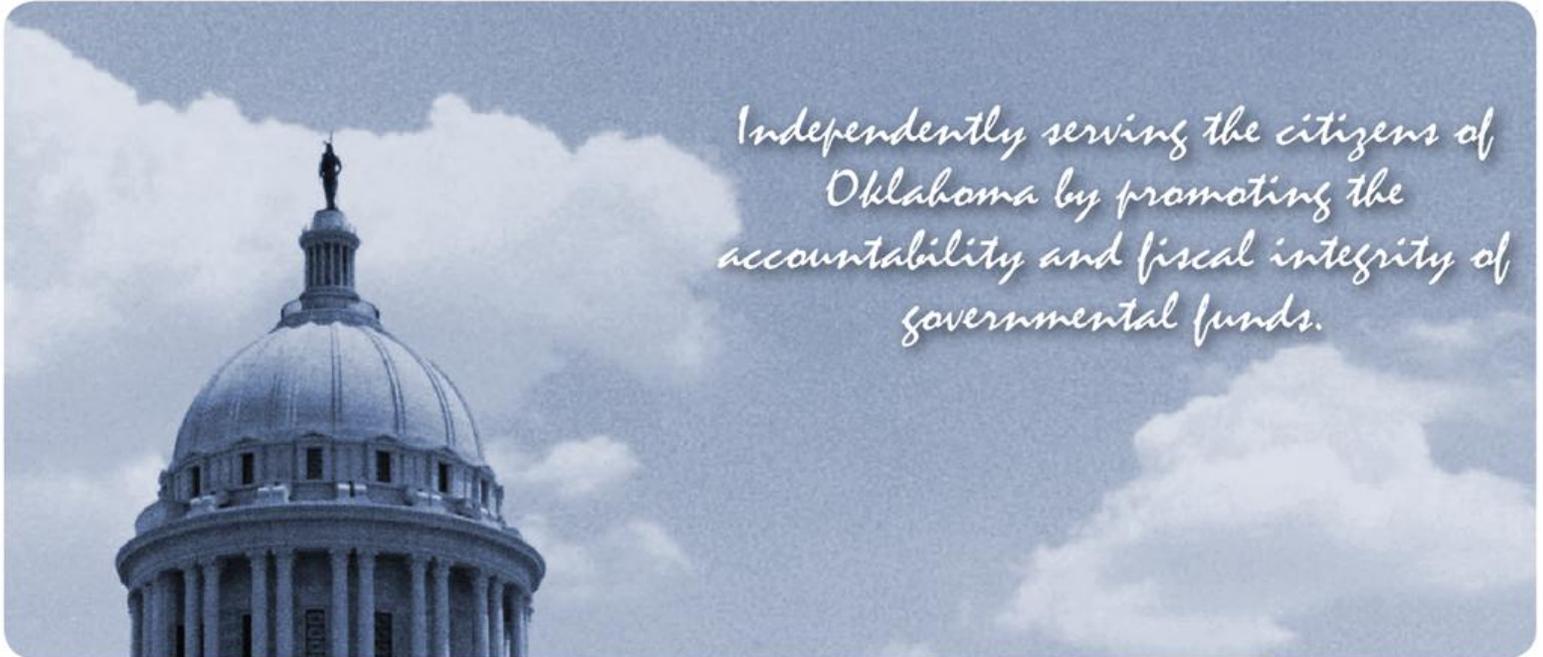


COUNTY AUDIT

MAJOR 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

**MAJOR COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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) 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

October 27, 2014

TO THE CITIZENS OF
MAJOR COUNTY, OKLAHOMA

Transmitted herewith is the audit of Major 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".

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

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

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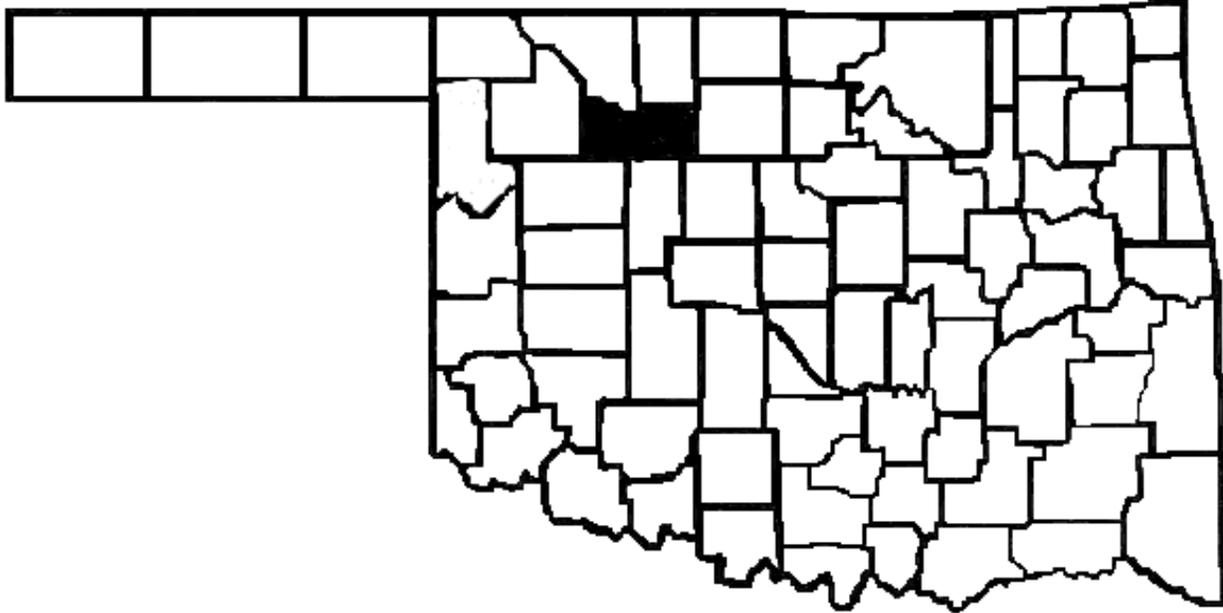
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PRESENTED FOR INFORMATIONAL PURPOSES ONLY**

