

COUNTY AUDIT

# McCLAIN 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

**McCLAIN 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

June 30, 2015

TO THE CITIZENS OF  
McCLAIN COUNTY, OKLAHOMA

Transmitted herewith is the audit of McClain 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', is written over a horizontal line.

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

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

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

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INTERNAL CONTROL AND COMPLIANCE SECTION

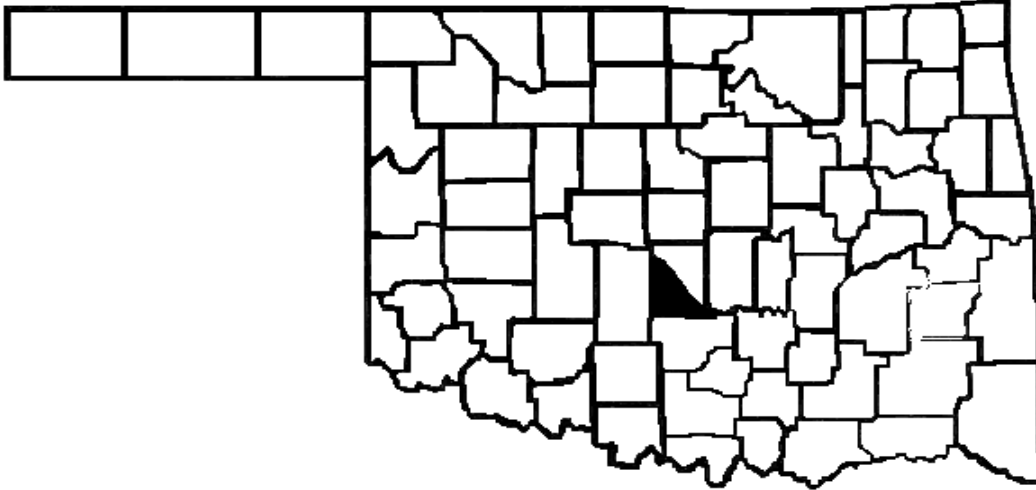
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**PRESENTED FOR INFORMATIONAL PURPOSES ONLY**

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

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McClain County, originally part of Curtis County in the proposed state of Sequoyah, was created at statehood. The county was named for Charles M. McClain, a member of the Oklahoma Constitutional Convention and an early resident of Purcell.

Forty-niners on their way to the gold fields of California passed through southern McClain County on the California Trail that paralleled present S.H. 59. To protect travelers going west, Camp Arbuckle was established by the U.S. Army in 1850, northwest of present-day Byars. For health reasons, the camp was abandoned after a year for a site thirty miles southwest in the Arbuckles.

In the 1870s large ranching operations north of the Washita River belonged either to those of Indian blood or those related to Indians by marriage. Black slaves formerly owned by Choctaw and Chickasaw families were also eligible to own land. Cotton gins in many small towns prepared raw cotton for the cotton press in Purcell, the county seat. Broom corn growing was also productive in the 1920s and 1930s.

The McClain County Historical Society has published a three-volume history of the area, and sponsored the Morman microfilming of county records in 1998. For more information, call the county clerk's office at 405-527-3360, or the McClain County Museum at 405-527-5894 weekday afternoons.

County Seat – Purcell

Area – 580.13 Square Miles

County Population – 35,613  
(2012 est.)

Farms – 1,318

Land in Farms – 336,852 Acres

Primary Source: Oklahoma Almanac 2013-2014

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

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**Board of County Commissioners**

District 1 – Benny McGowen  
District 2 – Wilson R. Lyles  
District 3 – Charles “Shorty” Foster

