

COUNTY AUDIT

OKFUSKEE COUNTY

For the fiscal year ended June 30, 2011



*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

**OKFUSKEE COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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Oklahoma State Auditor & Inspector

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

September 15, 2014

TO THE CITIZENS OF
OKFUSKEE COUNTY, OKLAHOMA

Transmitted herewith is the audit of Okfuskee County, Oklahoma for the fiscal year ended June 30, 2011. 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

**OKFUSKEE COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**OKFUSKEE COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

INTERNAL CONTROL AND COMPLIANCE SECTION

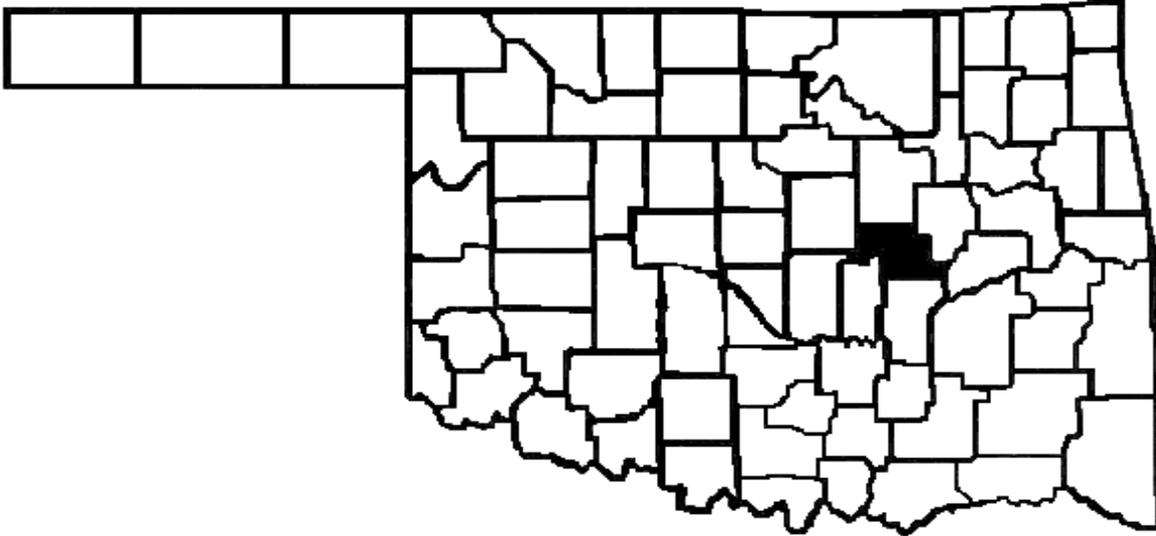
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**OKFUSKEE COUNTY, OKLAHOMA
STATISTICAL INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**



Named for a Creek town in Cleburn County, Alabama, Okfuskee County was originally part of the Creek Nation, Indian Territory.

Much of its history is tied to that of the Creek Nation. For example, Thlopthlocco Town, established in the 1830s in this area in the Creek Nation, became the headquarters of Colonel D. H. Cooper's Confederate forces in 1861, prior to battles with Opothleyahola and the "Loyal Creeks."

Okemah, the county seat, is named for the Creek Chief Okemah, meaning "Big Chief." Two of Okemah's most noted residents were Leon Chase Phillips, eleventh governor of Oklahoma, and legendary songwriter Woody Guthrie. Glen D. Johnson, a two-term Oklahoma Speaker of the House, is also from Okemah.

Boley, founded in 1904 on eighty acres of land belonging to a Creek freedman, is one of the few black towns remaining in the United States. Established to show the ability of the black community to govern itself, it thrived for many years until, in 1932, George Birdwell, "chief lieutenant" of Pretty Boy Floyd, not only robbed the Farmer's State Bank, but in the process shot and killed D.J. Turner, bank president and mayor of Boley.

For more information, call the county clerk's office at (918) 623-1724.

County Seat – Okemah

Area – 628.91 Square Miles

County Population – 10,924
(2009 est.)