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



Major County was created at statehood from the southern portion of Woods County, Oklahoma Territory, and named for John C. Major, a member of the Oklahoma Constitutional Convention.

Fairview, the county seat, takes its name from its scenic location east of the Glass Mountains, a Major tourist attraction in the county. Several companies manufacture products ranging from oil drilling equipment to industrial loaders and steel truck bodies.

The Major County Historical Society Museum, built to promote interest in the history of the area, is located just east of Fairview. *Glass Mountain Country* is a history book written about Major County.

Active civic organizations in the country include the Lion's Club, chamber of commerce, Ambucs, and Rotary Club. Annual events of interest include Fairview Follies in August, Wranglers Rodeo in July, National John Deere Two Cylinder Show also in July, Major County Fair in September, and an Old Time Threshing Bee also in September.

For more county information, call the county clerk's office at 580-227-4732.

County Seat – Fairview

Area –580.13 Square Miles

County Population – 7,189
(2009 est.)

Farms – 967

Land in Farms – 517,334 Acres

Primary Source: Oklahoma Almanac 2011-2012

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

Board of County Commissioners

District 1 – John A. Haworth
District 2 – Kelly D. Wahl
District 3 – Travis Rohla

County Assessor

Donise Rogers

County Clerk

Kathy McClure

County Sheriff

Steven P. Randolph

County Treasurer

Sandra K. Goss

Court Clerk

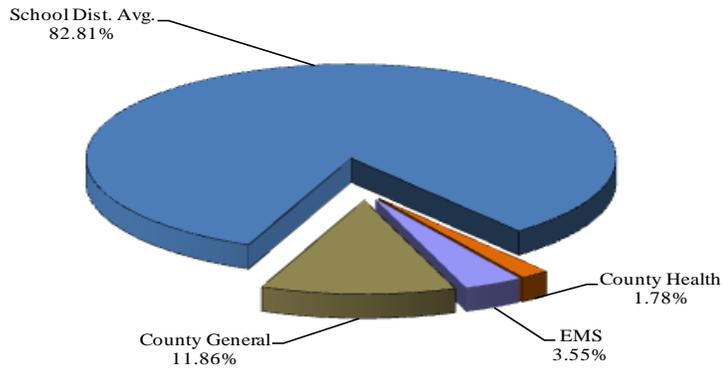
