and deputies shall have law enforcement authority within the jurisdiction making the request. The employing governmental unit shall remain responsible for their officers or deputies pursuant to any mutual aid agreement."

Additionally, in accordance with 19 O.S. § 178.1 all equipment purchased in excess of \$500.00 must be identified with a county identification number and maintained on inventory by the County Sheriff.

Further, Title 19 O.S. § 1500 - 1505, provides guidance with regard to expenditure of county funds by purchase order.

**SECTION 2—This section contains certain matters not required to be reported in accordance with *Government Auditing Standards*. However, we believe these matters are significant enough to bring to management's attention. We recommend that management consider these matters and take appropriate corrective action.**

**Finding 2012-8 – Inadequate Internal Controls and Noncompliance Over the Inmate Trust Account (Repeat Finding)**

**Condition:** Upon inquiry of the County Sheriff's personnel and observation of the recordkeeping process over the Inmate Trust Account, the following weaknesses were noted:

- One employee is responsible for issuing receipts, preparing deposit slips, depositing with the financial institution, preparing checks, signing checks, and posting all transactions to inmate records.
- Inmate trust funds are not deposited into the Inmate Trust checking account on a daily basis.
- Upon review of all checks issued from the Inmate Trust Account, we noted that five checks totaling \$239.44 were issued to payees not authorized by statute.

**Cause of Condition:** Procedures have not been designed and implemented to ensure that controls are in place with regard to Inmate Trust Account financial operations. In order to expedite the payment of bills



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and court costs, the Sheriff paid amounts directly from the Inmate Trust Account instead of transferring the proceeds from the inmate sales to the Sheriff Commissary Revolving Fund.

**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. These conditions resulted in noncompliance with state statutes.

**Recommendation:** OSAI recommends management be aware of these conditions and determine how to properly segregate duties. OSAI 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. The duties of issuing receipts, depositing, and reconciling should be performed by separate individuals.

Further, OSAI recommends that the County Sheriff deposit funds collected on a daily basis and the County Sheriff comply with the statute that specifically establishes the purpose for which checks shall be written from the Inmate Trust Account. Further, earnings from the Inmate Trust Account should be paid to the Sheriff Commissary Revolving Fund on a monthly basis.

**Management Response:**

**County Sheriff:** The County Sheriff is aware of these conditions and has implemented procedures to ensure the daily depositing of funds and ensure checks are issued from the Inmate Trust Fund checking account in accordance with statutes.

**Criteria:** Accountability and stewardship are overall goals of management in accounting of funds. To help ensure a proper accounting of funds, the duties of receiving, receipting, recording, depositing cash and checks, reconciliations, and transaction authorization should be segregated.

Further, implementing internal controls over the Inmate Trust Account should be the goal of management to ensure compliance with 19 O.S. § 682, which requires all funds received under the color of office be deposited on a daily basis and compliance with 19 O.S. § 531A, which requires these funds only be expended to refund monies to inmates or to transfer funds to the Sheriff Commissary Revolving Fund for inmate expenditures.

**Finding 2012-11 – Inadequate Internal Controls and Noncompliance Over Fixed Assets Inventories**

**Condition:** Upon inquiry and observation of inventory items, we noted the following conditions:

**County Clerk:**

- Four of the five items selected were not marked with the assigned county identification number.

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**Court Clerk:**

- Three of the five items selected were on the inventory list; however, should have been removed.
- One of the five items selected was not marked with the assigned county identification number.

**District 1:**

- Two of the ten items selected were not properly marked with “Property of Kiowa County.”

**District 2:**

- Two of the ten items selected were not properly marked with “Property of Kiowa County.”

**District 3:**

- Five of the ten items selected were not properly marked with “Property of Kiowa County.”

**District Secretary:**

- One of the five items selected was not properly marked with “Property of Kiowa County.”

**County Treasurer:**

- Two of the five items selected were not marked with the assigned county identification number.

**Cause of Condition:** Procedures have not been designed and implemented by the official to perform annual fixed assets inventory counts to ensure compliance with state statutes.

**Effect of Condition:** When fixed assets are not monitored and equipment is not properly marked with identification numbers, opportunities for misuse or loss of equipment can occur.

**Recommendation:** OSAI recommends management implement internal controls to ensure compliance with state statutes by maintaining inventory records, marking assets with a county identification number and “Property of Kiowa County.”

OSAI further recommends that annual physical fixed assets counts be performed and documentation of those counts be signed, dated, and retained to show the operating effectiveness of internal controls implemented by officials.

**Management Response:**

**County Clerk:** All fixed assets inventory items will be properly marked with identification numbers.

**Court Clerk:** Items that are being used to maintain the office will be on the inventory list.

**County Commissioners:** The County Commissioners will work toward marking equipment with “Property of Kiowa County.”

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**County Treasurer:** The County Treasurer will implement procedures to ensure that all fixed assets in excess of \$500.00 are properly marked with county identification numbers.

**Criteria:** Internal controls over safeguarding of assets constitute a process, affected by an entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from misappropriation.

Title 19 O.S. § 178.1, 19 O.S. § 1502(A) (1), 19 O.S. § 1502(B) (1), and 69 O.S. § 645.1 provide guidance to the County for maintaining inventory records, marking assets with a county identification number, and "Property of (name of county) County".



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