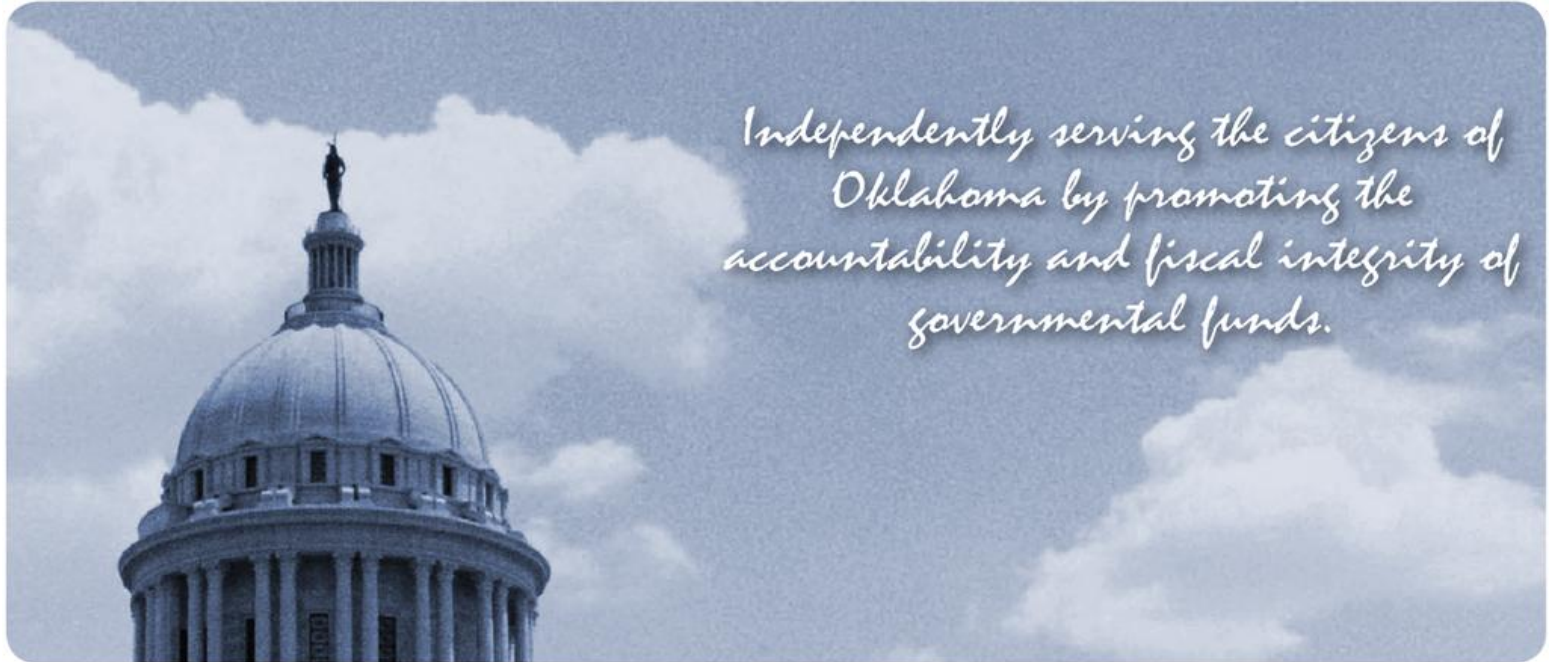


COUNTY AUDIT

# MAJOR COUNTY

For the fiscal year ended June 30, 2013



*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, 2013**

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



# Oklahoma State Auditor & Inspector

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

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, 2013. 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, 2013**

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**MAJOR COUNTY, OKLAHOMA  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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INTERNAL CONTROL AND COMPLIANCE SECTION