Shauna N. Hoffman

District Attorney

Hollis Thorp

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

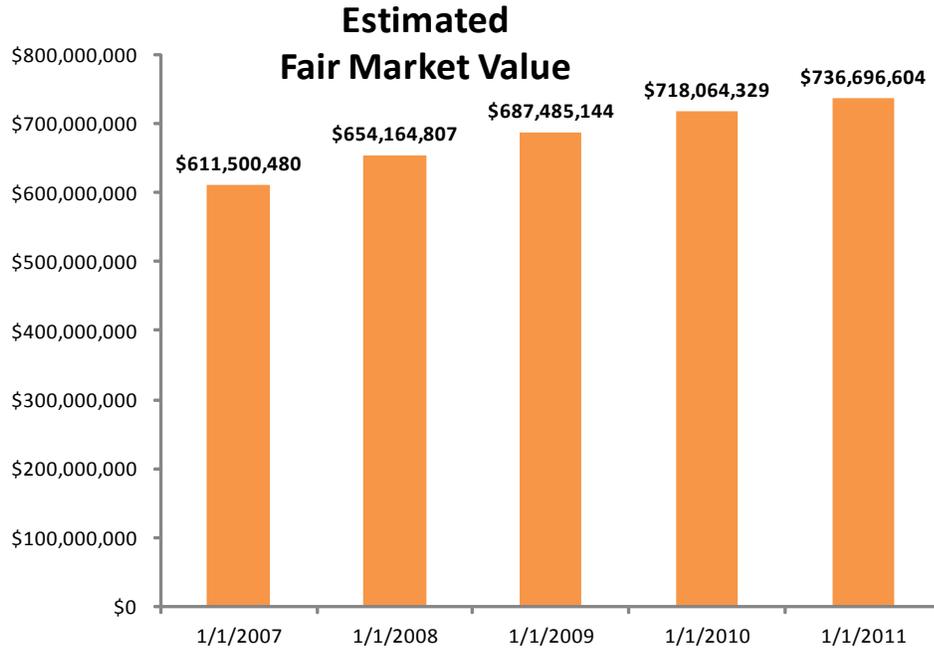
Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of a property is \$1,000.00 and the millage rate is 1.00, then the 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.	Career Tech	Common	Total
County General	10.54	Ames	I-92	37.16	5.31	10.25	15.93	4.22	72.87
EMS	3.16	Cleo Springs	I-4	37.33	5.33	10.55	13.69	4.22	71.12
County Health	1.58	Fairview	I-84	36.79	5.26	15.71	13.69	4.22	75.67
		Meno	I-1	37.19	5.31	15.16	13.69	4.22	75.57
		Ringwood	I-1	37.19	5.31	15.16	13.69	4.22	75.57
		Mooreland	J-2W	35.15	5.02	8.64	13.69	4.22	66.72
		Waynoka	J-3W	36.40	5.20	6.05	13.69	4.22	65.56
		Seiling	J-8D	36.50	5.21	7.47	13.69	4.22	67.09
		Okeene	J-9B	37.35	5.34	19.51	13.69	4.22	80.11
		Hennessey	J-16K	35.62	5.09	24.57	13.69	4.22	83.19
		Chisholm	J-42G	39.92	5.70	10.61	15.93	4.22	76.38
		Drummond	J-85G	36.51	5.22	24.74	15.93	4.22	86.62
		Timberlake	J-93A	37.19	5.31	6.61	13.69	4.22	67.02
		Canton	J-105B	36.74	5.25	7.32	13.69	4.22	67.22

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

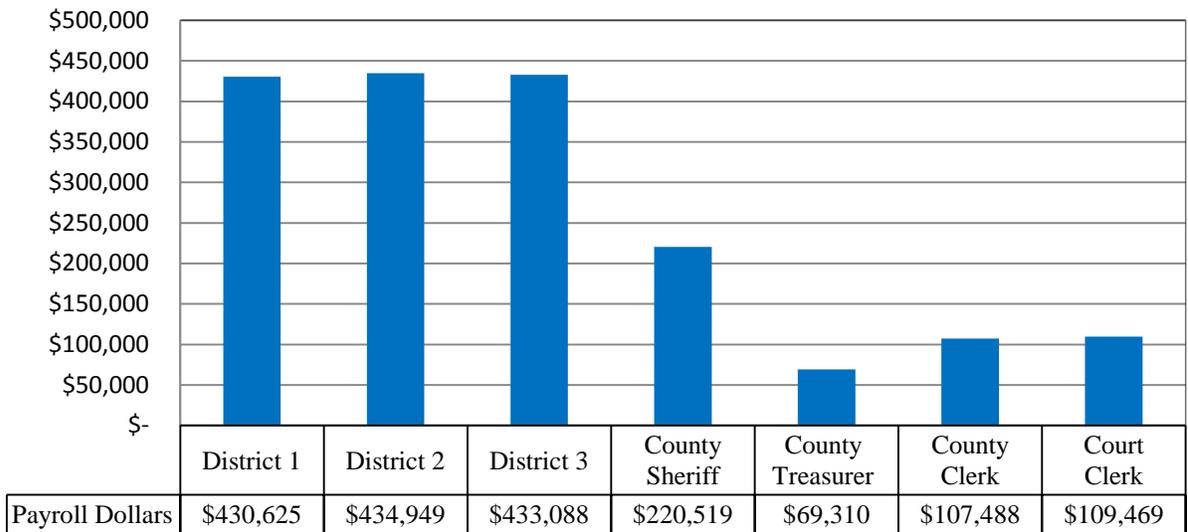
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2011	\$34,566,253	\$11,364,359	\$40,999,566	\$2,127,426	\$84,802,752	\$736,696,604
1/1/2010	\$33,501,739	\$11,338,964	\$40,026,755	\$2,169,473	\$82,697,985	\$718,064,329
1/1/2009	\$33,256,209	\$7,033,913	\$38,981,028	\$2,170,726	\$77,100,424	\$687,485,144
1/1/2008	\$31,120,691	\$6,478,662	\$37,718,607	\$2,195,410	\$73,122,550	\$654,164,807
1/1/2007	\$27,356,483	\$7,153,861	\$36,464,698	\$2,185,503	\$68,789,539	\$611,500,480



