

OPERATIONAL AUDIT

LOGAN COUNTY

For the fiscal year ended June 30, 2014



*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

**LOGAN COUNTY OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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Oklahoma State Auditor & Inspector

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June 23, 2017

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

Transmitted herewith is the audit report of Logan County for the fiscal year ended June 30, 2014.

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

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

Sincerely,

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

**LOGAN COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

TABLE OF CONTENTS

OPERATIONAL AUDIT REPORT

Introductory Section (Unaudited)

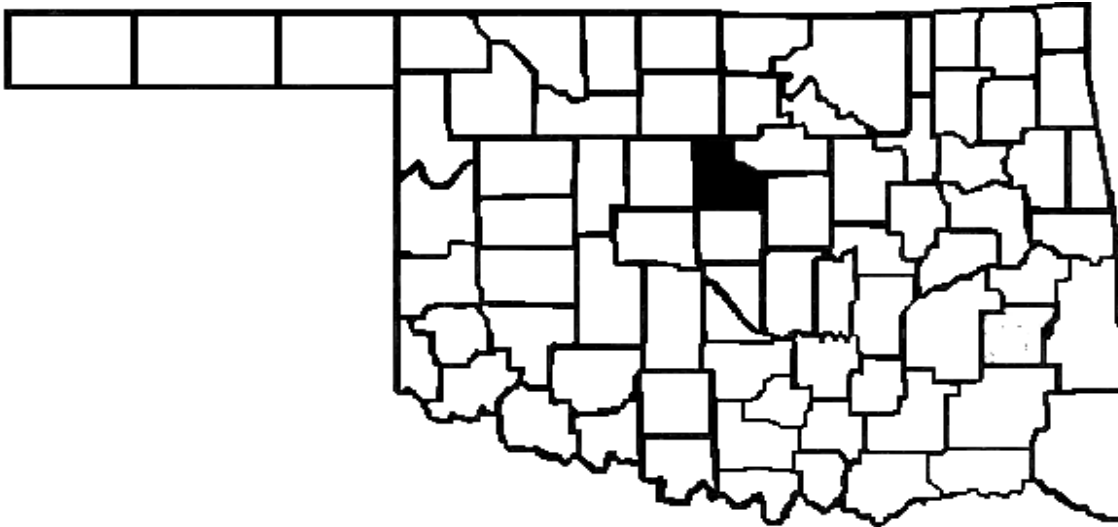
Statistical Information.....	ii
County Officials.....	iii
Ad Valorem Tax Distribution	iv
Sales Tax Distribution.....	v
Assessed Value of Property Trend Analysis	vi
County General Fund Analysis	vii
County Highway Fund Analysis	viii
 Presentation of Apportionments, Disbursements, and Cash Balances of County Funds for Fiscal Year Ended June 30, 2014	 1
 Description of County Funds and Transfers	 2
 Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis—General Fund	 6
 Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis—County Health Department Fund.....	 8
 Purpose, Scope, and Sample Methodology.....	 9
 Objectives and Results of Operational Audit.....	 10

REPORT ON STATUTORY COMPLIANCE - OTHER MATTERS

Statutory Report.....	19
Schedule of Findings and Responses.....	20

INTRODUCTORY SECTION
UNAUDITED INFORMATION ON PAGES ii - viii
PRESENTED FOR INFORMATIONAL PURPOSES ONLY

**LOGAN COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**



Settled by the land run of April 22, 1889, Logan County was designated County No. 1 when Oklahoma Territory was organized in 1890. It was later named for Senator John A. Logan of Illinois, popular Civil War general.

Guthrie was the capital of the territory and the state until the removal to Oklahoma City in June 1910. Guthrie's central district is on the National Register of Historic Places and is the only continental United States territorial capital that is substantially the same as it was during the 1890s.

Guthrie has easy access from I-35, S.H. 33, and S.H. 77, and is served by the Burlington Northern Santa Fe Railroad. Light manufacturing includes products such as hydraulic lifts, display islands, and wooden shipping pallets. Community facilities include two municipal lakes for water supply and recreation, a swimming pool, library, hospital, four city parks, three sports areas, two golf courses, and an airport for small planes.

Places of interest include the Oklahoma Territorial Museum, the Scottish Rite Masonic Temple, Pioneer Drugstore Museum, the historic downtown district, and the Lazy E Area complex, all in Guthrie.

For more information, call the County Clerk's office at 405/282-0266.

County Seat – Guthrie

Area – 748.92 Square Miles

County Population – 43,666
(2012 est.)

Farms – 1,241

Land in Farms – 403,810 Acres

Primary Source: Oklahoma Almanac 2013-2014

Board of County Commissioners

District 1 – Mark Sharpton
District 2 – Michael Pearson
District 3 – Monty Piearcy