**County Assessor**

Pam Irwin

**County Clerk**

Pam Beller

**County Sheriff**

Don Hewett

**County Treasurer**

Teresa Jones

**Court Clerk**

Lynda Baker

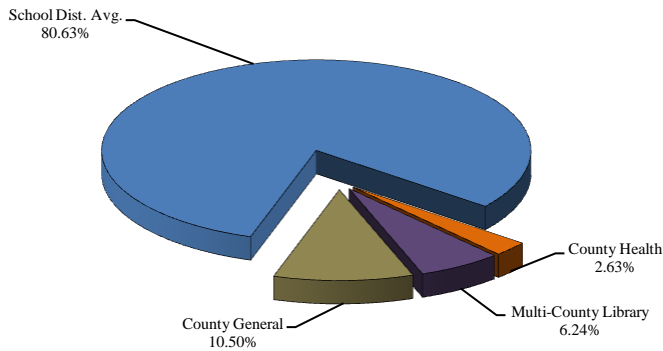
**District Attorney**

Greg Mashburn



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

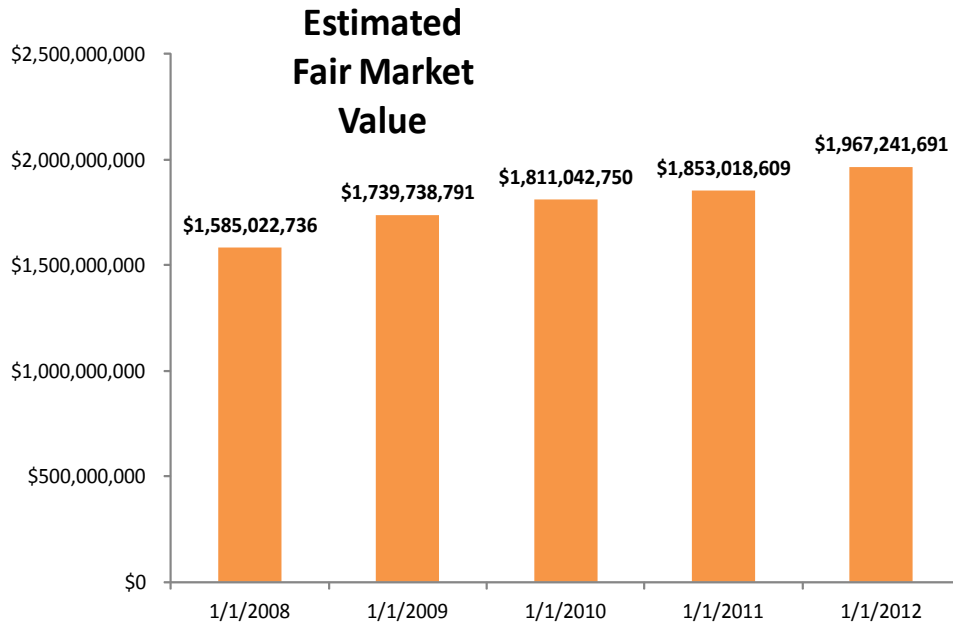
Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of a property is \$1,000.00 and the millage rate is 1.00, then the 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.	Skg.	Career		Total
							Tech	Common	
County General	10.28								
County Health	2.57	Newcastle	I-1	36.02	5.15	39.45	11.32	4.11	96.05
Multi-County Library	6.11	Dibble	I-2	36.19	5.17	30.90	11.32	4.11	87.69
		Byars	D-4	36.51	5.22	-	11.32	4.11	57.16
		Washington	I-5	36.12	5.16	18.57	11.32	4.11	75.28
Other		Wayne	I-10	36.19	5.17	16.40	11.32	4.11	73.19
EMS (SD - I-1, I-2, and I-29)	3.09	Purcell	I-15	35.77	5.11	31.63	11.32	4.11	87.94
		Blanchard	I-29	36.02	5.15	48.85	11.32	4.11	105.45
		Paoli	J-5	35.14	5.02	13.57	11.32	4.11	69.16
		Maysville	J-7	36.37	5.20	-	11.32	4.11	57.00
		Lindsay	J-9	36.26	5.18	13.17	11.32	4.11	70.04
		Stratford	J-2-49	35.63	5.09	24.45	11.32	4.11	80.60
		Bridge Creek	J-95	36.33	5.19	27.83	11.32	4.11	84.78
		Norman	J-29-32	35.39	5.06	26.05	14.15	4.11	84.76
		Alex	J-56	36.82	5.26	-	15.78	4.11	61.97
		Asher	J-112	35.77	5.11	32.15	15.31	4.11	92.45

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

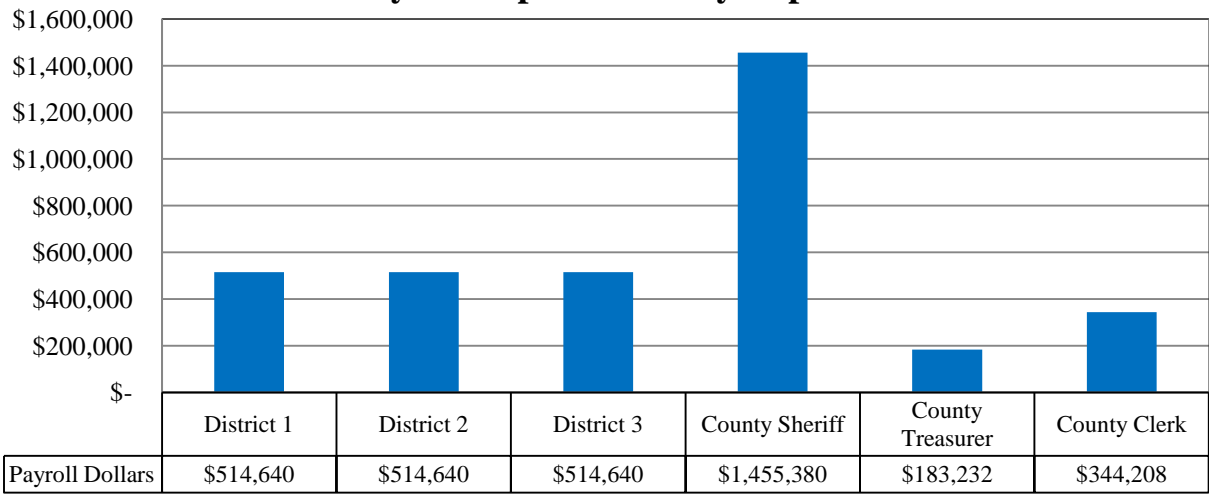
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2012	\$22,270,979	\$50,257,230	\$168,996,992	\$10,010,198	\$231,515,003	\$1,967,241,691
1/1/2011	\$17,909,400	\$49,559,576	\$161,142,859	\$9,574,824	\$219,037,011	\$1,853,018,609
1/1/2010	\$18,545,489	\$48,874,699	\$156,231,864	\$9,345,532	\$214,306,520	\$1,811,042,750
1/1/2009	\$18,402,070	\$49,781,428	\$148,078,483	\$8,930,381	\$207,331,600	\$1,739,738,791
1/1/2008	\$18,216,553	\$37,223,446	\$137,524,225	\$8,524,695	\$184,439,529	\$1,585,022,736