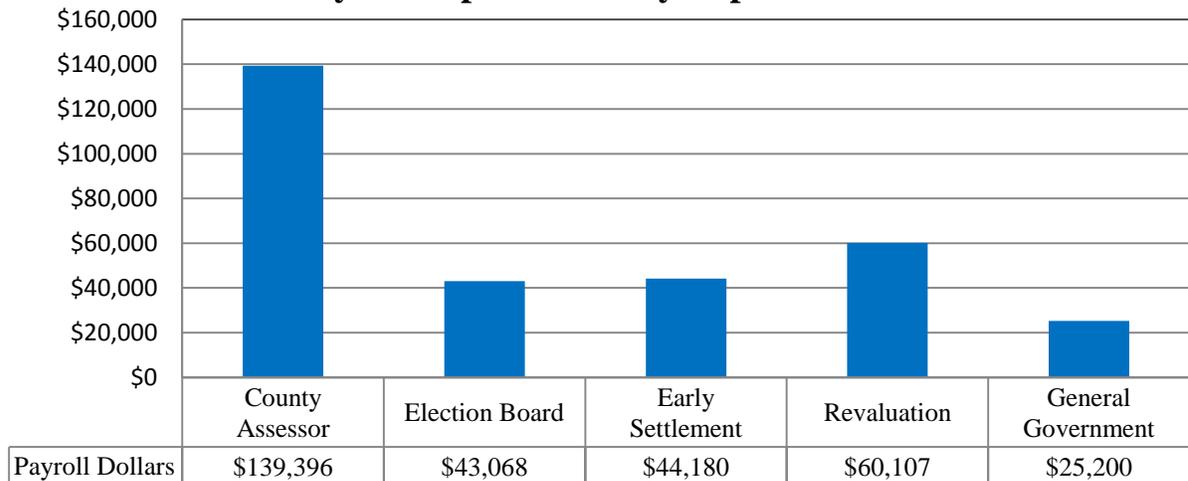
**MAJOR COUNTY, OKLAHOMA
COUNTY PAYROLL EXPENDITURES ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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



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

County General Fund

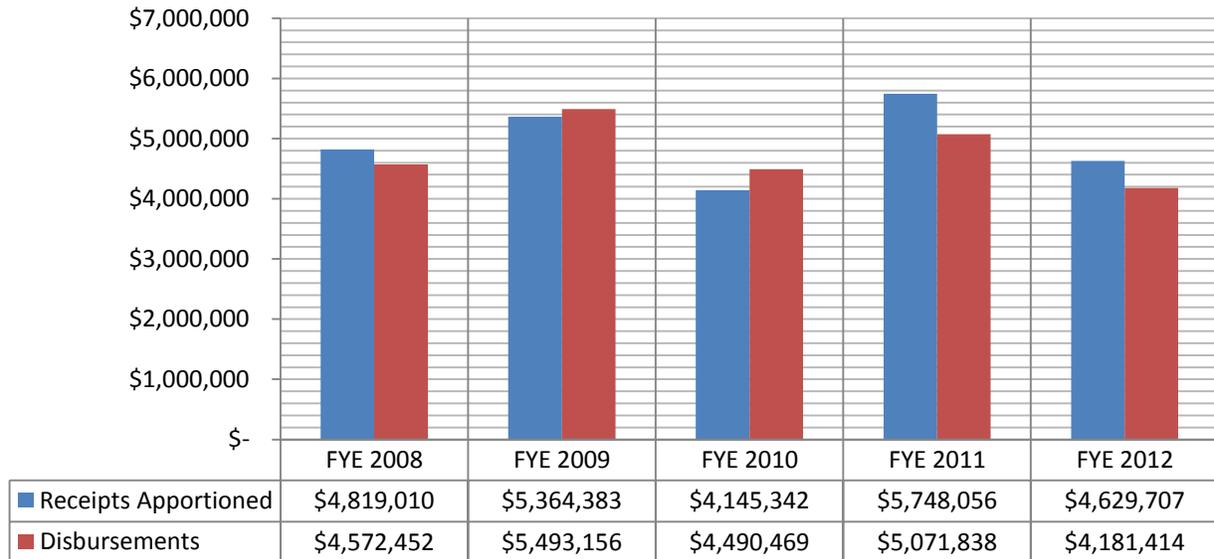
The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the county's primary source of operating revenue. The County General Fund is typically used for county employees' salaries plus many expenses for county maintenance and operation. It also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



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

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
MAJOR 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 Major 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 Major 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 Major 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 Major 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 October 27, 2014, on our consideration of Major 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

October 27, 2014

REGULATORY BASIS FINANCIAL STATEMENT

**MAJOR 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	\$ 380,766	\$ 1,329,508	\$ 100,000	\$ 100,000	\$ 1,389,180	\$ 321,094
County Highway Cash	2,320,869	4,629,707	100,000	100,000	4,181,414	2,769,162
County Health Department	106,209	133,913	-	-	149,312	90,810
Sales Tax Revolving Fund	290,939	261,031	-	-	195,506	356,464
Remaining Aggregate Funds	345,105	235,885	-	-	231,142	349,848
Combined Total - All County Funds	\$ 3,443,888	\$ 6,590,044	\$ 200,000	\$ 200,000	\$ 6,146,554	\$ 3,887,378

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

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

1. Summary of Significant Accounting Policies

A. Reporting Entity

Major County is a subdivision of the State of Oklahoma created by the Oklahoma Constitution and regulated by Oklahoma Statutes.