County Assessor

Tisha Hampton

County Clerk

Troy Cole

County Sheriff

Jim Bauman

County Treasurer

Sherri Longnecker

Court Clerk

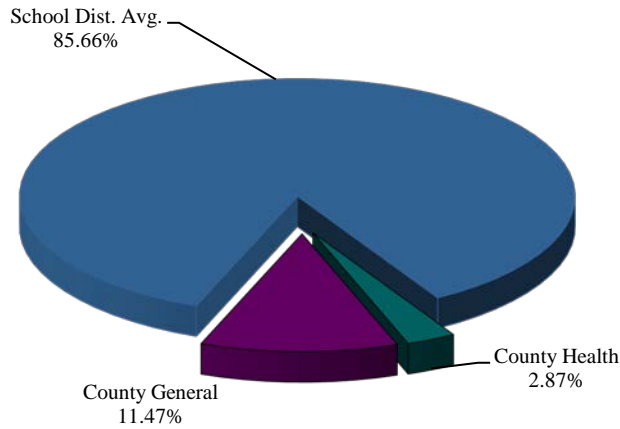
ReJuania Zmek

District Attorney

Tom Lee

**LOGAN COUNTY, OKLAHOMA
AD VALOREM TAX DISTRIBUTION
SHARE OF THE AVERAGE MILLAGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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.	Career Tech.	EMS	Common	Total
County General	10.24			35.84	5.12	-	15.37	3.07	4.09	63.49
County Health	2.56	Guthrie	I-1	35.90	5.13	17.83	15.33	3.08	4.09	81.36
		Crescent	I-2	36.20	5.17	7.26	15.37	-	4.09	68.09
		Mulhall-Orlando	I-3	36.42	5.20	18.99	-	-	4.09	64.70
		Coyle	I-14	36.79	5.26	25.23	15.37	-	4.09	86.74
Spring Ridge Road	3.00	Payne	Jl-56	35.32	5.05	16.67	7.50	3.00	4.09	71.63
Oaksprings Road	7.22	Kingfisher	Jl-89	35.84	5.12	12.75	15.51	-	4.09	73.31
Evergreen Hills Road	3.00	Garfield	Jl-94	36.76	5.25	16.46	15.60	-	4.09	78.16
Sherwood Road	6.00	Lincoln	Jl-4	36.32	5.19	13.68	16.09	-	4.09	75.37
		Oklahoma	Jl-3	35.70	5.10	33.68	15.33	-	4.09	93.90
		Oklahoma	Jl-6	35.69	5.10	23.99	15.33	-	4.09	84.20
		Oklahoma	Jl-12							

**LOGAN COUNTY, OKLAHOMA
SALES TAX DISTRIBUTION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Sales Tax

Sales Tax of July 1, 2005

On March 1, 2005, the voters of Logan County approved a 3/4% of 1% sales tax, effective July 1, 2005, and terminating after ten years or at the date of retirement of any debt incurred for land acquisition, construction, financing, furnishing, and equipping a new county jail and related facilities.

These funds are accounted for in the Jail Authority Fund.

Sales Tax of October 1, 2010

On August 24, 2010, the voters of Logan County approved to extend a 1/4% of 1% sales tax, effective October 1, 2010, and terminating on September 30, 2015. This sales tax was established to provide revenue for the following county fire departments:

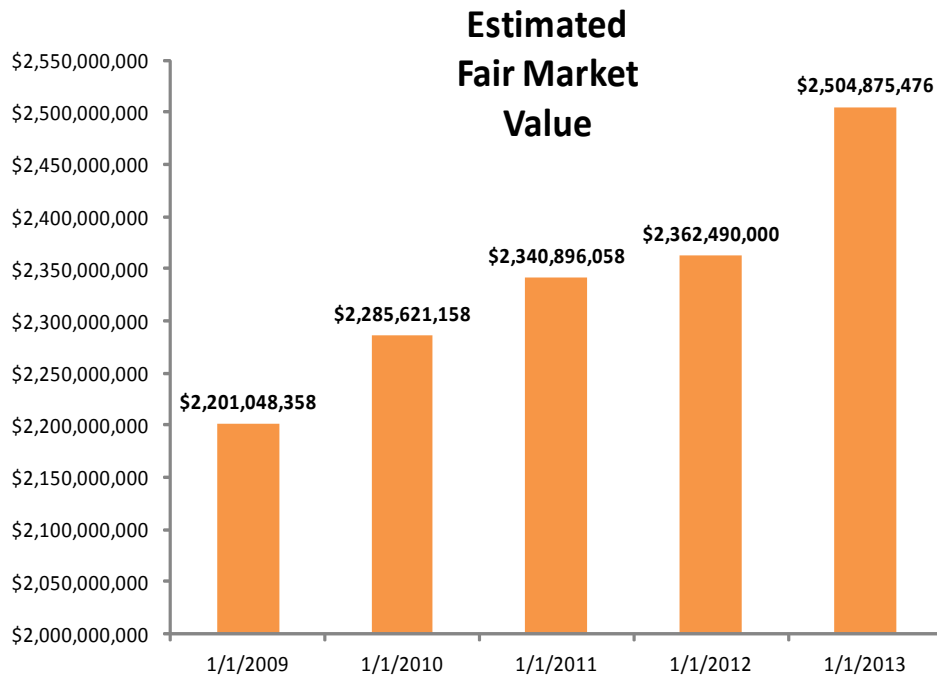
1. Cashion
2. Coyle
3. Crescent
4. Guthrie
5. Langston
6. Marshall
7. Meridian
8. Mulhall
9. Oak Cliff
10. Orlando
11. Sooner
12. Twin Lakes
13. Woodcrest

These funds are accounted for in the County Sales Tax Fire Districts fund.

During the fiscal year the County collected \$6,456,755 in total sales tax.

**LOGAN COUNTY, OKLAHOMA
 ASSESSED VALUE OF PROPERTY
 TREND ANALYSIS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

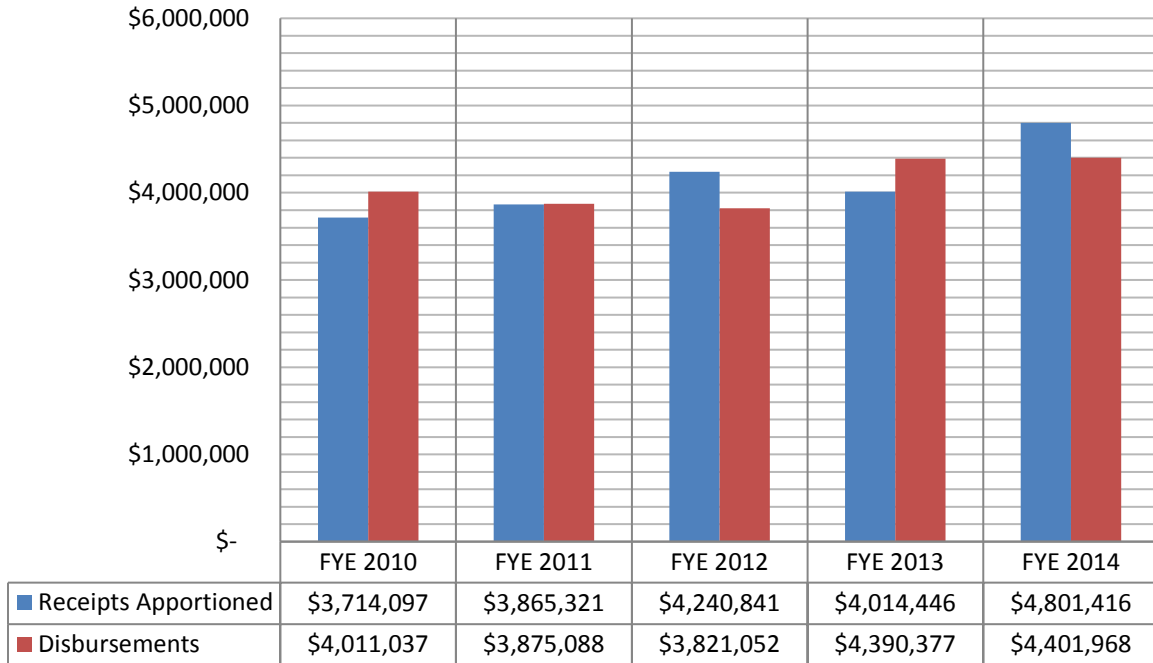
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2013	\$38,548,237	\$40,043,557	\$241,007,381	\$8,570,101	\$311,029,074	\$2,504,875,476
1/1/2012	\$24,936,282	\$40,541,889	\$228,896,045	\$10,875,416	\$283,498,800	\$2,362,490,000
1/1/2011	\$28,147,175	\$41,171,869	\$222,616,647	\$11,028,164	\$280,907,527	\$2,340,896,058
1/1/2010	\$27,036,143	\$40,386,013	\$215,557,986	\$8,705,603	\$274,274,539	\$2,285,621,158
1/1/2009	\$26,960,188	\$39,098,950	\$206,634,412	\$8,567,747	\$264,125,803	\$2,201,048,358