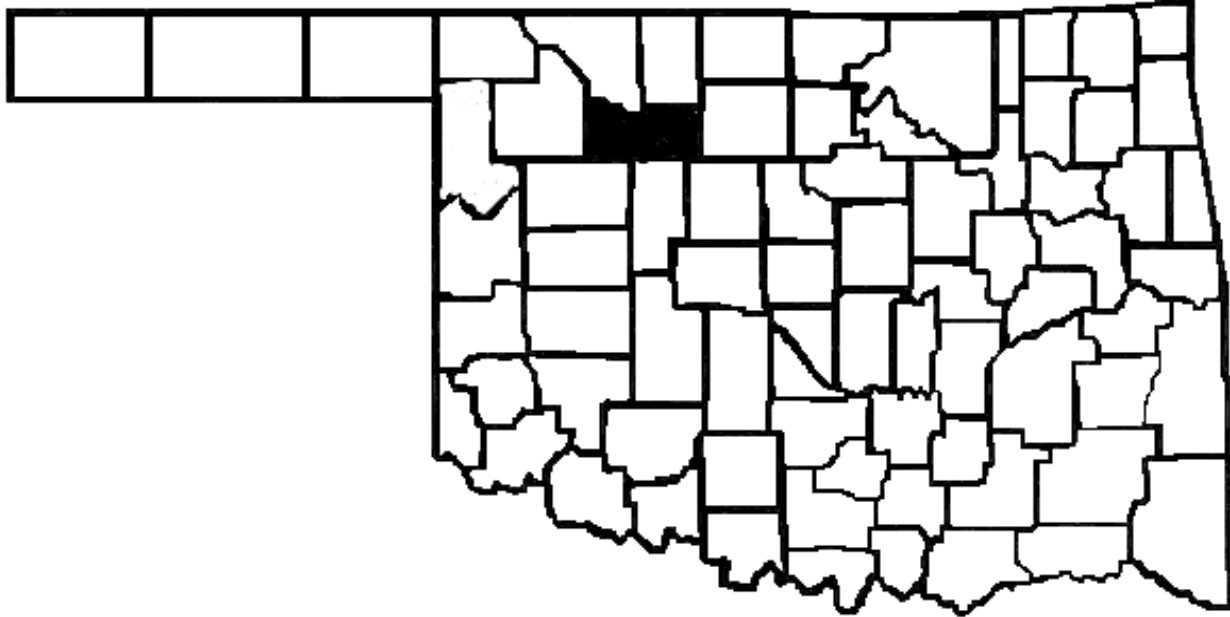
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**PRESENTED FOR INFORMATIONAL PURPOSES ONLY**

**MAJOR COUNTY, OKLAHOMA  
STATISTICAL INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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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 – 7,683  
(2012 est.)

Farms – 967

Land in Farms – 517,334 Acres

Primary Source: Oklahoma Almanac 2013-2014

**MAJOR COUNTY OFFICIALS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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**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

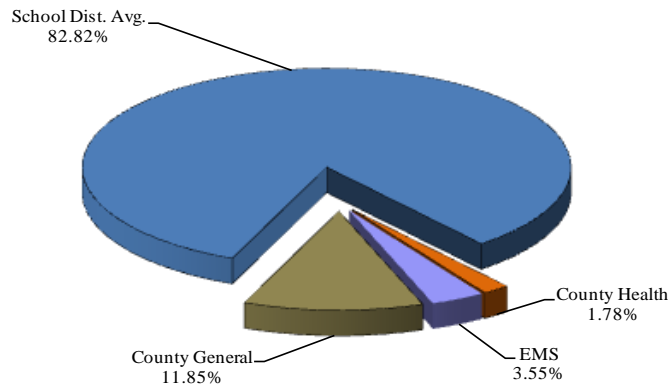
**District Attorney**

Hollis Thorp



**MAJOR COUNTY, OKLAHOMA  
AD VALOREM TAX DISTRIBUTION  
SHARE OF THE AVERAGE MILLAGE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