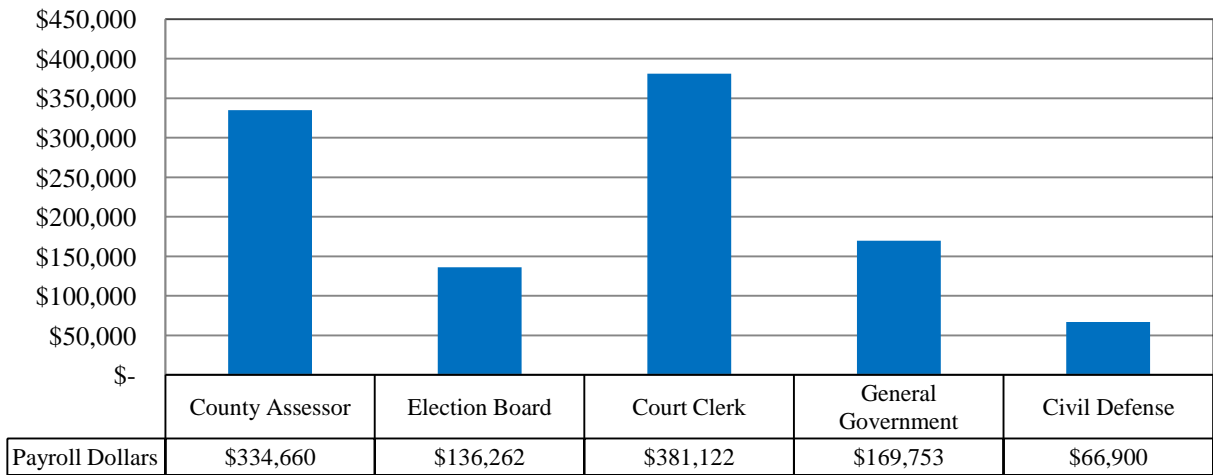
**McCLAIN COUNTY, OKLAHOMA  
COUNTY PAYROLL EXPENDITURES ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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**

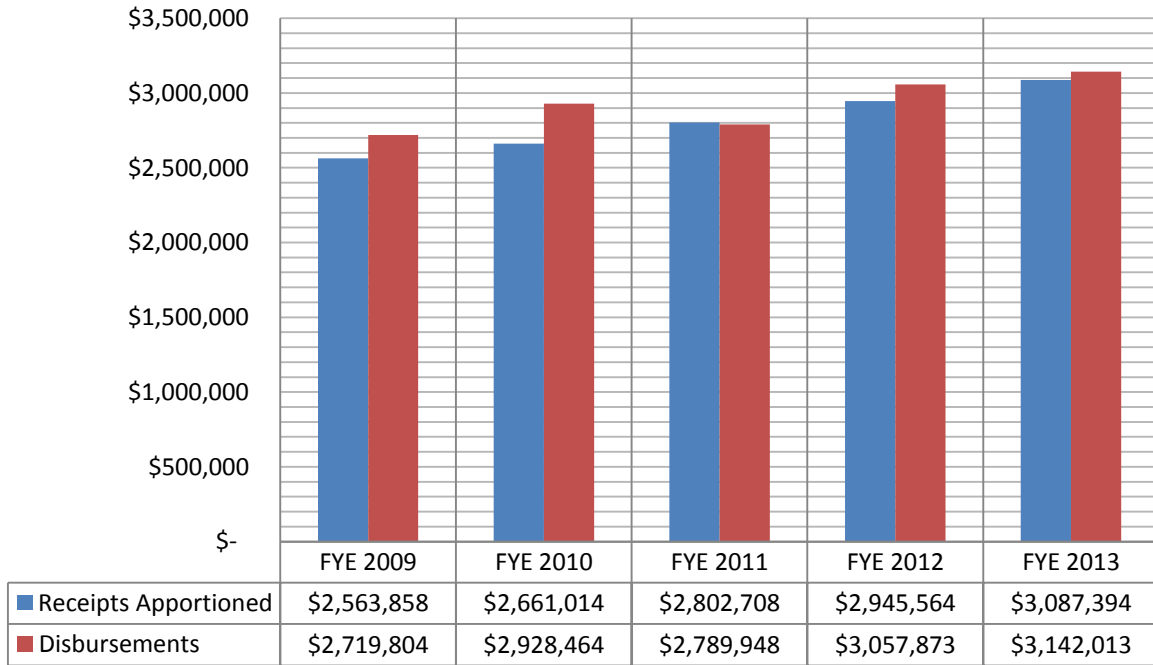


**McCLAIN COUNTY, OKLAHOMA  
COUNTY GENERAL FUND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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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.

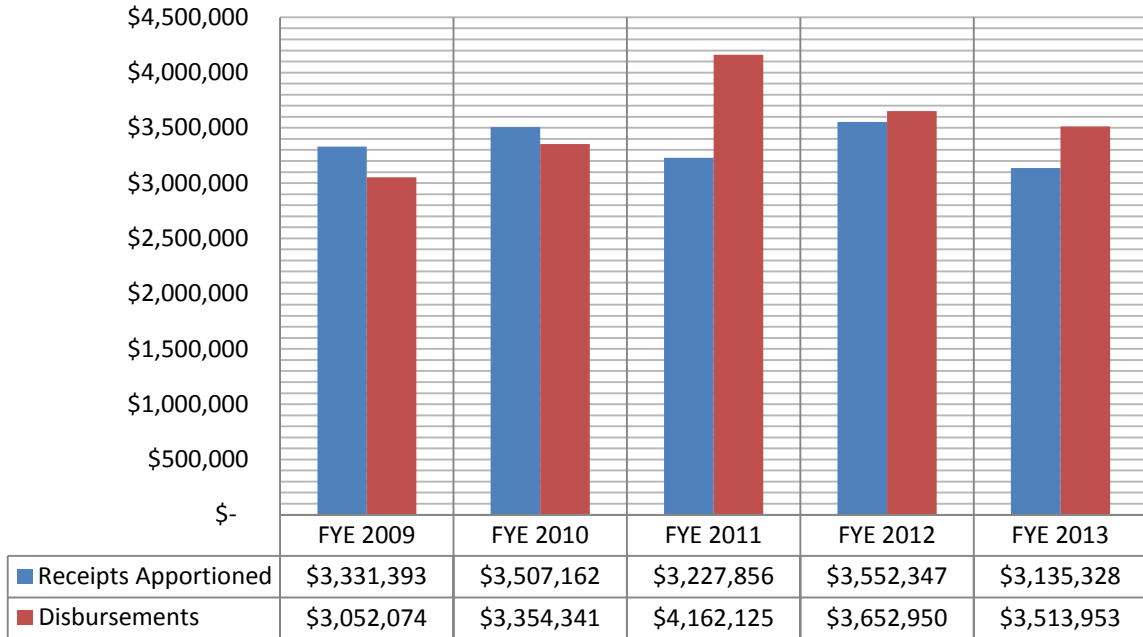


**McCLAIN COUNTY, OKLAHOMA  
COUNTY HIGHWAY FUND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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## County Highway Fund