**LOGAN COUNTY, OKLAHOMA
COUNTY GENERAL FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

County General Fund

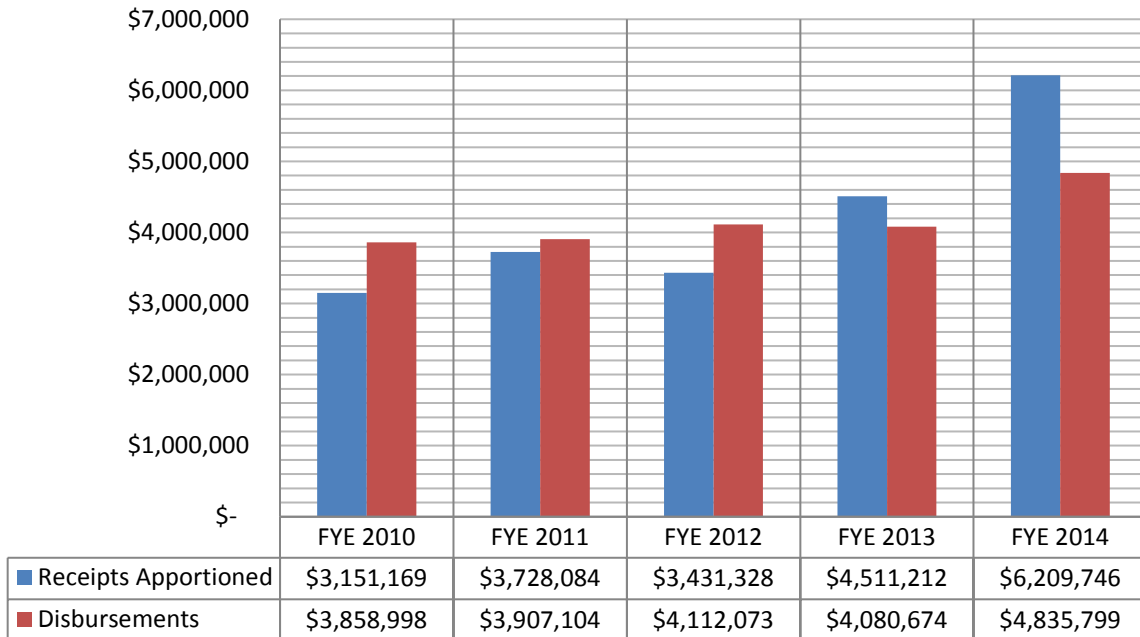
The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the county's primary source of operating revenue. The County General Fund is typically used for county employees' salaries plus many expenses for county maintenance and operation. It also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



**LOGAN COUNTY, OKLAHOMA
COUNTY HIGHWAY FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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.



**LOGAN COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Presentation of Apportionments, Disbursements, and Cash Balances of County Funds for Fiscal Year Ended June 30, 2014

	Beginning Cash Balances July 1, 2013	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2014
Combing Information:						
County Funds:						
County General Fund	\$ 388,026	\$ 4,801,416	\$ 1,250,000	\$ 504,545	\$ 4,401,968	\$ 1,532,929
County Highway Cash	1,734,438	6,209,746	1,265,479	1,250,000	4,835,799	3,123,864
Sheriff Fee Cash	515,488	380,576	-	-	424,165	471,899
County Clerk Fee Cash	124,441	77,697	-	-	39,209	162,929
Resale Property	592,542	420,140	-	-	313,171	699,511
County Clerk Preservation	123,280	89,195	-	-	66,098	146,377
County Bridge and Road Improvement	302,095	382,793	-	8,389	277,840	398,659
Oaksprings Road	83,732	7,282	-	-	-	91,014
Sherwood Road	23,872	3,029	-	-	-	26,901
County Treasurer Mortgage Certification Fee	33,836	10,070	-	-	25,487	18,419
Evergreen Hills Road	13,424	1,545	-	-	-	14,969
County Sales Tax Fire Districts	1,817,377	1,606,922	-	-	1,096,875	2,327,424
Jail Operations Fee Cash	66,141	907,500	60,000	60,000	801,169	172,472
OSU Fee Cash	3,240	-	4,545	-	-	7,785
County Assessor Fee Cash	19,870	7,961	-	-	8,939	18,892
Sheriff Commissary	74,073	103,311	-	-	107,116	70,268
Safe Room Project	1,061	-	-	-	-	1,061
Reward Fund	1,219	-	-	-	-	1,219
Local Emergency Planning Committee Grant	9,278	1,012	-	-	999	9,291
Emergency Management	15,770	-	-	-	14,196	1,574
Sheriff Revolving	689,726	917,624	60,000	60,000	791,352	815,998
County Health Department	562,520	918,000	-	-	1,020,744	459,776
Sheriff Training	131	-	-	-	-	131
Sheriff Drug Forfeiture	17,558	-	-	-	-	17,558
Jail Authority Fund	-	4,842,566	-	-	4,842,566	-
Federal Equitable Sharing	2,413	-	-	-	-	2,413
Sheriff Drug Buy Cash	2,004	-	-	-	-	2,004
Spring Ridge Road	666	709	-	-	-	1,375
Community Development Block Grant RWD-1	-	274,999	-	-	274,999	-
Court Fund Salaries	46,612	144,591	-	-	139,215	51,988
Combined Total - All County Funds, as restated	\$ 7,264,833	\$ 22,108,684	\$ 2,640,024	\$ 1,882,934	\$ 19,481,907	\$ 10,648,700