The accompanying financial statement presents the receipts, disbursements, and changes in cash balances of the total of all funds under the control of the primary government. The general fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund, where its use is restricted for a specified purpose. Other funds established by statute and under the control of the primary government are also presented.

The County Treasurer collects and remits material amounts of intergovernmental revenues and ad valorem tax revenue for other budgetary entities, including emergency medical services, school districts, and cities and towns. The cash receipts and disbursements attributable to those other entities do not appear in funds on the County's financial statement; those funds play no part in the County's operations. Any trust or agency funds maintained by the County are not included in this presentation.

B. Fund Accounting

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

Following are descriptions of the county funds included as combining information within the financial statement:

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

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

County Health Department – accounts for ad valorem tax collections and fees for service collected, disbursements are made to operate the County Health Department.

Sales Tax Revolving Fund – accounts for all sales tax collections received from Oklahoma Tax Commission and disbursements are made according to sales tax ballots requirements to fund O.S.U. Cooperative Extension Services and 4-H program, upgrade, upkeep, and maintenance of equipment and facilities of the fairgrounds, Free Fair and Jr. Livestock Show, and capital improvements and capital upgrades of the County Courthouse.

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

C. Basis of Accounting

The financial statement is prepared on a basis of accounting wherein amounts are recognized when received or disbursed. This basis of accounting differs from accounting principles generally accepted in the United States of America, which require revenues to be recognized when they become available and measurable or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred. This regulatory basis financial presentation is not a comprehensive measure of economic condition or changes therein.

Title 19 O.S. § 171 specifies the format and presentation for Oklahoma counties to present their financial statement in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) or on a regulatory basis. The County has elected to present their financial statement on a regulatory basis in conformity with Title 19 O.S. § 171. County governments (primary only) are required to present their financial statements on a fund basis format with, at a minimum, the general fund and all other county funds, which represent ten percent or greater of total county revenue. All other funds included in the audit shall be presented in the aggregate in a combining statement.

D. Budget

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

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

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.

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

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

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.

D. Sales Tax

On January 11, 2005, Major County voters approved a 0.25% sales tax effective April 1, 2005, for the duration of seven (7) years or until March 21, 2012. The 0.25% sales tax will be divided as follows:

- O.S.U. Cooperative Extension Service and 4-H program.
- Upgrade, upkeep, and maintenance of equipment and facilities of the fairgrounds.
- Free Fair and Jr. Livestock Show.
- Capital improvements and capital upgrades of the County Courthouse.

On February 8, 2011, Major County voters approved a 0.25% sales tax effective April 1, 2012, for the duration of seven (7) years or until March 31, 2019. The 0.25% sales tax will be divided as follows:

- O.S.U. Cooperative Extension Service and 4-H program.
- Upgrade, upkeep, and maintenance of equipment and facilities of the fairgrounds.
- Free Fair and Jr. Livestock Show.
- Capital improvements and capital upgrades of the County Courthouse.

These funds are accounted for in the Sales Tax Revolving Fund.

F. Interfund Transfers

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

- \$100,000 from County Highway Cash fund to County General Fund for a temporary transfer of funds until the ad valorem taxes were collected and apportioned to meet the budgetary needs of the County General Fund.

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

- \$100,000 from County General Fund to the County Highway Cash fund to account for the temporary transfer of funds prior to ad valorem taxes being collected and apportioned in accordance with Title 68 O.S. § 3021.

OTHER SUPPLEMENTARY INFORMATION

MAJOR 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	\$ 380,766	\$ 380,766	\$ -
Less: Prior Year Outstanding Warrants	(64,713)	(64,713)	-
Less: Prior Year Encumbrances	(14,249)	(11,062)	3,187
Beginning Cash Balances, Budgetary Basis	<u>301,804</u>	<u>304,991</u>	<u>3,187</u>
Receipts:			
Ad Valorem Taxes	812,565	883,005	70,440
Charges for Services	93,000	165,267	72,267
Miscellaneous Revenues	244,622	281,236	36,614
Total Receipts, Budgetary Basis	<u>1,150,187</u>	<u>1,329,508</u>	<u>179,321</u>
Expenditures:			
District Attorney	2,000	1,642	358
County Sheriff	269,571	267,091	2,480
County Treasurer	80,436	79,997	439
County Clerk	131,801	133,660	(1,859)
Court Clerk	75,000	114,297	(39,297)
County Assessor	96,960	93,940	3,020
Revaluation of Real Property	116,960	116,693	267
General Government	175,200	116,309	58,891
Excise-Equalization Board	3,500	2,412	1,088
County Election Board	60,300	53,058	7,242
Insurance	341,000	331,391	9,609
Early Settlement	73,718	50,406	23,312
Audit Budget	25,545	25,545	-
Total Expenditures, Budgetary Basis	<u>1,451,991</u>	<u>1,386,441</u>	<u>65,550</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	248,058	<u>\$ 248,058</u>
Operating Transfers:			
Transfer In		\$100,000	
Transfer Out		(\$100,000)	
Net Operating Transfers		<u>-</u>	
Disbursements, and Changes in Cash Balances			
Add: Current Year Reserves		22,071	
Add: Current Year Outstanding Warrants		50,965	
Ending Cash Balance		<u>\$ 321,094</u>	