Farms – 950

Land in Farms – 298,814 Acres

Primary Source: Oklahoma Almanac 2011-2012

**OKFUSKEE COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Board of County Commissioners

District 1 – Danny Wilson
District 2 – Max Henry
District 3 – Bruce Smith

County Assessor

Brenda Swinford

County Clerk

Dianne Flanders

County Sheriff

Jack Choate

County Treasurer

Judy Renee Alcorn

Court Clerk

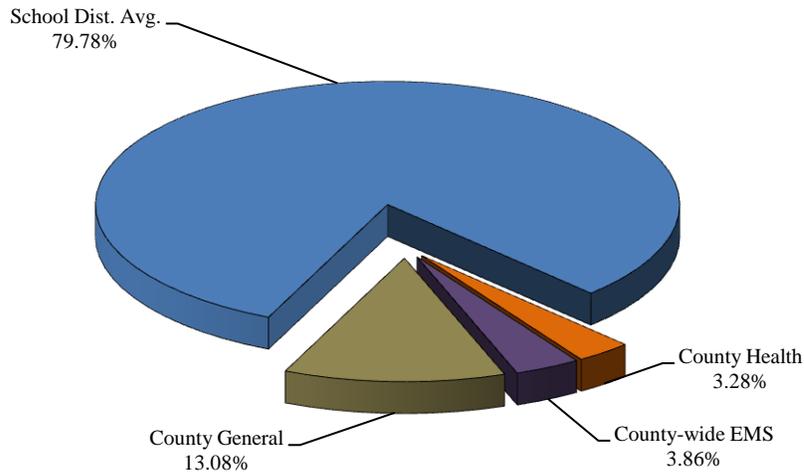
Kay Adams

District Attorney

Max Cook

**OKFUSKEE COUNTY, OKLAHOMA
AD VALOREM TAX DISTRIBUTION
SHARE OF THE AVERAGE MILLAGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

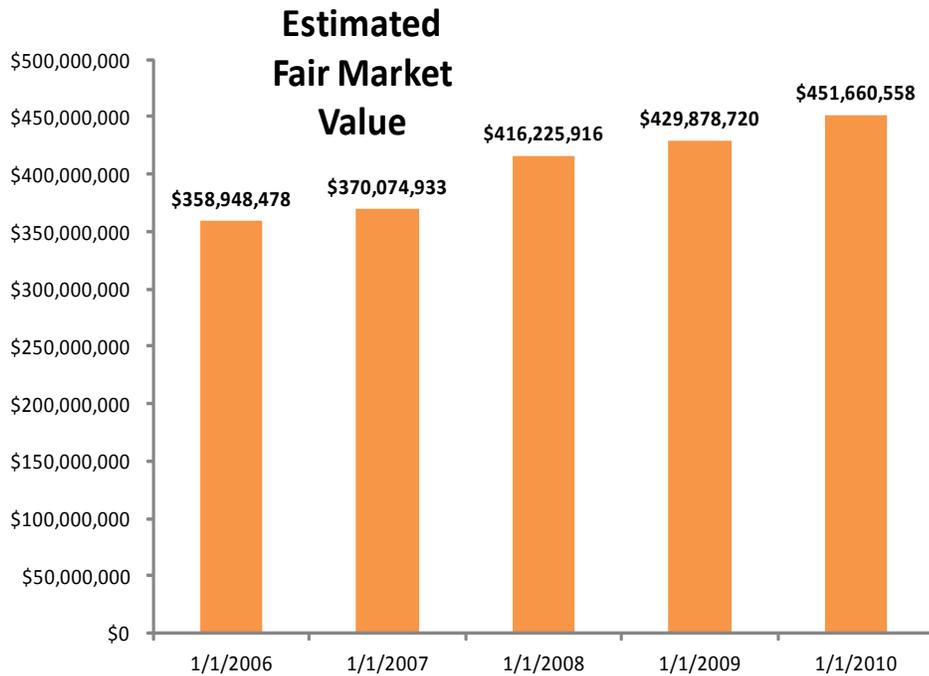
Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of a property is \$1,000.00 and the millage rate is 1.00, then the 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							Total
			Gen.	Bldg.	Skg.	Career Tech.	Career Tech. Building	Common	
County General	10.55								
County Health	2.64	Mason	39.01	5.57	8.44	5.28	-	4.22	62.52
EMS	3.11	Paden	37.27	5.32	-	10.55	5.28	4.22	62.64
		Okemah	36.80	5.26	28.54	5.28	-	4.22	80.10
		Bearden	37.74	5.39	11.43	5.28	-	4.22	64.06
		Weleetka	36.13	5.16	35.59	5.28	-	4.22	86.38
		Graham	37.75	5.39	15.67	5.28	-	4.22	68.31
		Hughes	39.35	5.62	22.59	5.28	-	4.22	77.06
		Seminole	36.68	5.24	15.69	10.55	5.28	4.22	77.66