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

**LOGAN COUNTY
DESCRIPTION OF COUNTY FUNDS AND TRANSFERS
OPERATIONAL AUDIT
FOR THE FISCAL YEAR JUNE 30, 2014**

Description of County Funds

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

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

County General Fund – accounts for revenues from ad valorem taxes, officer’s fees, interest earnings, and miscellaneous collections of the County. Disbursements are for the general operations of the County.

County Highway Cash – accounts for revenues from state imposed fuel taxes. Disbursements are for the constructing and maintaining of county roads and bridges.

Sheriff Fee Cash – accounts for fees charged for inmate phone usage and serving summons and notices. Disbursements are for any lawful expense of the Sheriff’s office.

County Clerk Fee Cash – accounts for fees charged by the County Clerk for lien redemptions. Disbursements are for any lawful expense of the County Clerk’s office.

Resale Property – accounts for the collection of interest and penalties on delinquent ad valorem taxes. Disbursements are to offset the expense of collecting delinquent ad valorem taxes.

County Clerk Preservation – accounts for fees charged by the County Clerk for recording instruments. Disbursements are for the maintenance and preservation of public records.

County Bridge and Road Improvement – accounts for state receipts and disbursements are for the purpose of constructing and maintaining county roads and bridges.

Oaksprings Road – accounts for collections from tax levies. Disbursements are for the maintenance and improvement of Oaksprings Road.

Sherwood Road – accounts for collections from tax levies. Disbursements are for the maintenance and improvement of Sherwood Road.

County Treasurer Mortgage Certification Fee – accounts for fees from certifying mortgages. Disbursements are for any lawful expense of the Treasurer’s office.

Evergreen Hills Road – accounts for collections from tax levies. Disbursements are for the maintenance and improvement of Evergreen Hills Road.

**LOGAN COUNTY
DESCRIPTION OF COUNTY FUNDS AND TRANSFERS
OPERATIONAL AUDIT
FOR THE FISCAL YEAR JUNE 30, 2014**

County Sales Tax Fire Districts – accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the sales tax resolution.

Jail Operations Fee Cash – accounts for sales tax funds received from the Jail Trust Authority. Disbursements are for jail operations.

OSU Fee Cash – accounts for fees collected from the OSU Extension. Disbursements are for any lawful operation of the OSU Extension office.

County Assessor Fee Cash – accounts for fees charged by the County Assessor. Disbursements are for any lawful expenses of the Assessor’s office.

Sheriff Commissary – accounts for profits on commissary sales in the County jail. Disbursements are to improve or provide jail services.

Safe Room Project – accounts for federal grant funds received for the reimbursement of storm shelter installation.

Reward Fund – accounts for funds used by the County Sheriff to offer rewards to citizens who provide information for the furtherance of a case.

Local Emergency Planning Committee Grant – accounts for the receipt and disbursement of funds from state and local governments as restricted by the grant agreement.

Emergency Management – accounts for the receipt and disbursement of funds from state and local governments for the operations of the Emergency Management office.

Sheriff Revolving – accounts for collections by the County Sheriff’s office for the housing of state and federal inmates. Disbursements are for the lawful operations of the jail.

County Health Department – accounts for monies collected on behalf of the county health department from ad valorem taxes and state and local revenues and miscellaneous fees charged by the county health department. Disbursements are for the operation of the county health department.

Sheriff Training – accounts for local seized monies. Disbursements are for officer training, equipment, and crime prevention.

Sheriff Drug Forfeiture – accounts for money awarded to the County Sheriff’s office in drug forfeiture cases. Disbursements are to be used for enforcement of controlled dangerous substance laws, drug abuse prevention, and education.

Jail Authority Fund – accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the sales tax resolution.

**LOGAN COUNTY
DESCRIPTION OF COUNTY FUNDS AND TRANSFERS
OPERATIONAL AUDIT
FOR THE FISCAL YEAR JUNE 30, 2014**

Federal Equitable Sharing – accounts for federally forfeited cash, property, proceeds, and interest earned. Disbursements are for law enforcement purposes in accordance with state statutes and guidelines that govern the federal Equitable Sharing Program.

Sheriff Drug Buy Cash – accounts for the funds used by the County Sheriff’s undercover agents in drug busts. Disbursements are for undercover agents to use for buy cash.

Spring Ridge Road – accounts for collections from tax levies. Disbursements are for the maintenance and improvement of the Spring Ridge Road addition.

Community Development Block Grant RWD-1 – accounts for collections from a Community Development Block Grant from the Department of Housing and Urban Development. Disbursements are for rural water district improvements.

Court Fund Salaries – accounts for funds deposited to be used for payroll for the Court Clerk’s office.

Interfund Transfers

During the fiscal year, the County made the following interfund transfers:

- \$500,000 was transferred from the County Highway Cash fund to the County General Fund to meet requirements of appropriations in accordance with 68 O.S. § 3021.
- \$500,000 was transferred from the County General Fund to the County Highway Cash fund for repayment of the loan in accordance with 68 O.S. § 3021.
- \$500,000 was transferred from the County Highway Cash fund to the County General Fund for repayment of a loan from a prior year.
- \$250,000 was transferred from the County Highway Cash fund to the County General Fund as an interfund loan.
- \$4,545 was transferred from the County General Fund to the OSU Fee Cash fund to correct an error from a prior year.
- \$8,389 was transferred from the County Bridge and Road Improvement fund to County Highway Cash fund the for road and bridge projects completed.