**MAJOR 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**

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 106,209	\$ 106,209	\$ -
Less: Prior Year Outstanding Warrants	(6,461)	(6,461)	-
Less: Prior Year Encumbrances	(5,924)	(5,924)	-
Beginning Cash Balances, Budgetary Basis	93,824	93,824	-
Receipts:			
Ad Valorem Taxes	121,807	132,367	10,560
Charges for Services	-	765	765
Miscellaneous Revenues	-	781	781
Total Receipts, Budgetary Basis	121,807	133,913	12,106
Expenditures:			
County Health Budget Account	215,631	160,775	54,856
Total Expenditures, Budgetary Basis	215,631	160,775	54,856
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	66,962	\$ 66,962
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Reserves		16,282	
Add: Current Year Outstanding Warrants		7,566	
Ending Cash Balance		\$ 90,810	

**MAJOR 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	Disbursements	Ending Cash Balances June 30, 2012
Remaining Aggregate Funds:				
Rural Fire	\$ 2,867	\$ -	\$ 888	\$ 1,979
Resale Property	55,633	31,191	18,107	68,717
Sheriff Service Fee	99,018	92,472	73,882	117,608
County Clerk Lien Fee	43,264	16,554	13,018	46,800
Treasurer Mortgage Tax Certification Fee	4,932	1,565	594	5,903
Contract Board of Prisoners	63,826	52,249	69,019	47,056
OBA Donations for Court Areas	-	4,300	4,221	79
Assessor Visual Inspection	1,201	2	55	1,148
Assessor Revolving Fee	8,413	3,082	4,948	6,547
Court House Security	34,115	14,310	29,267	19,158
Sheriff DARE	-	450	225	225
County Clerk Records Preservation Fee	31,000	19,710	16,918	33,792
Sheriff Commissary Fund	823	-	-	823
County Reward Fund	13	-	-	13
Combined Total - Remaining Aggregate Funds	\$ 345,105	\$ 235,885	\$ 231,142	\$ 349,848

**MAJOR COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

1. Budgetary Schedules

The Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis for the General Fund has not been presented. Therefore, the legally adopted budget cannot be compared with actual data for the General Fund. 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 as follows:

Rural Fire – accounts for the collection of rural fire dues and expenditures consist of insurance for the county owned vehicles.

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

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

County Clerk Lien Fee – accounts for fees for copies and lien collections and disbursements 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.

Contract Board of Prisoners – accounts for the collection of monies from the Oklahoma Department of Corrections and disbursements are used for the operations of the Sheriff's department.

OBA Donations for Court Areas – accounts for a donation from the Oklahoma Bar Association for the improvement of the County courtrooms.

**MAJOR COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

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

Court House Security – accounts for monies received through the court system to be disbursed for security improvements and operations for the Major County Courthouse.

Sheriff DARE – accounts for donations received and expended to educate children on drug awareness.

County Clerk Records Preservation Fee – accounts for fees collected for instruments filed with the County Clerk as restricted by statute.

Sheriff Commissary Fund – accounts for the profit on the sale of items to inmates and disbursements to purchase commissary goods from the vendor.

County Reward Fund – accounts for a percentage of fines imposed for littering in accordance with Title 21 Section 1753.3 and Section 1761.1 of the Oklahoma Statutes. The money is used to pay rewards for the arrest and conviction or for evidence leading to the arrest and conviction of any person who violates the provisions of the afore mentioned sections to offset the cost of any special enforcement programs originated by any law enforcement agency responsible for the arrest or prosecution of any person who violates the provision of Sections 1753.3 or 1761.1 of the Oklahoma Statutes.

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
MAJOR COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Major County, Oklahoma, as of and for the year ended June 30, 2012, which comprises Major County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated October 27, 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 Major 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 Major 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.

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, 2012-3, and 2012-4.*

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Major 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Major County's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit Major 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.

A handwritten signature in blue ink, appearing to read "Gary A. Jones".

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

October 27, 2014

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

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

Condition: County-wide controls regarding Control Environment, Risk Management, Information and Communication, and Monitoring have not been designed and implemented to reduce risks to the County as a whole.

Cause of Condition: Policies and procedures have not been designed to address risks of the County.

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

Recommendation: The Oklahoma State Auditor & Inspector's Office (OSAI) recommends that the County design procedures to identify and address risks. These procedures should be written policies and procedures and could be included in the County's policies and procedures handbook.