**OKFUSKEE COUNTY, OKLAHOMA
 ASSESSED VALUE OF PROPERTY
 TREND ANALYSIS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

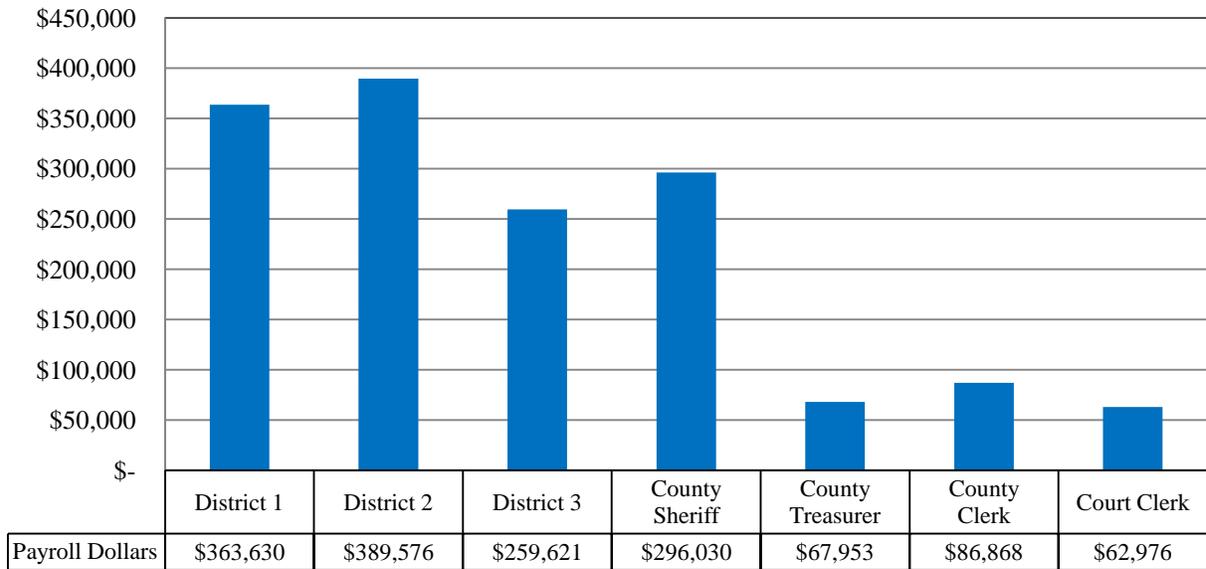
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2010	\$15,480,100	\$13,225,248	\$28,554,369	\$3,060,450	\$54,199,267	\$451,660,558
1/1/2009	\$15,480,100	\$13,225,248	\$25,439,919	\$2,659,922	\$51,485,345	\$429,878,720
1/1/2008	\$15,133,516	\$13,067,416	\$24,360,675	\$2,680,884	\$49,880,723	\$416,225,916
1/1/2007	\$10,137,551	\$12,591,448	\$24,509,163	\$2,991,617	\$44,246,545	\$370,074,933
1/1/2006	\$9,792,788	\$12,771,855	\$23,543,168	\$2,763,873	\$43,343,938	\$358,948,478