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



**FINANCIAL SECTION**



# Oklahoma State Auditor & Inspector

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

## Independent Auditor's Report

TO THE OFFICERS OF  
McCLAIN 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 McClain 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 McClain 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 McClain 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 McClain 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 June 29, 2015, on our consideration of McClain 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 McClain 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

June 29, 2015

**REGULATORY BASIS FINANCIAL STATEMENT**

**McCLAIN 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	\$ 1,127,112	\$ 3,087,394	\$ -	\$ -	\$ 3,142,013	\$ 1,072,493
T-Highway	2,070,471	3,135,328	-	-	3,513,953	1,691,846
County Health	1,024,685	603,388	-	-	398,365	1,229,708
Sheriff Service Fee	206,581	560,100	-	-	569,613	197,068
County 1/2 Cent Sales Tax	437,765	-	-	-	291,050	146,715
1% County Sales Tax	641,959	30,000	-	-	103,282	568,677
2007 1/2 Cent Sales Tax	2,289,898	1,907,024	-	-	1,380,880	2,816,042
Resale Property	240,595	222,103	1,489	-	120,822	343,365
CBRI 105	421,117	183,469	-	25,731	97,296	481,559
Remaining Aggregate Funds	589,854	629,285	-	-	551,288	667,851
<b>Combined Total - All County Funds</b>	<b>\$ 9,050,037</b>	<b>\$ 10,358,091</b>	<b>\$ 1,489</b>	<b>\$ 25,731</b>	<b>\$ 10,168,562</b>	<b>\$ 9,215,324</b>

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

**McCLAIN 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**

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

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

The County Treasurer collects and remits material amounts of intergovernmental revenues and ad valorem tax revenue for other budgetary entities, including emergency medical districts, libraries, 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.

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

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

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

County ½ Cent Sales Tax – accounts for the remaining balance of revenue from a sales tax that expired July 1, 2005. Disbursements are to be used for general government purposes, initial implementation of 911 service, law enforcement and trash cop, extension and 4-H services, rural fire protection, senior citizens, and county fair and livestock show.

**McCLAIN COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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1% County Sales Tax – accounts for the remaining balance of revenue from a sales tax that expired October 31, 1997. Disbursements are to be used for general government purposes and building restoration and construction purposes.

2007 ½ Cent Sales Tax – accounts for the collection of sales tax revenue. Disbursements are to be used for law enforcement, rural fire protection, emergency management services, extension and 4-H services, senior citizens, economic development, free fair, community center, expo center, and county facilities.

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

CBRI 105 – accounts for monies received from Oklahoma Department of Transportation. Monies are earmarked for bridges, roads, and certain improvements for roads.

**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.

**McCLAIN COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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**E. Cash and Investments**

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

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

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

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

**2. Ad Valorem Tax**

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

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

**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

**McCLAIN COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

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

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

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

**C. Contingent Liabilities**

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

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

**D. Sales Tax**

Effective January 1, 2012, the voters of McClain County approved to extend the existing one-half cent sales tax for a period of eight years to be used for law enforcement, rural fire protection, emergency management services, extension and 4-H services, senior citizens, economic development, free fair, community center, expo center, and county facilities. These funds are accounted for in the 2007 ½ Cent Sales Tax fund.

**E. Interfund Transfers**

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

**McCLAIN COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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- The Excess Resale fund, a trust and agency fund, transferred \$1,489 to the Resale Property fund in accordance with 68 O.S. § 3131c.
  
- The CBRI 105 fund transferred \$25,731 to the Emergency and Transportation Revolving (ETR) fund, a trust and agency fund, to reimburse the ETR fund for the repayment of a loan.



**OTHER SUPPLEMENTARY INFORMATION**

**McCLAIN 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	\$ 1,127,112	\$ 1,127,112	\$ -
Less: Prior Year Outstanding Warrants	(96,224)	(95,780)	444
Less: Prior Year Encumbrances	(31,241)	(27,939)	3,302
Beginning Cash Balances, Budgetary Basis	<u>999,647</u>	<u>1,003,393</u>	<u>3,746</u>
Receipts:			
Ad Valorem Taxes	2,163,613	2,386,816	223,203
Charges for Services	246,258	252,096	5,838
Intergovernmental Revenues	357,136	427,914	70,778
Miscellaneous Revenues	19,002	20,568	1,566
Total Receipts, Budgetary Basis	<u>2,786,009</u>	<u>3,087,394</u>	<u>301,385</u>
Expenditures:			
District Attorney	24,000	24,000	-
County Sheriff	1,001,260	998,257	3,003
County Treasurer	152,095	143,792	8,303
County Commissioners	256,549	250,815	5,734
County Clerk	350,172	347,425	2,747
Court Clerk	253,597	253,597	-
County Assessor	217,934	215,707	2,227
Revaluation of Real Property	204,064	201,108	2,956
General Government	760,278	342,334	417,944
Excise-Equalization Board	4,000	2,404	1,596
County Election Expense	157,184	150,089	7,095
Insurance-Benefits	302,090	133,445	168,645
Emergency Management	82,100	79,587	2,513
County Audit Budget Account	17,333	604	16,729
Provision for Interest on Warrants	3,000	-	3,000
Total Expenditures, Budgetary Basis	<u>3,785,656</u>	<u>3,143,164</u>	<u>642,492</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	947,623	<u>\$ 947,623</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Outstanding Warrants		102,011	
Add: Current Year Encumbrances		<u>22,859</u>	
Ending Cash Balance		<u>\$ 1,072,493</u>	