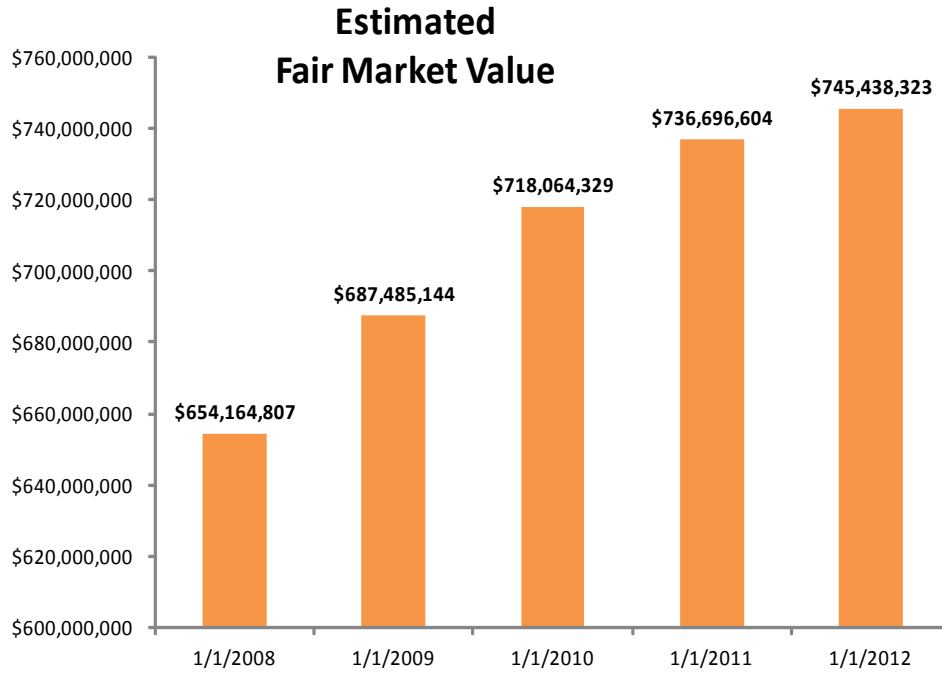
Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of a property is \$1,000.00 and the millage rate is 1.00, then the 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.	Skd.	Career Tech	Common	Total
County General	10.54								
EMS	3.16	Ames	I-92	37.16	5.31	10.12	15.93	4.22	72.74
County Health	1.58	Cleo Springs	I-4	37.33	5.33	10.77	13.69	4.22	71.34
		Fairview	I-84	36.79	5.26	13.36	13.69	4.22	73.32
		Meno	I-1	37.19	5.31	18.13	13.69	4.22	78.54
		Ringwood	I-1	37.19	5.31	18.13	13.69	4.22	78.54
		Mooreland	J-2W	35.15	5.02	13.23	13.69	4.22	71.31
		Waynoka	J-3W	36.40	5.20	5.53	13.69	4.22	65.04
		Seiling	J-8D	36.50	5.21	3.99	13.69	4.22	63.61
		Okeene	J-9B	37.35	5.34	21.27	13.69	4.22	81.87
		Hennessey	J-16K	35.62	5.09	22.75	13.69	4.22	81.37
		Chisholm	J-42G	39.92	5.70	12.69	15.93	4.22	78.46
		Drummond	J-85G	36.51	5.22	22.96	15.93	4.22	84.84
		Timberlake	J-93A	37.19	5.31	5.50	13.69	4.22	65.91
		Canton	J-105B	36.74	5.25	4.82	13.69	4.22	64.72

**MAJOR COUNTY, OKLAHOMA  
 ASSESSED VALUE OF PROPERTY  
 TREND ANALYSIS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2012	\$34,690,675	\$10,538,905	\$42,234,107	\$2,168,115	\$85,295,572	\$745,438,323
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