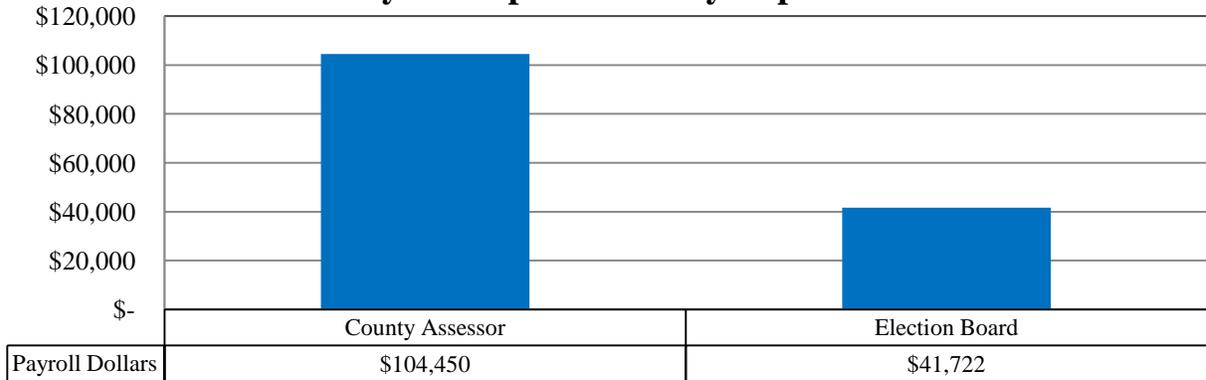
**OKFUSKEE COUNTY, OKLAHOMA
COUNTY PAYROLL EXPENDITURES ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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, 2011.

Payroll Expenditures by Department



Payroll Expenditures by Department



**OKFUSKEE COUNTY, OKLAHOMA
COUNTY GENERAL FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

County General Fund

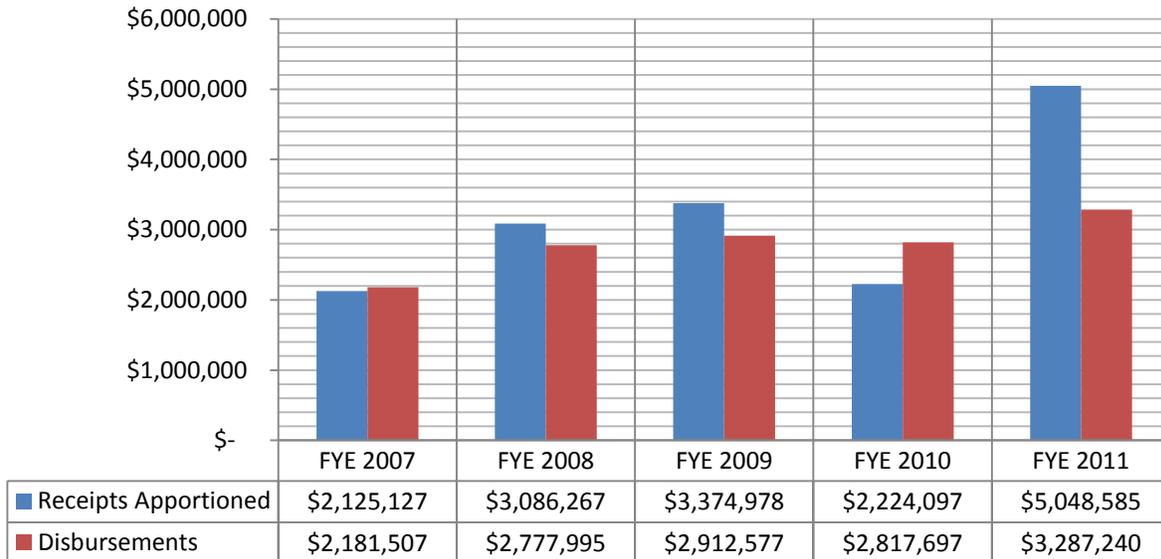
The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the county's primary source of operating revenue. The County General Fund is typically used for county employees' salaries plus many expenses for county maintenance and operation. It also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