**McCLAIN 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	\$ 1,024,685	\$ 1,024,685	\$ -
Less: Prior Year Outstanding Warrants	(59,733)	(59,733)	-
Less: Prior Year Encumbrances	(8,698)	(7,114)	1,584
Beginning Cash Balances, Budgetary Basis	956,254	957,838	1,584
Receipts:			
Ad Valorem Taxes	540,903	596,704	55,801
Charges for Services	4,119	4,119	-
Intergovernmental	-	538	538
Miscellaneous Revenues	-	2,027	2,027
Total Receipts, Budgetary Basis	545,022	603,388	58,366
Expenditures:			
Health and Welfare	1,501,276	478,690	1,022,586
Total Expenditures, Budgetary Basis	1,501,276	478,690	1,022,586
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	1,082,536	\$ 1,082,536
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		145,424	
Add: Current Year Outstanding Warrants		1,748	
Ending Cash Balance		\$ 1,229,708	

**McCLAIN 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**

	Beginning Cash Balances July 1, 2012	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2013
Remaining Aggregate Funds:				
County Clerk Lien Fee	\$ 95,458	\$ 44,408	\$ 30,824	\$ 109,042
Treasurer Mortgage Certification Fee	141,998	9,740	3,017	148,721
Community Service Sentencing Program	14,944	-	-	14,944
County Assessor Visual Inspection	127	-	85	42
Courthouse Building	3,100	-	-	3,100
County Assessor Fee	8,843	6,744	5,608	9,979
Saferoom Rebate	5,193	216,605	219,249	2,549
Trash Cop Program	1,349	-	-	1,349
Sheriff Drug Forfeiture	1,673	-	-	1,673
Sheriff Drug Buy	500	-	500	-
Domestic Violence	28,447	2,523	10,766	20,204
County Clerk Preservation Fee	201,006	68,145	33,347	235,804
Civil Emergency Management Grant	150	-	-	150
Free Fair	7,419	3,410	1,610	9,219
Expo Cash Account	17,929	19,269	29,750	7,448
Sheriff Drug Restitution	100	-	-	100
Sheriff Commissary	17,631	40,220	29,869	27,982
Court Fund Payroll	10,525	134,702	131,313	13,914
Homeland Security Grant	435	-	-	435
Hazard Mitigation Fund	800	-	-	800
Emergency Management Grant	5,310	20,000	3,714	21,596
Local Emergency Planning Grant	19,155	8,602	1,880	25,877
Development Permits	3,450	-	-	3,450
Community Center Farm & Home	4,312	9,325	4,164	9,473
Rural Water District #8 Grant	-	45,592	45,592	-
<b>Combined Total - Remaining Aggregate Funds</b>	<b>\$ 589,854</b>	<b>\$ 629,285</b>	<b>\$ 551,288</b>	<b>\$ 667,851</b>

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

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**1. Budgetary Schedules**

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

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

**2. Remaining County Funds**

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

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

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

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

County Assessor Visual Inspection – accounts for the collection and expenditure of funds by the County Assessor as restricted by statute for the visual inspection program.

Courthouse Building – accounts for funds set aside for courthouse improvements.

County Assessor Fee – accounts for the collection of fees for copies restricted by state statute.

Saferoom Rebate – accounts for grant funds received and disbursed for the purpose of providing rebates for saferooms built within the County.

Trash Cop Program – accounts for grant funds received from the State of Oklahoma for the enforcement of trash and litter laws.

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

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Sheriff Drug Forfeiture – accounts for the collection of the Sheriff’s percentage of drug forfeiture and disbursed for the maintenance and operation of the Sheriff’s office.

Sheriff Drug Buy – accounts for monies set aside for law enforcement sting operations.

Domestic Violence – accounts for supervision payments received from participants and disbursement of funds to be used for the maintenance and operation of the Domestic Violence Program.

County Clerk Preservation Fee – accounts for fees collected for instruments filed in the County Clerk’s office and disbursements are for the preservation of records as restricted by statute.

Civil Emergency Management Grant – accounts for grant funds received from the Federal Emergency Management Agency and the disbursement of funds as restricted by the grant agreement.

Free Fair – accounts for the collection of revenue generated from building rent, booth rental, and other fees and disbursements are for the maintenance and operation of the fair park.

Expo Cash Account – accounts for the collection of revenue generated from building rent, stall rental, and other fees and disbursements are for the maintenance and operation of the Expo Center.

Sheriff Drug Restitution – accounts for collections received by court orders for the purpose of drug interdiction.

Sheriff Commissary – accounts for monies transferred from the inmate trust account for commissary items and disbursement of funds for commissary and jail operating expenses.

Court Fund Payroll – accounts for monies transferred from the Court Fund to be used for payroll.

Homeland Security Grant – accounts for grant funds received from the U.S. Department of Homeland Security and the disbursement of funds are used for the Law Enforcement Terrorism Prevention Program.

Hazard Mitigation Fund – accounts for grant funds received from Oklahoma Emergency Management and disbursements are for the development of the County’s Hazard Mitigation Plan.

Emergency Management Grant – accounts for grant funds received from Oklahoma Emergency Management and disbursements are for the maintenance and operation of the McClain County Emergency Management Office.

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

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Local Emergency Planning Grant – accounts for grant funds received from Oklahoma Emergency Management to be used for hazardous materials emergency preparedness training and planning.

Development Permits – accounts for fees collected for flood zone permits and fees collected from oil companies for drilling on property within the County. Disbursements are for floodplain travel and maintenance and operation and road repair due to drilling.

Community Center Farm & Home – accounts for rental fees collected and disbursements are for the maintenance of the Community Center.

Rural Water District #8 Grant – accounts for grant funds received from Oklahoma Emergency Management to be used for treatment plant/water well generators.

**INTERNAL CONTROL AND COMPLIANCE SECTION**





# Oklahoma State Auditor & Inspector

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

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

TO THE OFFICERS OF  
McCLAIN 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 McClain County, Oklahoma, as of and for the year ended June 30, 2013, which comprises McClain County's financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated June 29, 2015.