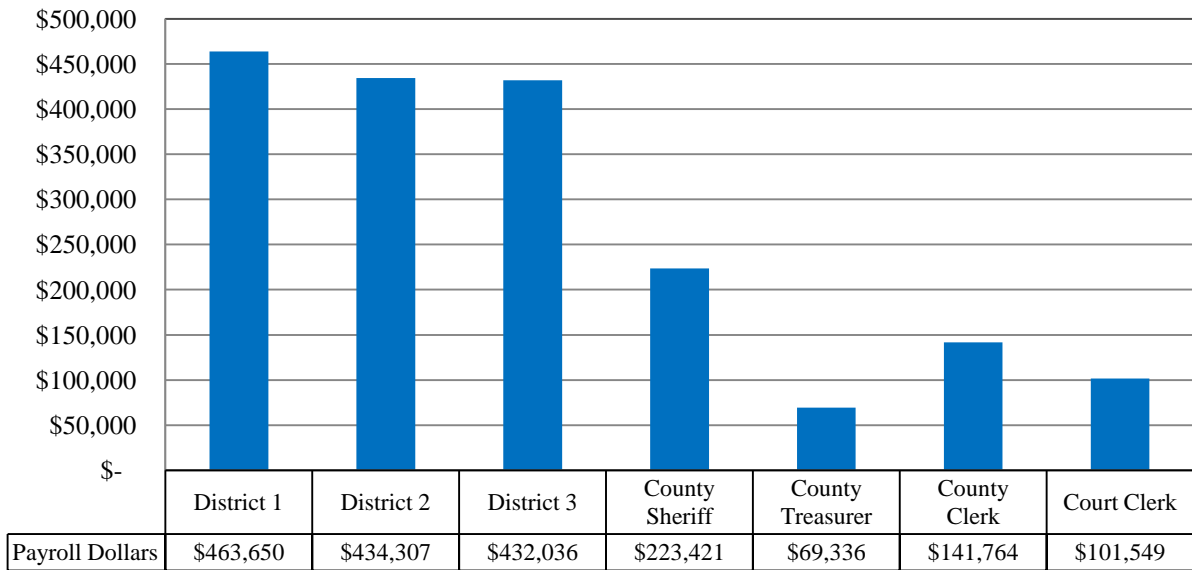


**MAJOR COUNTY, OKLAHOMA  
COUNTY PAYROLL EXPENDITURES ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

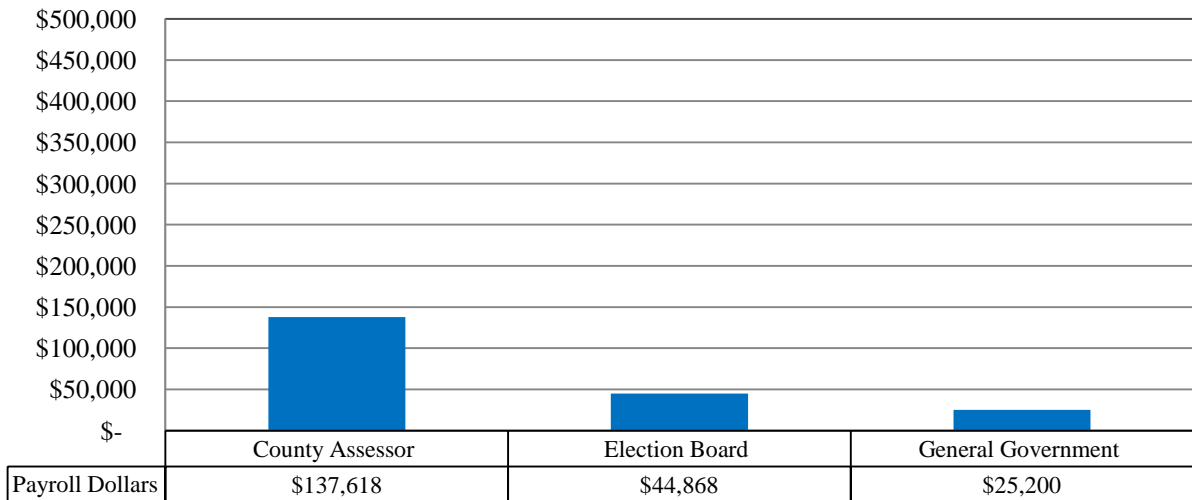
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County officers' salaries are based upon the assessed valuation and population of the counties. State statutes provide guidelines for establishing elected officers' salaries. The Board of County Commissioners sets the salaries for all elected county 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, 2013.