**OKFUSKEE COUNTY, OKLAHOMA
COUNTY HIGHWAY FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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
OKFUSKEE COUNTY, OKLAHOMA

We have audited the combined total—all county funds on the accompanying regulatory basis Statement of Receipts, Disbursements, and Changes in Cash Balances of Okfuskee County, Oklahoma, as of and for the year ended June 30, 2011, listed in the table of contents as the financial statement. This financial statement is the responsibility of Okfuskee County's management. Our responsibility is to express an opinion on the combined total—all county funds on this financial statement based on our audit.

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

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

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Okfuskee County as of June 30, 2011, or changes in its financial position for the year then ended.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined total of receipts, disbursements, and changes in cash balances for all county funds of Okfuskee County, for the year ended June 30, 2011, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2014, on our consideration of Okfuskee County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the combined total of all county funds on the financial statement. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statement. The remaining Other Supplementary Information, as listed in the table of contents, is presented for purposes of additional analysis, and is not a required part of the financial statement. Such supplementary information has been subjected to the auditing procedures applied in the audit of the combined total—all county funds on the regulatory basis Statement of Receipts, Disbursements and Changes in Cash Balances and, in our opinion, is fairly stated, in all material respects, in relation to the combined total—all county funds. The information listed in the table of contents under Introductory Section has not been audited by us, and accordingly, we express no opinion on it.

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

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

September 12, 2014

REGULATORY BASIS FINANCIAL STATEMENT

OKFUSKEE 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, 2011

	Beginning Cash Balances July 1, 2010	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2011
Combining Information:				
Major Funds:				
County General Fund	\$ 976,297	\$ 1,805,334	\$ 1,454,155	\$ 1,327,476
Highway Cash	962,300	5,048,585	3,287,240	2,723,645
County Health Department	162,997	158,356	74,107	247,246
Sheriff Service Fee	76,569	70,483	75,974	71,078
County Use Tax	81,534	25,220	53,249	53,505
Resale Property	183,228	56,734	30,014	209,948
Remaining Aggregate Funds	356,870	139,661	157,869	338,662
Combined Total - All County Funds	\$ 2,799,795	\$ 7,304,373	\$ 5,132,608	\$ 4,971,560

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

**OKFUSKEE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

1. Summary of Significant Accounting Policies

A. Reporting Entity

Okfuskee 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.

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

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

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

County Use Tax – revenues are from sales tax charged to out-of-county vendors on in-county sales. Disbursements are for any legal expenses of the County.

**OKFUSKEE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

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).

**OKFUSKEE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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 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.

**OKFUSKEE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

The voters of Okfuskee County approved a 1.25% sales tax through a special election on February 9, 1993 that went into effect on January 1, 1994. This sales tax has unlimited duration. The sales tax was established to provide revenue for the following: General Government-59%, County Roads-12%, Senior Citizens Organizations-3%, Rural Fire Departments-3%, OSU Extension Office-12.5%, Free Fair Board-4.5%, Maintenance and Repair of Okfuskee County Courthouse-6%. These revenues are accounted for in the Okfuskee General Fund.