LOGAN COUNTY
DESCRIPTION OF COUNTY FUNDS AND TRANSFERS
OPERATIONAL AUDIT
FOR THE FISCAL YEAR JUNE 30, 2014

- \$757,090 was transferred from the Emergency and Transportation Revolving Fund (a trust and agency fund) to the County Highway Cash fund for projects completed.
- \$60,000 was transferred from the Sheriff Revolving fund to the Jail Operations Fee Cash fund to meet requirements of appropriations in accordance with 68 O.S. § 3021.
- \$60,000 was transferred from the Jail Operations Fee Cash fund to the Sheriff Revolving fund for repayment of the loan in accordance with 68 O.S. § 3021.

Restatement of Fund Balance

During the fiscal year, the County had a reclassification of funds. Court Fund Salaries was reclassified as a county fund and represents payroll expenditures of County employees. Additionally, there was an overstatement of ending cash balance for the Sheriff Drug Buy Cash of \$500. Cash balances of the funds have been restated as follows:

Prior year ending balances, as reported	\$7,218,721
Funds reclassified to County Funds	
Court Fund Salaries reclassified from a Trust and Agency Fund to a County Fund	46,612
Overstatement of Prior Year Ending Cash Balance	
Sheriff Drug Buy Cash	<u> (500)</u>
Prior year ending balance, as restated	<u><u>\$7,264,833</u></u>

LOGAN COUNTY, OKLAHOMA
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
COUNTY GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 388,026	\$ 388,026	\$ -
Less: Prior Year Outstanding Warrants	(166,079)	(166,079)	-
Less: Prior Year Encumbrances	(213,226)	(162,167)	51,059
Beginning Cash Balances, Budgetary Basis	<u>8,721</u>	<u>59,780</u>	<u>51,059</u>
Receipts:			
Ad Valorem Taxes	2,871,980	3,188,644	316,664
Charges for Services	368,435	399,784	31,349
Intergovernmental Revenues	1,482,993	479,120	(1,003,873)
Miscellaneous Revenues	65,823	733,868	668,045
Total Receipts, Budgetary Basis	<u>4,789,231</u>	<u>4,801,416</u>	<u>12,185</u>
Expenditures:			
District Attorney - County	29,550	28,854	696
County Sheriff	1,113,605	1,110,268	3,337
County Treasurer	101,809	100,499	1,310
County Commissioners	213,810	210,683	3,127
County Commissioners OSU Extension	42,460	42,386	74
County Clerk	241,755	228,989	12,766
Court Clerk	156,902	150,106	6,796
County Assessor	161,135	154,433	6,702
Revaluation	441,045	439,293	1,752
General Government	595,213	444,369	150,844
Excise Equalization	5,350	3,416	1,934
County Election Expense	105,980	96,775	9,205
Insurance - Benefits	1,350,138	1,219,808	130,330
Charity	1,200	700	500
Civil Defense	49,184	46,270	2,914
County Audit Budget Account	86,611	86,608	3
Free Fair Budget Account	45,328	45,328	-
Total Expenditures, Budgetary Basis	<u>4,741,075</u>	<u>4,408,785</u>	<u>332,290</u>

Continued on next page

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

LOGAN COUNTY, OKLAHOMA
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
COUNTY GENERAL FUND - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	General Fund		
	Budget	Actual	Variance
Continued from previous page			
Excess of Receipts and Beginning Cash			
Balances Over Expenditures, Budgetary Basis	\$ 56,877	452,411	\$ 395,534
Interfund Transfers:			
Interfund Transfer In		1,250,000	
Interfund Transfer Out		(504,545)	
Net Interfund Transfers		745,455	
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Cancelled Warrants		336	
Add: Current Year Outstanding Warrants		269,092	
Add: Current Year Encumbrances		65,635	
Ending Cash Balance		\$ 1,532,929	

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

LOGAN 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, 2014

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 562,520	\$ 562,520	\$ -
Less: Prior Year Outstanding Warrants	(93,001)	(93,001)	-
Less: Prior Year Encumbrances	(150,295)	(133,786)	16,509
Beginning Cash Balances, Budgetary Basis	319,224	335,733	16,509
Receipts:			
Ad Valorem Taxes	717,995	797,161	79,166
Charges for Services	-	38,579	38,579
Intergovernmental Revenues	-	82,252	82,252
Miscellaneous Revenues	-	8	8
Total Receipts, Budgetary Basis	717,995	918,000	200,005
Expenditures:			
Health & Welfare	1,037,219	869,831	167,388
Total Expenditures, Budgetary Basis	1,037,219	869,831	167,388
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	383,902	\$ 383,902
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		4,405	
Add: Current Year Outstanding Warrants		71,469	
Ending Cash Balance		\$ 459,776	

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

**LOGAN COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

PURPOSE, SCOPE, AND SAMPLE METHODOLOGY

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

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

In planning and conducting our audit, we focused on the major financial related areas of operations based on assessment of materiality and risk for the fiscal year ended June 30, 2014. Our audit procedures included:

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

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

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

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

Objective 1: To determine the receipts apportioned, disbursements, and cash balances are accurately presented on the County Treasurer's monthly reports for FY 2014.

Conclusion: With respect to the items reconciled and reviewed; the receipts apportioned, disbursements, and cash balances are accurately presented on the County Treasurer's monthly reports. However, internal controls over the County Treasurer's accounting process should be strengthened.

FINDINGS AND RECOMMENDATIONS

Finding 2014-5 – Inadequate Internal Controls Over the Accounting Process in the County Treasurer's Office

Condition: Upon inquiry of the County Treasurer and staff, observation and review of documentation and testwork performed with regard to the collection, safeguarding and reconciling process; the following weaknesses were noted:

- There was no documentation of pledged collateral amounts being monitored to daily bank balances to ensure that County funds are adequately secured.
- The County Treasurer's general ledger balances were not reconciled to the County Clerk appropriation ledger for the County General Fund or County Health Department fund.

Cause of Condition: Policies and procedures have not been designed and implemented to monitor pledged collateral, and ensure the reconciliation of accounting records between offices.