Management Response:

Chairman, Board of County Commissioners: The Board and the other elected officers are now meeting periodically in an open meeting with a separate posted agenda. The meetings are held to discuss risks and monitoring of those risks. Minutes of the meetings are being taken.

County Assessor: Regarding Risk Management and Monitoring, the elected officials will have quarterly meetings to discuss ways to improve our procedures and prevent fraud. Agendas will be posted, minutes taken, and at least two Commissioners will be present at the meetings.

County Clerk: Quarterly meetings will be scheduled. The officers will be polled as to agenda items and the County Clerk will prepare and deliver the agendas for meetings to officers. Minutes will be taken and recorded in the County Clerk's office.

Court Clerk: I was unaware of any County-wide control procedures, but I believe that we, as a county, will begin to implement such procedures prior to next year's county audit.

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.

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

The control environment is the foundation for all other components of internal control. When management believes that internal controls are important to meeting its goals and objectives and communicates this belief to its employees at all levels, internal controls are more likely to be functioning well. However, if management views internal controls as unrelated to achieving its goals and objectives, or even as an obstacle, it is almost a certainty that this attitude will be held by all employees, despite official statements or policies to the contrary. This understanding by management of the importance of internal controls and the communication of this importance to its employees are key elements of the control environment.

Risk assessment is a component of internal control which should provide for an assessment of the risks the County faces from both internal and external sources. Once risks have been identified, they should be analyzed for their possible effect. Management then has to formulate an approach for risk management and decide upon the internal control activities required to mitigate those risks and achieve the internal control objectives of efficient and effective operations, reliable financial reporting, and compliance with laws and regulations.

For a county to run and control its operations, it must have relevant, reliable information, both financial and nonfinancial. That information should be recorded and communicated to management and others within the County who need it and in a form and within a time frame that enables them to carry out their internal control and operational responsibilities. In addition, the county needs to make sure that the forms of communications are broad-based and that information technology management assures useful, reliable, and continuous communications.

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 2012-3 – Inadequate Internal Controls Over the Purchasing Process

Condition: Upon inquiry of the County personnel, and observation of the County's purchasing process, the following weaknesses were noted:

- Employees that are not designated requisitioning officers in the offices of the County make their own purchases. District 1, District 2, and District 3, County Assessor, and County Sheriff print their own purchase orders, and attach the invoice and receiving report prior to forwarding the documentation to the Purchasing Agent.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure adequate internal controls over the purchasing process and compliance with purchasing laws have not been adhered to with regard to requisitioning purchase orders.

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

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

Recommendation: OSAI recommends the following:

- Designated requisitioning officers should initiate the purchase of goods and services.

Management Response:

Chairman, Board of County Commissioners: The Board has made an effort to closely monitor the requisitioning of purchase orders since this condition was brought to our attention.

County Clerk: It is not up to the County Clerk when other offices get purchase orders. We will keep a watch on it and have them get a District Attorney's opinion in order to pay purchases that were not timely encumbered. Each office has been informed of this action.

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

Additionally, Title 19 O.S. § 1505.1 requires the requisitioning agent to requisition goods or services.

Finding 2012-4 – Inadequate Internal Controls Over the Payroll Process

Condition: There is not an adequate segregation of duties over the payroll process.

- One employee is responsible for entering new employee information into the system, making payroll changes, and running verification reports.
- The payroll clerk does not maintain personnel files for part-time employees.

Cause of Condition: Policies and procedures have not been fully designed and implemented over the payroll process to strengthen internal controls.

Effect of Condition: These conditions 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 for full-time and part-time employees, and
- Preparing state reports and state and federal tax reports.

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

Management Response:

County Clerk: One employee and the County Clerk do the payroll together and trade off on the duties each time. Both of us do the 941 reports and the unemployment reports, but from this point forward, we will initial and date the payroll reports and the tax reports. The County Clerk's office will begin to maintain a part-time personnel file for each part-time employee.

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.

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 2012-6 – Inadequate Internal Controls and Noncompliance Over the Inmate Trust Fund Checking Account and Sheriff Commissary Fund

Condition: Based on inquiry and observation of records, the County Sheriff's office has not designed or implemented measures to safeguard inmate trust funds from possible misappropriation or embezzlement.

The following weaknesses were noted in the Inmate Trust Fund Checking Account:

- One employee can issue receipts, post funds to inmates' accounts, prepare the deposit, and take the deposit to the bank.
- Receipts were not issued in sequential order.
- Inmate trust funds collected were not deposited daily.
- Bank statements were not reconciled to the inmate account ledger.
- We noted one instance in which a receipt was cut from the duplicate receipt book and removed. We could not determine the amount of the receipt or the reason the copy of the receipt was removed from the book. The missing receipt was numbered 405330 and surrounding receipts were dated June 22, 2012.

Additionally, we noted the following weaknesses within the Sheriff Commissary Fund;

- The Sheriff's office did not file an annual report of commissary operations with the Board of County Commissioners.