**Payroll Expenditures by Department**



**Payroll Expenditures by Department**

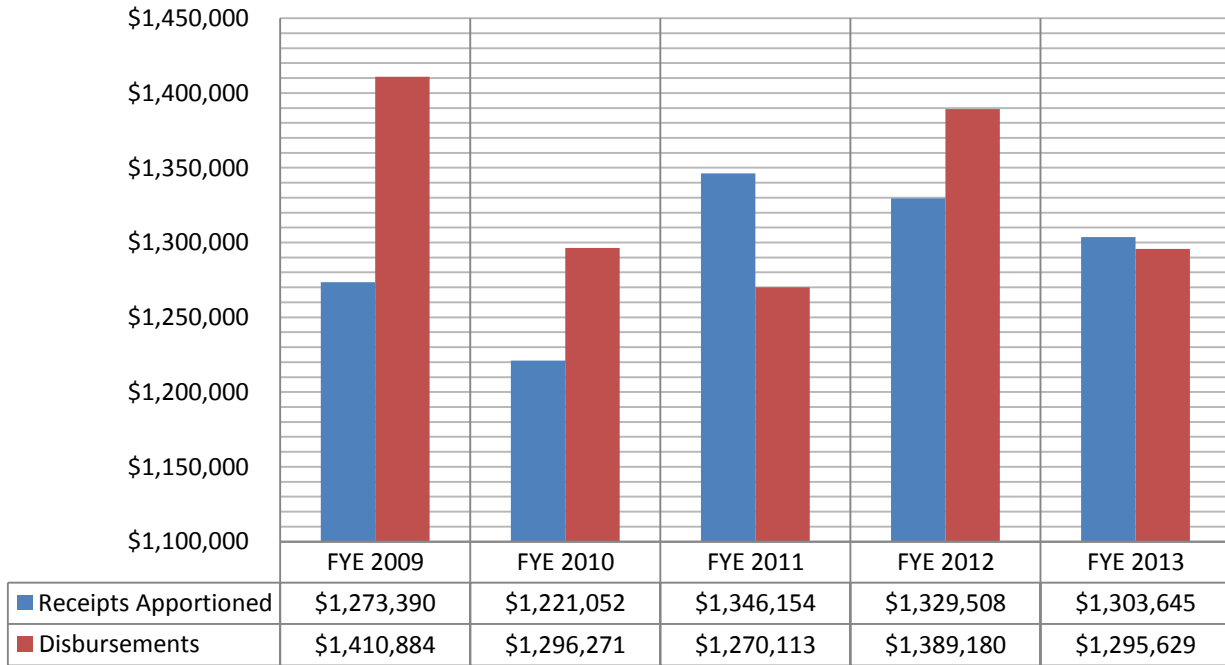


**MAJOR COUNTY, OKLAHOMA  
COUNTY GENERAL FUND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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## County General Fund

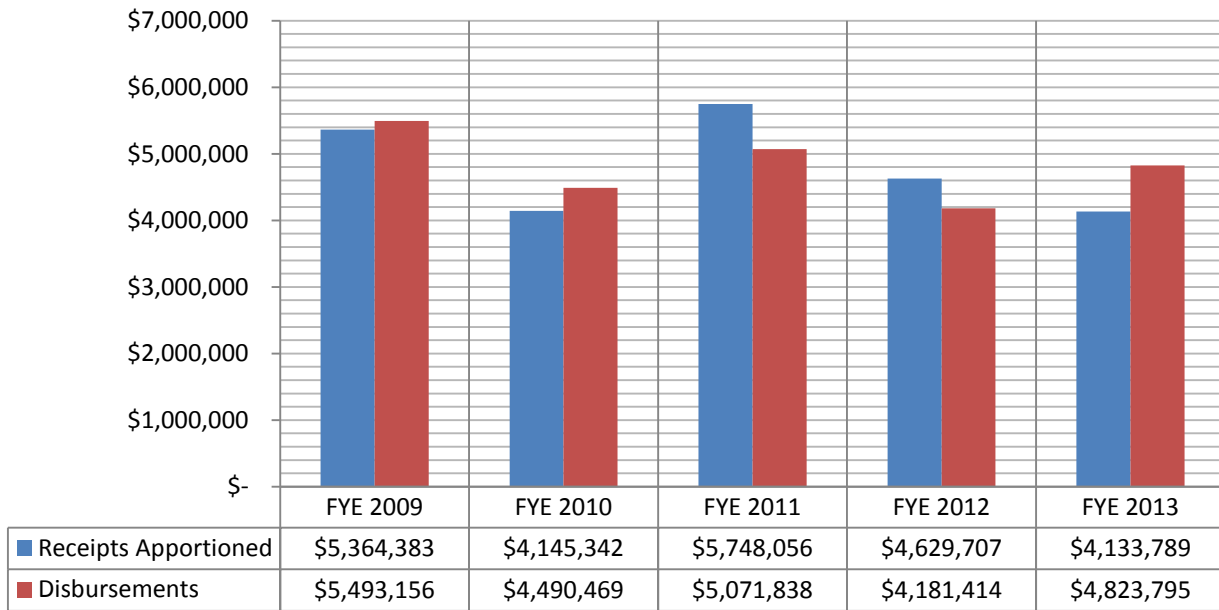
The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the county's primary source of operating revenue. The County General Fund is typically used for county employees' salaries plus many expenses for county maintenance and operation. It also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