Effect of Condition: These conditions could result in unrecorded transactions, misstated financial reports, undetected errors, misappropriation of funds, or the County being under-collateralized.

Recommendation: The Oklahoma State Auditor & Inspector's Office (OSAI) recommends implementing the following internal controls:

- All funds presented on the County Clerk's appropriation ledger and the County Treasurer's general ledger should be reconciled monthly. Documentation of this reconciliation should be reviewed and approved by someone other than the preparer.
- Pledged collateral amounts should be updated and monitored daily and documentation of this monitoring maintained.

Management Response:

County Treasurer:

- For auditing purposes I will sign the bottom of the front page of the general ledger to prove that the pledges were checked daily.

**LOGAN COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

- I plan on balancing the two budget accounts to the general ledger from this time forward.

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. 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.

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

Conclusion: With respect to the items tested, the County materially complied with 68 O.S. § 1370E, which requires the sales tax collections to be deposited in the general revenue or Sales Tax Revolving Fund of the County and be used only for the purpose for which such sales tax was designated. However, internal controls over the calculation of sales tax should be strengthened.

FINDINGS AND RECOMMENDATIONS

Finding 2014-6 – Inadequate Internal Controls Over Sales Tax Collections

Condition: Based upon inquiry of the County Treasurer and recalculation of sales tax apportionments, we noted the following:

- There was no independent oversight of the calculation of sales tax collections that is presented for appropriation by the County Treasurer to the County Clerk.
- The Jail Authority Fund was not identified on the financial statement as a sales tax fund.

Cause of Condition: Policies and procedures have not been designed and implemented with regard to controls over all aspects of the sales tax apportionment process due to officials being unaware of the need for such procedures.

Effect of Condition: A lack of review over the sales tax apportionment process could result in unrecorded transactions, misstated financial reports, clerical errors, or misappropriations of funds not being detected in a timely manner.

**LOGAN COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Recommendation: OSAI recommends management be aware of these conditions concerning the sales tax apportionment and appropriation process and provide independent oversight of office operations and a periodic review of operations.

Management Response:

County Treasurer:

- For auditing purposes, I can ask the County Clerk to recheck my figures.
- We can change the name of the fund to read Jail Sales Tax.

County Clerk: We will change the name of the fund to Jail Sales Tax.

Criteria: Accountability and stewardship are overall goals of management in accounting of funds. To help ensure a proper accounting of funds, appropriate independent review of collection activity should be performed and documented.

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

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

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

Conclusion: The County's internal controls do not provide reasonable assurance that expenditures were accurately reported in the accounting records.

Additionally, the County's financial operations did not comply with 19 O.S. § 1505, which requires that disbursements be properly supported and timely encumbered.

FINDINGS AND RECOMMENDATIONS

Finding 2014-8 – Inadequate Internal Controls and Noncompliance Over the Disbursement Process

Condition: Upon testing forty-five (45) purchase orders, the following exceptions were noted:

- Five (5) purchase orders were not timely encumbered - (Sheriff, County Highway Cash, CDBG, and County General Fund).
- The County’s procedure is for the BOCC to approve a “batch cover sheet” for purchase orders. One batch cover sheet could not be located, which resulted in (3) three purchase orders having no evidence of being reviewed or approved by the Board of County Commissioners (CDBG, Highway Cash, County General Fund).
- One (1) purchase order was requisitioned and received by someone other than a county employee (Sheriff Office).

In addition, it was noted that one (1) purchase did not follow the proper procedure to ensure it was a “Sole Source.” This was a District 1 purchase of road seal mix.

Cause of Condition: Policies and procedures have not been designed and implemented with regard to the disbursement process to ensure adequate internal controls and compliance with state statute.

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

Recommendation: OSAI recommends the County practice proper purchasing procedures. All purchases should be properly requisitioned, encumbered, approved, and received with proper supporting documentation attached in accordance with 19 O.S. § 1505C and § 1505E. Additionally, OSAI recommends the County follow guidelines established by 19 O.S. § 1501 (A)(3)(c) and 74 O.S. § 85.45(j) with regard to documenting “Sole Source” of an item that exceeds bid limits.

Management Response:

District 1 Commissioner: All future sole source purchase orders will be subject to independent review and oversight by someone other than the preparer of the purchase order to ensure proper procedures are followed.

District 2 Commissioner: We will be more aggressive in making sure the County adheres to state purchasing procedures. We will make sure documentation is preserved.

District 3 Commissioner: We will work to ensure purchase orders are encumbered before goods and/or services are ordered.

**LOGAN COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

County Sheriff: We make every effort to timely encumber all purchase orders; however, circumstances arise where it is unavoidable.

County Clerk: Continued effort will be made to comply with purchasing procedures. The approved warrant report has been misplaced in my office. However, the minutes of the Board of County Commissioners do reflect the batch numbers and dates that the purchase orders were approved for payment.

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 disbursement calculations and/or transactions.

Further, Title 19 O.S. § 1505 prescribes the procedures established for the requisition, purchase, lease-purchase, rental, and receipt of supplies, material, and equipment for maintenance, operation, and capital expenditures of county government.

Title 19 O.S. § 1501 (A)(3)(c) states in part...

- A. The county purchasing agent:
 - 3. Shall make purchases and rental or lease-purchase agreements only after following the bidding procedures as provided for by law, except:
 - c. when articles and items are covered by single-source contracts,

Additionally, Title 74 OS. § 85.45(j) provides the form and guidance for purchases to be considered “sole source.”

All Objectives:

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

Finding 2014-1 - Inadequate County-Wide Controls (Repeat Finding)

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

Cause of Condition: County-wide internal controls have not been designed and implemented. These conditions are a result of the County not being aware of how the process of identifying risk and monitoring activities could positively impact the operations and reporting of the County.

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

**LOGAN COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Recommendation: OSAI recommends that the County design procedures to address their internal control framework. This should outline the importance of internal controls, the risk that the County has identified, the control activities established to address the risk, the steps to take to properly communicate pertinent information in a timely manner and the methodology to monitor the quality of performance over time. These procedures should be written policies and procedures and could be included in the County's policies and procedures handbook.