OTHER SUPPLEMENTARY INFORMATION

OKFUSKEE 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, 2011

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 976,297	\$ 976,297	\$ -
Less: Prior Year Outstanding Warrants	(34,176)	(34,176)	-
Less: Prior Year Encumbrances	(56,690)	(56,690)	-
Beginning Cash Balances, Budgetary Basis	<u>885,431</u>	<u>885,431</u>	<u>-</u>
Receipts:			
Ad Valorem Taxes	519,820	569,158	49,338
Charges for Services	55,151	64,582	9,431
Intergovernmental Revenues	771,687	916,000	144,313
Miscellaneous Revenues	39,818	255,594	215,776
Total Receipts, Budgetary Basis	<u>1,386,476</u>	<u>1,805,334</u>	<u>418,858</u>
Expenditures:			
County Sheriff	350,000	349,919	81
County Treasurer	75,554	75,244	310
County Commissioners	4,697	4,004	693
OSU Extension	20,000	19,854	146
Court Clerk	63,076	62,976	100
County Assessor	64,576	64,471	105
Revaluation fo Real Property	100,895	81,683	19,212
Excise-Equalization Board	3,500	2,411	1,089
County Election Board	46,944	46,750	194
County Purchasing Agent	3,500	1,678	1,822
Welfare Agencies	1,500	650	850
County Audit Account	10,548	6,100	4,448
Sales Tax	1,527,117	677,104	850,013
Total Expenditures, Budgetary Basis	<u>2,271,907</u>	<u>1,392,844</u>	<u>879,063</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	1,297,921	<u>\$ 1,297,921</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Outstanding Warrants		10,175	
Add: Current Year Encumbrances		19,380	
Ending Cash Balance		<u>\$ 1,327,476</u>	

OKFUSKEE 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, 2011

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 162,997	\$ 162,997	\$ -
Less: Prior Year Encumbrances	(13,611)	(13,611)	-
Beginning Cash Balances, Budgetary Basis	149,386	149,386	-
Receipts:			
Ad Valorem Taxes	130,078	142,424	12,346
Charges for Services	-	11,304	11,304
Intergovernmental Revenues	-	2,540	2,540
Miscellaneous Revenues	-	2,088	2,088
Total Receipts, Budgetary Basis	130,078	158,356	28,278
Expenditures:			
Health and Welfare	279,464	67,541	211,923
Total Expenditures, Budgetary Basis	279,464	67,541	211,923
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	240,201	\$ 240,201
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		3,251	
Add: Current Year Outstanding Warrants		3,794	
Ending Cash Balance		\$ 247,246	

OKFUSKEE COUNTY, OKLAHOMA
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS—
REMAINING AGGREGATE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Beginning Cash Balances July 1, 2010	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2011
Remaining Aggregate Funds:				
County Clerk Records Preservation Fee	\$ 121,265	\$ 18,125	\$ 37,701	\$ 101,689
County Clerk Lien Fee	88,674	11,212	10,666	89,220
Sheriff Revolving	43,347	19,747	9,400	53,694
BIA	36,205	400	-	36,605
Emergency Management	21,105	15,000	22,189	13,916
Mortgage Certification Fee	18,252	1,725	42	19,935
Assessor Revolving	9,397	2,515	3,915	7,997
Insurance Damage	8,500	21,962	21,962	8,500
JAIB Grant	5,898	65	-	5,963
CDBG Solid Waste	2,781	5,000	6,638	1,143
REAP	1,446	41,210	42,656	-
CDBG-IXL	-	2,700	2,700	-
Combined Total - Remaining Aggregate Funds	\$ 356,870	\$ 139,661	\$ 157,869	\$ 338,662

**OKFUSKEE COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

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

Sheriff Revolving – revenues from various fees collected by the Sheriff. Disbursements are for any legal expense of the Sheriff's office.

BIA – revenues are from a Bureau of Indian Affairs grant. Disbursements are for county road improvement projects.

Emergency Management – accounts for monies received and disbursed for the Emergency Management Department.

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

Assessor Revolving – revenues are from fees charged to all entities receiving ad valorem taxes. Disbursements are for the re-evaluation of all county property for ad valorem purposes.

Insurance Damage – revenues are from the County's insurance coverage. Disbursements are for the repairs of damaged properties.

**OKFUSKEE COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

JAIB Grant – revenues are from a Juvenile Accountability and Incentive Block Grant.

CDBG Solid Waste – accounts for grant monies received and disbursed as restricted by the grant agreement for a Community Development Block Grant.

REAP – revenues are from State and Rural Economic Action Plan Grant provided for the building.