**MAJOR COUNTY, OKLAHOMA  
COUNTY HIGHWAY FUND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

## 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

### *Report on the Financial Statement*

We have audited the combined total—all county funds on the accompanying regulatory basis Statement of Receipts, Disbursements, and Changes in Cash Balances of Major County, Oklahoma, as of and for the year ended June 30, 2013, listed in the table of contents as the financial statement.

### *Management's Responsibility for the Financial Statement*

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

### *Auditor's Responsibility*

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

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

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

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

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

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted accounting Principles” paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Major County as of June 30, 2013, or changes in its financial position for the year then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined total of receipts, disbursements, and changes in cash balances for all county funds of Major County, for the year ended June 30, 2013, on the basis of accounting described in Note 1.

***Other Matters***

***Other Information***

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

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

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



***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated 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 in considering Major County's internal control over financial reporting and compliance.

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

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

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, 2013**

---

	Beginning Cash Balances July 1, 2012	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2013
Combining Information:						
Major Funds:						
County General Fund	\$ 321,094	\$ 1,303,645	\$ 220,000	\$ 220,000	\$ 1,295,629	\$ 329,110
County Highway Cash	2,769,162	4,133,789	220,000	220,000	4,823,795	2,079,156
County Health Department	90,810	135,182	-	-	172,198	53,794
Sales Tax Revolving Fund	356,464	279,177	-	-	223,127	412,514
Remaining Aggregate Funds	349,848	347,687	-	-	341,983	355,552
<b>Combined Total - All County Funds</b>	<b>\$ 3,887,378</b>	<b>\$ 6,199,480</b>	<b>\$ 440,000</b>	<b>\$ 440,000</b>	<b>\$ 6,856,732</b>	<b>\$ 3,230,126</b>

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, 2013**

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**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 OSU 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, 2013**

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**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, 2013**

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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, 2013**

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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 February 8, 2011, Major County voters approved a 0.25% sales tax effective April 1, 2012, and a 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.

- \$220,000 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.
- \$220,000 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, 2013**

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 321,094	\$ 321,094	\$ -
Less: Prior Year Outstanding Warrants	(50,965)	(50,965)	-
Less: Prior Year Encumbrances	(22,071)	(18,910)	3,161
Beginning Cash Balances, Budgetary Basis	<u>248,058</u>	<u>251,219</u>	<u>3,161</u>
Receipts:			
Ad Valorem Taxes	817,287	893,001	75,714
Charges for Services	144,293	150,551	6,258
Miscellaneous Revenues	204,801	260,093	55,292
Total Receipts, Budgetary Basis	<u>1,166,381</u>	<u>1,303,645</u>	<u>137,264</u>
Expenditures:			
District Attorney	2,000	2,000	-
County Sheriff	298,267	294,996	3,271
County Treasurer	78,437	76,234	2,203
County Clerk	151,301	151,203	98
Court Clerk	138,595	106,349	32,246
County Assessor	86,700	85,602	1,098
Revaluation of Real Property	129,410	114,218	15,192
General Government	101,400	81,468	19,932
Excise-Equalization Board	3,500	2,587	913
County Election Board	60,300	54,046	6,254
Insurance	356,000	348,063	7,937
Audit Budget	8,529	662	7,867
Total Expenditures, Budgetary Basis	<u>1,414,439</u>	<u>1,317,428</u>	<u>97,011</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	237,436	<u>\$ 237,436</u>
Operating Transfer:			
Transfer In		220,000	
Transfer Out		(220,000)	
Net Operating Transfers		<u>-</u>	
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Reserves		23,193	
Add: Current Year Outstanding Warrants		68,481	
Ending Cash Balance		<u>\$ 329,110</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, 2013**