Management Response:

District 1 Commissioner: The Board of County Commissioners should consider establishing a county-wide internal controls working group with the purpose of establishing and preparing a formal written document of county-wide internal controls to prevent reoccurrence.

District 2 Commissioner: Will work with other County Officers to develop procedures to document internal control network. We will take all advisement OSAI recommends.

District 3 Commissioner: According to research, it cannot be found where it is mandated that we conduct officer meetings, although I think it would be good to hold more.

County Clerk: We will make a better effort of communication between offices.

County Treasurer: The eight elected officials will try harder to schedule officer meetings to discuss county business and risk management. Although it is not require by state statute, I think it could be beneficial.

County Sheriff: We at the Logan County Sheriff's Office are more than willing to participate in any meeting that would address all the components of an internal control framework.

County Court Clerk: I took office February 1, 2016. Going forward, I agree to communicate and work with the other elected officials to document the internal controls of my office and the other officers of the County.

County Assessor: I will attend and participate in as many meetings as I possibly can. I will update a copy of the annual abstract for each official. If there are any foreseeable changes with assessments, I will convey this to the other elected officials during the year.

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 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

**LOGAN COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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 of efficient and effective operations, reliable financial reporting, and compliance with laws and regulations.

Monitoring is a component of internal control which should assess the quality of performance over time and ensure that the findings of audits and other reviews are promptly resolved. Ongoing monitoring occurs during normal operations and includes regular management and supervisory activities, comparisons, reconciliations, and other actions people take in performing their duties. It includes ensuring that management know their responsibilities for internal control and the need to make control monitoring part of their regular operating process.

Finding 2014-11 - Inadequate Internal Controls and Noncompliance Over the County's Estimate of Needs (Repeat Finding)

Condition: During the review of the County's Estimate of Needs and review of the budget to actual financial numbers, it was noted that the County's budgeted revenues exceeded the County's budgeted expenditures by \$56,877 for the County General Fund.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure the County's Estimate of Needs is accurate prior to approving it.

Effect of Condition: This condition resulted in noncompliance with state statute. Further, this condition resulted in an inaccurate Estimate of Needs being approved by the County Excise Board and the County operating from a budget that is not an accurate reflection of the County's financial condition.

Recommendation: OSAI recommends management ensure that cash receipts and disbursements on the budget reconcile to the financial statements and that all amounts are identified and include supporting documentation.

OSAI also recommends management ensure the accuracy of budgeted numbers to the budget being approved.

Management Response:

District 1 Commissioner: The annual review of county officer income and appropriation requests should be subjected to strict oversight by the Board of County Commissioners.

District 2 Commissioner: We will take measures to be sure budgeted numbers are reconciled and accurate numbers prior to budget approval.

District 3: We will work together to design procedures to document and monitor financial reporting for the budget process.

**LOGAN COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

County Clerk: Management will work with the current budget maker to ensure proper reporting.

Criteria: The adopted budget is an expression of public policy and financial intent and is a method of providing controls over that intent.

Title 68 O.S. § 3002 states in part, "...each board of county commissioners...shall, prior to October 1 of each year, make, in writing, a financial statement, showing the true fiscal condition of their respective political subdivisions as of the close of the previous fiscal year ended June 30th, and shall make a written itemized statement of estimated needs and probable income from all sources including ad valorem tax for the current fiscal year. Such financial statements shall be supported by schedules or exhibits showing, by classes, the amount of all receipts and disbursements, and shall be sworn to as being true and correct..."

Other Item(s) Noted:

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

Finding 2014-2 - Inadequate Internal Controls and Noncompliance Over the Transfer of Funds (Repeat Finding)

Condition: On August 30, 2013, the County received \$750,000 from the Logan County Public Works Authority as per agreement between the Board of County Commissioners and the Authority Board. The funds were apportioned into the County Highway Cash fund. On September 9, 2013, the County transferred \$250,000 of these funds from the County Highway Cash fund to the County General Fund. The County General Fund failed to repay these funds to the County Highway Cash fund by the end of fiscal year 2014 as required by state statute.

Cause of Condition: Policies and procedures have not been designed and implemented over the temporary transfer of funds process to strengthen internal controls and ensure compliance with the state statute.

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

Recommendation: OSAI recommends that funds loaned from one cash fund must be repaid to that fund prior to the end of the fiscal year in accordance with 68 O.S. § 3021.

Management Response:

District 1 Commissioner: The temporary transfer of funds should be established through a formal written process that is well documented, understood and followed by the responsible county officers.

**LOGAN COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

District 2 Commissioner: We will be more vigilant to ensure funds are repaid into the cash fund where they originated.

District 3 Commissioner: To stay in compliance, we will be accountable for temporary transfer of funds to be repaid by the end of the fiscal year.

County Clerk: This refers back to an error made by the previous budget maker which created a shortfall.

County Treasurer: This is how I was directed by resolution to handle the transfer.

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 transactions. To help ensure a proper accounting of funds, temporary transfers should be repaid to the fund from which the funds were loaned by the end of the fiscal year.

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

Title 68 O.S. § 3021 states, "Fourth: If at any time during the budget year it appears to the county treasurer that there is temporarily insufficient money in a particular fund to meet the requirements of appropriation in the fund, the excise board, upon request of the county treasurer and upon notification to the county commissioners, may temporarily transfer money from one fund to any other fund with the permission of the county officer in charge of the fund that the money will be temporarily transferred from. No transfer shall be made from the debt service fund to any other fund except as may be permitted by the terms of the bond issue or applicable law. Any funds temporarily transferred shall be repaid to the original fund from which they were transferred within the fiscal year that the funds were transferred."

REPORT ON STATUTORY COMPLIANCE – OTHER MATTERS



Oklahoma State Auditor & Inspector

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Logan County
Board of County Commissioners
Logan County Courthouse
Guthrie, Oklahoma 73044

Dear Chairman:

For the purpose of complying with 19 O.S. § 171 and 20 O.S. § 1312, we have performed statutory procedures regarding the following offices and departments for the fiscal year ended June 30, 2014:

- Court Clerk procedures (20 O.S. § 1304 and 19 O.S. § 220).
- Inmate Trust Fund procedures (19 O.S. § 531 and 19 O.S. § 180.43).