Cause of Condition: Policies and procedures with regard to segregation of duties and policies to safeguard inmate funds in the Inmate Trust Fund Checking Account have not been designed or implemented.

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

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

Recommendation: OSAI recommends the following:

- Key duties and responsibilities should be segregated among different individuals to reduce the risk of error or fraud. No one individual should have the ability to authorize transactions, have physical custody of assets, and record transactions.
- Inmate trust fund monies should be maintained in a manner that reflects each inmate's trust deposits, disbursements, and account balances. The inmate's trust fund balances should be reconciled to the bank statements each month.
- Bank reconciliations should be performed on a monthly basis.
- All collections should be deposited daily, and a copy of receipts issued for funds received should be maintained in the receipt book and kept in the office.
- The Sheriff should file a report of the commissary with the County Commissioners by January 15th, of each year.

Further, an annual report on commissary accounts is required to be filed annually with the Board of County Commissioners as required by Title 19 O.S. § 180.43

Management Response:

County Sheriff: The following changes will be made in the accounting for the Inmate Trust Checking Account and the Commissary Fund:

- There are two employees that now are posting funds to inmate accounts.
- One employee will prepare the deposit and two employees sign the deposit slip and count funds
- One deputy will take the deposit to the bank and sign off on the deposit slip.
- We now have a receipt book for inmate money only, to keep receipts in numerical order.
- Inmate funds will be deposited daily, and reconciled once per week.
- No receipts will be removed from receipt books.
- We are working with the software provider to reconcile the bank statement to the inmate account ledger.
- An annual report of commissary operations will be filed with the Board of County Commissioners.

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.

Title 19 O.S. § 180.43 states in part, "...The Sheriff shall file an annual report on any said commissary under his or her operation no later than January 15th of each year."

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

Finding 2012-7 – Inadequate Internal Controls and Noncompliance Over Fixed Assets and Consumable Inventories

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

County Commissioners District 1, District 2, and District 3, County Clerk, County Sheriff:

- An annual physical fixed asset inventory count is not being performed.

County Clerk:

- One of the five items selected was not properly marked with the County identification number.

County Sheriff:

- Five of the five inventory items selected were not properly marked with the County identification number.

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

County Commissioners District 1, District 2, and District 3:

- A monthly physical count of consumable inventory is not performed.

County Commissioner District 1:

- Four of the five consumable items selected had the incorrect quantity listed as compared to the physical count.

County Commissioner District 2:

- One of the five consumable items selected had the incorrect quantity listed as compared to the physical count.

County Commissioner District 3:

- Two of the five consumable items selected had the incorrect quantity listed as compared to the physical count.

Cause of Condition: Policies and procedures have not been designed to ensure compliance with the state statutes regarding maintaining and properly identifying fixed assets. Additionally, procedures have not been designed and implemented to provide for accurate inventory records and the safeguarding of consumable items.

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

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

Recommendation: OSAI recommends the County adopt policies and procedures to implement a system of internal controls over the fixed assets inventory records. These controls would include that all offices:

- Perform an annual inventory count.
- Retain documentation to verify the physical inventory counts were performed.
- Inventory count should be performed by someone other than the receiving officer or inventory officer.

Further, OSAI recommends the County comply with 19 O.S. § 178.1, 19 O.S. § 1502(A) (1), and 19 O.S. § 1502(B) (1) by maintaining inventory records and properly marking assets with county identification numbers.

In addition, OSAI recommends management implement internal controls to ensure compliance with 19 O.S. § 1504A. These controls would include:

- Performing and documenting a periodic physical count of consumable inventory.
- Separating the key functions of receiving, maintaining and verifying consumable inventories.

Management Response:

County Commissioner District 1: I have hired a person to maintain inventory on consumables and fixed assets. We will do a fixed asset inventory on July 1, and January 1. We will also be doing an inventory on the first of each month of all consumables. We have done this in the past, but our employee in charge of inventories retired. The last time the vendor software provider upgraded our system, the inventory did not transfer correctly, so that could be the reason for discrepancies.

County Commissioner District 2: In response to the finding, District 2 is now performing the annual physical fixed asset inventory at the beginning of each fiscal year and the end of each calendar year. Regarding the monthly physical count of consumable inventory, we are performing this once a month, at the end of every month.

County Commissioner District 3: In response to the finding, District 3 is now performing the annual physical fixed asset inventory at the beginning of each fiscal year and the end of each calendar year. On the monthly physical count of consumable inventory, we are performing this once a month, at the end of every month.

County Clerk: Inventory item F610-016 (computer and accessories) has been removed from inventory with a Resolution Disposing of Equipment on June 16, 2014.

County Sheriff: We will start having a different employee perform an inventory and count, and have each employee sign off of the inventory. The five items that were chosen were fire arms. We do not destroy guns by engraving numbers on them. They are kept on a different sheet with officer and serial number of the gun.

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

Auditor Response: The Sheriff did not have a current inventory on file. We selected items at random to determine that the items were marked. Not all of the items selected were guns.

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.



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

WWW.SAI.OK.GOV