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	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 90,810	\$ 90,810	\$ -
Less: Prior Year Outstanding Warrants	(7,566)	(7,566)	-
Less: Prior Year Encumbrances	(16,282)	(13,221)	3,061
Beginning Cash Balances, Budgetary Basis	66,962	70,023	3,061
Receipts:			
Ad Valorem Taxes	122,515	133,866	11,351
Charges for Services	-	703	703
Miscellaneous Revenues	-	613	613
Total Receipts, Budgetary Basis	122,515	135,182	12,667
Expenditures:			
County Health Budget Account	189,477	151,862	37,615
Total Expenditures, Budgetary Basis	189,477	151,862	37,615
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	53,343	\$ 53,343
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Reserves		35	
Add: Current Year Outstanding Warrants		416	
Ending Cash Balance		\$ 53,794	

**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, 2013**

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	Beginning Cash Balances July 1, 2012	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2013
Remaining Aggregate Funds:				
Rural Fire	\$ 1,979	\$ -	\$ 1,053	\$ 926
Resale Property	68,717	28,827	23,638	73,906
Sheriff Service Fee	117,608	104,892	132,830	89,670
County Clerk Lien Fee	46,800	19,921	12,580	54,141
Treasurer Mortgage Tax Certification Fee	5,903	1,870	444	7,329
Contract Board of Prisoners	47,056	57,058	62,127	41,987
OBA Donations for Court Areas	79	-	-	79
Assessor Visual Inspection	1,148	2	-	1,150
Assessor Revolving Fee	6,547	3,796	310	10,033
Court House Security	19,158	16,306	892	34,572
Sheriff DARE	225	1,520	-	1,745
County Clerk Records Preservation Fee	33,792	23,440	28,977	28,255
Sheriff Commissary Fund	823	-	-	823
County Reward Fund	13	8	-	21
Wireless 911	-	90,047	79,132	10,915
<b>Combined Total - Remaining Aggregate Funds</b>	<u>\$ 349,848</u>	<u>\$ 347,687</u>	<u>\$ 341,983</u>	<u>\$ 355,552</u>

**MAJOR COUNTY, OKLAHOMA  
NOTES TO OTHER SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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**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, 2013**

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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 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 Registrar of Deeds as restricted by statute.

Sheriff Commissary Fund – accounts for the profits 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.

Wireless 911 – accounts for fees within the County for the operation of the emergency 911 service.

**INTERNAL CONTROL AND COMPLIANCE SECTION**



# Oklahoma State Auditor & Inspector

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## **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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined total—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Major County, Oklahoma, as of and for the year ended June 30, 2013, which comprises Major County's 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 included an adverse opinion on the financial statement because the statement is prepared using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. However, our report also included our opinion that the financial statement does present fairly, in all material respects, the receipts, disbursements, and changes in cash balances – regulatory basis of the County for the year ended June 30, 2013, on the basis of accounting prescribed by Oklahoma state law, described in Note 1.

### **Internal Control Over Financial Reporting**

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses: 2013-1, 2013 -3, and 2013-4.

## **Compliance and Other Matters**

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

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

## **Purpose of this Report**

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

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



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, 2013**

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

**Finding 2013-1 – Inadequate County-Wide Controls (Repeat Finding)**

**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:** 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, 2013**

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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 2013–3 – Inadequate Internal Controls Over the Purchasing Process (Repeat Finding)**

**Condition:** Upon inquiry of the County personnel, and observation of the County’s purchasing process, and test for statutory compliance, 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 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, 2013**

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**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 2013-4 – Inadequate Internal Controls Over the Payroll Process (Repeat Finding)**

**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, 2013**

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**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 2013-6 – Inadequate Internal Controls and Noncompliance Over the Inmate Trust Fund Checking Account and Sheriff Commissary Fund (Repeat Finding)**

**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 404733 and surrounding receipts were dated December 17, 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, 2013**

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**Effect of Condition:** These conditions resulted in noncompliance with state statute. Also, without proper accounting and safeguarding of the Inmate Trust Fund, 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 Fund 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 15 of each year."

**MAJOR COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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**Finding 2013-7 – Inadequate Internal Controls and Noncompliance Over Fixed Assets and Consumable Inventories (Repeat Finding)**

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

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

- An annual physical fixed assets 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 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 statute 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 statute. 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, 2013**

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**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, 2013**

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**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.





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