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

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

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

A handwritten signature in blue ink that reads "Gary A. Jones".

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

April 6, 2017

**LOGAN COUNTY, OKLAHOMA
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

SCHEDULE OF FINDINGS AND RESPONSES

Finding 2014-10 – Inadequate Internal Controls and Noncompliance Over the Inmate Trust Checking Account and Sheriff Commissary Fund (Repeat Finding)

Condition: Regarding the Inmate Trust Fund Checking Account and Sheriff Commissary Fund, the following was noted:

- One employee issued receipts, prepared and made deposits, and performed all daily activities.
- Inmate ledger balances were not reconciled to the bank statement.
- Deposits were not made on a daily basis.
- Two (2) receipts selected during testwork were incorrectly written for seized drug money, but could not be traced to a deposit and were not voided.
- Unidentified profit was not transferred to the Commissary Fund in a timely manner.
- An Annual Commissary Report was not filed with the Board of County Commissioners by January 15th of each year.
- Inmate Trust Fund Checking Account checks were issued for unauthorized expenditures and deposited into Sheriff Service Fee fund.
- There is no policy or procedure regarding unclaimed funds.

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

Effect of Condition: These conditions resulted in noncompliance with state statutes. Also, without proper accounting and safeguarding of the Inmate Trust Checking Account, there is an increased risk of misappropriation of funds.

Recommendation: Regarding the Inmate Trust Fund Checking Account, OSAI recommends that the County Sheriff segregate the duties of collections, including depositing inmate funds daily, reconciliation of the inmate ledger to the bank statements on a monthly basis, and have bank reconciliations reviewed by someone other than the preparer. In addition, receipts for seized drug money should not be issued in the Inmate Trust Fund Checking Account. Also, we recommend that disbursements only be made to the Sheriff's Commissary Fund and to the inmate in accordance with 19 O.S. § 531.A. OSAI recommends that the Sheriff follow the disposition procedures for unclaimed property or money in sheriff's possession as outlined in 22 O.S. § 1325. Further, OSAI recommends the Sheriff include beginning and ending balances, deposits, and disbursements of the Sheriff's Commissary Account in their annual report to the Commissioners in accordance with 19 O.S. § 180.43.D.

Management Response:

County Sheriff: The office has made the following changes:

- The Detention Deputy issues receipts, the Jail Administrative Assistant prepares the deposit, and then a second employee verifies the deposit and signs off on the deposit, and then the deposit is made.

**LOGAN COUNTY, OKLAHOMA
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

- Due to lack of training, the employee felt that the bank statement was reconciled correctly. This issue has since been addressed and is currently in the process of being corrected.
- Deposits are now being made on a daily basis, pending no extreme circumstances.
- The account is currently under audit to determine what funds need to be transferred.
- Our office was unaware that an Annual Commissary Report needed to be filed with the BOCC. We will address this issue and submit an Annual Commissary Report from this date on.
- The issue of unauthorized expenditures from the Inmate Trust Fund Checking Account resulted from a miscommunication and has since been corrected.
- We are willing to discuss how to implement a policy or procedure regarding unclaimed funds.

Criteria: Effective accounting procedures and internal controls are necessary to ensure stewardship and accountability of public funds. Safeguarding controls are an important aspect of internal controls. Safeguarding controls relate to the prevention or timely detection of unauthorized transaction and unauthorized access to assets. Failure to perform tasks that are part of internal controls, such as reconciliations not performed or not timely prepared, are deficiencies in internal control. Further, reconciliations should be performed on a monthly basis.

Effective internal controls should provide for procedures wherein receipts for the monies collected are maintained and available for inspection and deposits are made in a timely manner.

Title 19 O.S. § 531.A states, “A. Notwithstanding any other provisions of law, 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 checking account shall be subject to audit by the State Auditor and Inspector. The county sheriff shall deposit all monies collected from inmates incarcerated in the county jail into this checking account and may write checks to the Sheriff's Commissary Account for purchases made by the inmate during his or her incarceration and to the inmate from unencumbered balances due the inmate upon his or her discharge.”

Title 22 O.S. § 1325(F, H) states, “F. A sheriff's office having in its possession money or legal tender under the circumstances provided in subsection A of this section, prior to appropriating the same for deposit into a special fund, shall file an application in the district court of its county requesting the court to enter an order authorizing it to so appropriate the money for deposit in the special fund. The application shall describe the money or legal tender, together with serial numbers, if any, the date the same came into the possession of the sheriff's office or campus police agency, and the name and address of the owner, if known. Upon filing, the application, which may be joined with an application as described in subsection C of this section, shall be set for hearing not less than ten (10) days nor more than twenty (20) days from the filing thereof, and notice of the hearing shall be given as provided in subsection D of this section. The notice shall state that, upon no one appearing to prove ownership to the money or legal tender, the same will be ordered by the court to be deposited in the special fund by the sheriff's office or campus police agency. The notice may be combined with a notice to sell personal property as set forth in subsection D of this section. At the hearing, if no one appears to claim and prove ownership to the money or

**LOGAN COUNTY, OKLAHOMA
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

legal tender, the court shall order the same to be deposited by the sheriff's office or campus police agency in the special fund, as provided in subsection H of this section.”

H. The money received from the sale of personal property as above provided, after payment of the court costs and other expenses, if any, together with all money in possession of the sheriff's office or campus police agency, which has been ordered by the court to be deposited in the special fund, shall be deposited in such fund which shall be separately maintained by the sheriff's office in a special fund with the county treasurer or campus police agency to be expended upon the approval of the sheriff or head of the campus police agency for the purchase of equipment, materials or supplies that may be used in crime prevention, education, training or programming.

Title 19 O.S. § 180.43.D states, “D. Each county sheriff may operate, or contract the operation of, 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 the funds to improve or provide jail services. The sheriff shall be permitted to expend any surplus in the Sheriff's Commissary Account for administering expenses for training equipment, travel or for capital expenditures. The claims for expenses shall be filed with and allowed by the board of county commissioners in the same manner as other claims. The sheriff shall receive no compensation for the operation of said commissary. The sheriff shall file an annual report on any said commissary under his or her operation no later than January 15 of each year.”



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