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 McClain 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 McClain County's internal control. Accordingly, we do not express an opinion on the effectiveness of McClain County's internal control.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses: 2013-1, 2013-5, and 2013-7.

A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses to be a significant deficiency: 2013-6.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether McClain 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 McClain County, which are included in Section 2 of the schedule of findings and responses contained in this report.

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

McClain County's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. McClain 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

June 29, 2015

**McCLAIN 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:** Through the process of gaining an understanding of the County’s internal control structure, it was noted that county-wide controls, in relation to financial reporting, regarding Risk Assessment and Monitoring have not been designed. The County, as a whole, does not formally address procedures related to the collection and disbursement of county funds.

**Cause of Condition:** The County was not fully aware of the benefits gained by the implementation of procedures regarding risk assessment and monitoring as it relates to the strengthening of its internal control structure.

**Effect of Condition:** Without a sufficient assessment of risks, the County does not have the added assurance that adequate control activities are in place to prevent or detect errors or fraud that could result in unrecorded transactions, undetected errors, or misappropriation of funds. The absence of monitoring procedures could result in a breakdown of control activities, allowing error or fraud to remain undetected.

**Recommendation:** The Oklahoma State Auditor & Inspector’s Office (OSAI) recommends that the County design and implement a system of county-wide internal control procedures including procedures to identify and address risks related to financial reporting as well as monitoring procedures that will assess the quality of performance of control activities over time. These procedures should be written policies and procedures and could be included in the County’s policies and procedures handbook.

**Management Response:**

**District 1 County Commissioner:** Steps will be taken to implement a system related to the collection and disbursement of county funds.

**District 2 County Commissioner:** McClain County will strive to improve our internal control procedures. In certain instances, this creates a challenge with a limited amount of personnel in any one office. McClain County will do its best to be as transparent as possible.

**District 3 County Commissioner:** The Board of McClain County Commissioners and all elected officials will set a meeting to discuss work on methods to provide reasonable assurance that the objectives of effectiveness and efficiency of operations, reliability of financial reporting and compliance with laws and regulations are being met. Risks will be determined and analyzed. McClain County will determine if plans currently in place are adequate for involved risks and, if not, will develop additional controls. McClain County will also develop methods of monitoring internal controls. Responsibility for internal controls will be discussed to develop methods for monitoring during normal operations and to educate management and employees. This would include supervisory activities, comparisons, reconciliations and

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

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other actions people take in performing their duties. After the initial meeting, regular meetings will be set to continue risk assessment and monitoring.

**County Treasurer:** The County Clerk and Treasurer have talked about this problem and we plan to schedule a yearly meeting with all the county officers to discuss risk and internal controls within the County.

**County Clerk:** Steps will be taken to implement a system related to the collection and disbursement of county funds.

**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 including Risk assessment and Monitoring for the achievement of these goals.

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

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

**Finding 2013-5 – Inadequate Segregation of Duties Over the Collection Process – County Treasurer (Repeat Finding)**

**Condition:** The following duties performed in the County Treasurer's office are not properly segregated: issuing receipts, preparing deposits, and reconciling bank statements. However, the Treasurer has implemented several mitigating controls. After evaluating the mitigating controls that have been implemented, the following weaknesses still exist:

- The duties of balancing the cash drawer and preparing the deposit are performed by the same employee.
- No one other than the preparer verifies that the deposit is correct prior to taking it to the bank.

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

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- Monthly bank reconciliations are performed; however, several reconciliations within the audit period did not contain evidence of review by someone other than the preparer.
- Daily reports are not being signed by the preparer or the reviewer and there are no tic marks of any kind evidencing verification of the daily report to documentation in the daily jacket.
- The amount encoded by the bank on the deposit receipt is agreed to the deposit slip; however, the amount encoded by the bank is in total and does not denote the cash amount separately.
- All employees issue receipts and have administrator rights to void/delete receipts. The system allows a report to be generated to review the voided/deleted receipts but there was no evidence that this was performed during the audit period.

The following items, when evaluated with the weaknesses noted above, further weaken the controls in place regarding the collections process:

- All employees work from one cash drawer.
- A mail log is not utilized for collections.

**Cause of Condition:** Although the County Treasurer has worked to implement internal controls over the collections process, there are still weaknesses that should be addressed to safeguard funds and ensure accurate financial reporting.

**Effect of Condition:** These conditions could result in unrecorded transactions, misstated financial reports, undetected errors, or misappropriation of funds.

**Recommendation:** OSAI recommends the County Treasurer implement the following compensating controls to mitigate the risks involved with a concentration of duties:

- The duties of balancing the cash drawer and preparing the deposit should be segregated.
- Someone other than the preparer should verify that the deposit is correct prior to taking it to the bank.
- Bank reconciliations should be signed and dated by the preparer and the reviewer.
- Daily reports should be signed and dated by the preparer and the reviewer. In addition, tic marks should be used evidencing verification of the daily report to documentation in the daily jacket.
- Additional documentation should be obtained on the deposit receipt from the bank indicating amounts deposited for cash. The amounts encoded on the receipt (cash and total deposit) should be agreed to deposit records by someone other than the person who delivered the deposit to the bank.
- A report of voided/deleted receipts should be generated daily and reviewed for validity and accuracy. Explanations for voided/deleted receipts should be included on the report. The report should reflect evidence of the review with initials and dates.

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

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The County Treasurer could further strengthen internal controls by implementing the following procedures:

- Establish separate cash drawers for all employees receiving cash.
- A policy requiring employees to open mail together and/or prepare a mail log.

**Management Response:**

**County Treasurer:** I have now implemented the following compensating controls:

- I will have another deputy count the cash drawer other than the one preparing the deposit.
- We have changed the way we handle our deposits: The Treasurer/Deputy, other than the one preparing the deposit, checks the deposit/slips before the deposit goes to the bank and again the next morning to verify that the cash amounts agree with the dated reports that were run the day before.
- I will make a better effort each month to make sure I check and initial every month's bank reconciliations showing that they were reviewed.
- Daily Reports are now being signed by the preparer and the reviewer and there are marks showing that the review is being done.
- The bank is now validating our deposit slip with the cash amount in addition to the total deposit amount.
- Voided/deleted receipts in the cash register program are being addressed by the software vendor. There will be program changes soon. Currently we are running a daily voided/deleted report with explanation and initials of deputy making the void/delete. Another Deputy or the Treasurer will initial to verify.

Only having one cash drawer, has never been a problem in this office. We balance to the penny every day. I feel as Treasurer that I have more control with just one drawer at the counter. If a problem with balancing should arise, I will take immediate action and make the necessary changes.

Currently we are not keeping a mail log because I feel like there are enough mitigating controls in place.

**Criteria:** Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, the duties of receipting collections, delivering deposits, and maintaining financial ledgers/reconciliations should be segregated.

**Finding 2013-6 – Reconciliation of Appropriation Ledger to General Ledger (Repeat Finding)**

**Condition:** The following was noted regarding the County Clerk's monthly reconciliation of the appropriation ledger to the County Treasurer's general ledger:

- The reconciliations are being performed each month; however, the reconciliations are not initialed and dated showing evidence of review. No one routinely reviews the reports unless there is a problem reconciling to the general ledger.

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

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**Cause of Condition:** Procedures were not implemented to ensure that someone reviews the reconciliation for accuracy and leave evidence of the review with initials and dates.

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

**Recommendation:** OSAI recommends that the preparer initial and date the reconciliation and that someone review the reconciliation for accuracy and leave evidence of the review with initials and dates.

**Management Response:**

**County Clerk:** The County Clerk's office has now changed the procedure of the monthly reconciling of the appropriation ledger to the County Treasurer's general ledger. It is now reviewed by two people and each person signs and dates at the bottom of each monthly reconciled fund document after balancing.

**Criteria:** Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, reconciliations should be reviewed for accuracy and made on a timely basis.

**Finding 2013-7 – Inadequate Segregation of Duties and Inadequate Internal Controls Over Purchasing (Repeat Finding)**

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

- Not all purchasing duties are adequately segregated: the same employee verifies warrant reports for accuracy, prints warrants, and has custody of warrants issued.
- Employees that are not designated requisitioning officers are allowed to request purchase orders.
- Warrants are printed prior to the Board of County Commissioners (BOCC) approval for payment.
- The signatures of the County Clerk and the BOCC Chairman that appear on all warrants are facsimile signatures printed by the software system. Neither the County Clerk nor the BOCC Chairman reviews or initials the warrants after they are printed.

**Cause of Condition:** Procedures have not been designed with regard to the purchasing process to ensure adequate 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 regarding the purchasing process:

- Key accounting functions of the purchasing process should be adequately segregated.
- Only official requisitioning officers should be allowed to requisition goods and/or services.

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

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- Warrants should be printed after purchase orders are approved for payment by the Board of County Commissioners.
- Warrants should be reviewed and at least one facsimile signature should be initialed for internal control purposes.

**Management Response:**

**County Clerk:** The County Clerk's office is now aware of all of these factors of weaknesses and is preparing to make the necessary changes.

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

**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 2013-8 – Inadequate Segregation of Duties Over the Collection Process – Court Clerk (Repeat Finding)**

**Condition:** Upon inquiry and observation regarding the Court Clerk Revolving Fund and Court Fund, the following weaknesses were noted:

- One employee issues receipts, balances the cash drawer, prepares official depository tickets, takes the deposit to the County Treasurer, posts daily receipts to the cash book, and reconciles the account balance with the County Treasurer.
- Deputies open and distribute payments received by mail, but a mail log is not maintained.

**Cause of Condition:** Policies and procedures have not been designed to ensure accountability and stewardship over all funds. Additionally, due to the limited number of personnel within the office, one individual is responsible for all the key functions of the office.

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

**Recommendation:** OSAI recommends that management be aware of these conditions and realize that concentration of duties and responsibilities in a limited number of individuals is not desired from a



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

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control point of view. Regarding the receipting process, OSAI recommends that one employee should not be performing all of the duties regarding issuing receipts, balancing the cash drawers (money bags), preparing the deposit, reconciling with the County Treasurer's records. The cash drawer should be closed out, reconciled to the employees daily receipts, and be approved by someone independent of the cash drawer and making the deposit. A daily log of mailed in receipts should be compiled and maintained.

**Management Response:**

**Court Clerk:** Management is aware of the conditions stated above. At this time we have insufficient employees to rectify this problem.

**Auditor Response:** Although segregation of duties may not be possible due to limited personnel, compensating controls can be implemented to mitigate the risk involved with a concentration of duties.

**Criteria:** Accountability and stewardship are over all goals of management in the accounting of funds. To help ensure a proper accounting of funds, 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.

**Finding 2013-9 – Inadequate Internal Controls and Noncompliance Over the Inmate Trust Fund Checking Account and Sheriff Commissary Fund (Repeat Finding)**

**Condition:** Regarding the Inmate Trust Fund Checking Account, the following weaknesses were noted:

- One person issues receipts, prepares and makes deposits, maintains accounts, and performs bank reconciliations.
- The Sheriff's office does not file an annual report for the Commissary Fund with the Board of County Commissioners by January 15<sup>th</sup>, of each year.

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

**Effect of Condition:** These conditions resulted in noncompliance with state statutes, laws, regulations or legislative intent. 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.
- The Sheriff should file a report of the Commissary with the County Commissioners by January 15<sup>th</sup>, of each year.

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**Management Response:**

**County Sheriff:** The Sheriff's office will add another person to receipting and depositing as soon as possible. The report (Commissary Fund) was incorrect and shall be corrected on the next reporting date.

**Criteria:** Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, 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.

Title 19 O.S. § 180.43 E. and D. states in part, "Any funds received pursuant to said operations shall be the funds of the county where the persons are incarcerated and shall be deposited in the Sheriff's Commissary Account. The sheriff shall be permitted to expend the funds to improve or provide jail services. The sheriff shall be permitted to expend any surplus in the Sheriff's Commissary Account for administering expenses for training equipment, travel or for capital expenditures. The claims for expenses shall be filed with and allowed by the board of county commissioners in the same manner as other claims. The sheriff shall receive no compensation for the operation of said commissary. The sheriff shall file an annual report on any said commissary under his or her operation no later than January 15<sup>th</sup> of each year."

**Finding 2013-10 – Inadequate Internal Controls and Noncompliance Over Fixed Assets (Repeat Finding)**

**Condition:** While gaining an understanding of controls over fixed assets, and testing compliance with state statutes over fixed assets, we noted the following:

- The offices of Court Clerk, County Assessor, County Sheriff, and Emergency Management have not designed procedures to perform and document an annual physical inventory of all fixed assets.
- The following items listed on the County's inventory could not be located:
  - Court Clerk – PC 7600 Computer
  - Court Clerk – Profliant Computer Server
  - Election Board – Fit PC Computer
  - Health Department – Camcorder
- The following item was visually verified but was not listed on the County Clerk's inventory records:
  - Expo Center – Chevrolet 2500 Truck

**Cause of Condition:** Procedures have not been designed and implemented with regard to effective internal controls over safeguarding of fixed assets by performing an annual physical inventory count, and creating and maintaining of a fixed asset inventory record.

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**Effect of Condition:** These conditions resulted in noncompliance with state statute and could result in unrecorded transactions and misappropriation of assets.

**Recommendation:** OSAI recommends the County comply with 19 O.S. § 178.1 by performing and documenting a periodic inventory of fixed assets. The verification should be performed by an individual independent of the fixed asset recordkeeping process.

**Management Response:**

**BOCC Chairman:** Since this finding, the Expo Center has taken the proper documents to the County Clerk's office and the vehicle is now on inventory.

**County Assessor:** The County Assessor's office plans to do a physical inventory at the end of each fiscal year. We will have this signed by the member of the County Assessor's staff who performs the inventory.

**County Sheriff:** The County Sheriff's office will conduct an annual inventory and a designated officer will sign off that the inventory was completed.

**Court Clerk:** The Court Clerk items noted above have been located.

**Emergency Management Director:** Up until this year, inventory records for this office were maintained by the County Clerk's office. When the documentation responsibilities were transferred to this office, I was not clear on the documentation process for inventory, although the inventory had been done. That has been corrected.

**Election Board Secretary:** The Election Board item noted above has been located.

**Health Department:** The Health Department was found to be missing a County purchased camcorder that was purchased in 1993. Steps were taken to locate the camcorder by searching both Health Department locations and the storage facility. The camcorder could not be found. However, this item was noted on inventory check sheets that it has not been located since 2010. The correct paperwork will be filed at the courthouse. It will be noted as disposed of/not located.

**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.

**Finding 2013-11 – Inadequate Internal Controls and Noncompliance Over Consumable Inventories (Repeat Finding)**

**Condition:** While performing a test of consumable items at each District barn, we noted the actual amount of fuel on hand did not agree to the amounts recorded on all three Districts' fuel logs.

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<b>District</b>	<b>Type of Fuel</b>	<b>Actual Fuel on Hand</b>	<b>Amount per Fuel Log</b>	<b>Variance</b>
1	Gasoline	979	1,202	223 short
1	Diesel	5,017	5,647	630 short
2	Gasoline	687	1,018	331 short
2	Diesel	4,241	5,164.1	923.1 short
3	Gasoline	1,418	1,469.4	51.40 short
3	Diesel	7,060	7,211	151 short

\*Note: Fuel recorded in gallons

**Cause of Condition:** Procedures have not been implemented for the accurate reporting of consumable inventories.

**Effect of Condition:** These conditions resulted in noncompliance with state statute and could result in inaccurate records, unauthorized use of consumable inventories, or loss of consumable inventories.

**Recommendation:** 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 inventory.
- Separating the key functions of receiving, maintaining, and verifying consumable inventories.
- Maintaining a fuel log with all pertinent information including a current balance.
- Reconciling fuel log periodically to fuel on hand and explain any variance or adjustments.

**Management Response:**

**District 1 County Commissioner:** District 1 would like to have card readers installed on our pumps to accurately keep the fuel log and make it more accurate to reconcile the fuel on hand with each transaction from all vehicles using the diesel and unleaded fuel. This would have to be done when elections are over in November for our county and district. Our pumps are serviced by a vendor. They will be notified to come check the calibration and meters that are being used at the current time to see if anything needs repaired or replaced with our existing equipment. We are currently sticking the tanks for measurement usage and taking that reading instead of the meters, as was recommended by the field auditor when he was at our district yard.

**District 2 County Commissioner:** McClain County District 2 has visited with vendors about the Key Card System to be placed on pumps for a more accurate account of the use of gas/diesel. Because of state law, this procedure cannot proceed this year due to the election process. We hope to implement this in the upcoming year. At this time we have had a new dial installed and this seems to be keeping a more accurate count of fuel usage. We also stick the tanks once a week to keep count of the inches of fuel that remain in the tank.

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**District 3 County Commissioner:** We will stick the tank before and after fuel is unloaded. We will also stick the tank every week on Thursday to make sure the amount matches the amount shown on the stock card and the amount on the log sheet and explain any variance or adjustments.

**Criteria:** Effective internal controls include designing and implementing procedures to ensure that all supplies, materials, and equipment received, disbursed, stored and consumed by their department comply with 19 O.S. § 1504A.



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