CDBG-IXL – revenues are received from the Oklahoma Department of Commerce and disbursements are for the construction of the Town of IXL community building.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**OKFUSKEE COUNTY, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed Through the Oklahoma Department of Emergency Management:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR-1883	\$ 1,288,749
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR-1917	7,139
Hazard Mitigation Grant	97.039	N/A	10,908
Hazard Mitigation Grant	97.039	N/A	11,250
Emergency Management Performance Grants	97.042	N/A	15,000
Emergency Management Performance Grants	97.042	N/A	1,000
Total U.S. Department of Homeland Security			<u>1,334,046</u>
Total Expenditures of Federal Awards			<u><u>\$ 1,334,046</u></u>

**OKFUSKEE COUNTY, OKLAHOMA
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of Okfuskee County, and is presented on the *cash basis of accounting*. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

INTERNAL CONTROL AND COMPLIANCE SECTION



Oklahoma State Auditor & Inspector

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

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

TO THE OFFICERS OF
OKFUSKEE COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Okfuskee County, Oklahoma, as of and for the year ended June 30, 2011, which comprises Okfuskee County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated September 12, 2014. Our report on the basic financial statement was adverse because the statement is not a presentation in conformity with accounting principles generally accepted in the United States of America. However, our report also included our opinion that the financial statement does present fairly, in all material respects, the receipts, disbursements, and changes in cash balances – regulatory basis of the County for the year ended June 30, 2011, on the basis of accounting prescribed by Oklahoma state law, described in Note 1. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies in internal control described in the accompanying schedule of findings and questioned costs to be material weaknesses in internal control over financial reporting. 2011-2, 2011-4, and 2011-13.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Okfuskee County's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the management of Okfuskee County, which are included in Section 4 of the schedule of findings and questioned costs contained in this report.

Okfuskee County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Okfuskee County's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, those charged with governance, others within the entity, and is not intended to be and should not be used by anyone other than the specified parties. This report is also a public document pursuant to the Oklahoma Open Records Act (51 O.S. § 24A.1 et seq.), and shall be open to any person for inspection and copying.



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

September 12, 2014



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 Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133

TO THE OFFICERS OF
OKFUSKEE COUNTY, OKLAHOMA

Compliance

We have audited the compliance of Okfuskee County, Oklahoma, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on Okfuskee County's major federal program for the year ended June 30, 2011. Okfuskee County's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of Okfuskee County's management. Our responsibility is to express an opinion on Okfuskee County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Okfuskee County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Okfuskee County's compliance with those requirements.

In our opinion, Okfuskee County, complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2011.

Internal Control Over Compliance

Management of Okfuskee County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Okfuskee County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Okfuskee County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, those charged with governance, others within the entity, and is not intended to be and should not be used by anyone other than the specified parties. This report is also a public document pursuant to the Oklahoma Open Records Act (51 O.S., section 24A.1 et seq.), and shall be open to any person for inspection and copying.

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

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

September 12, 2014

**OKFUSKEE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

SECTION 1—Summary of Auditor’s Results

Financial Statements

Type of auditor's report issued:.....Adverse as to GAAP; unqualified as to statutory presentation

Internal control over financial reporting:

- Material weakness(es) identified?..... Yes
- Significant deficiency (ies) identified? No

Noncompliance material to financial statements noted?..... No

Federal Awards

Internal control over major programs:

- Material weakness (es) identified?..... No
- Significant deficiency(ies) identified? None reported

Type of auditor's report issued on
compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported
in accordance with section 510(a) of Circular A-133?..... No

Identification of Major Programs

CFDA Number(s)
97.036

Name of Federal Program or Cluster
Disaster Grants - Public Assistance
(Presidentially Declared Disasters)

Dollar threshold used to distinguish between
Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee?..... No

**OKFUSKEE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

SECTION 2—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 2011-2 – County Clerk – Reconciliation of Appropriation Ledger to General Ledger (Repeat Finding)

Condition: The County Clerk’s appropriation ledger was not reconciled to the County Treasurer’s general ledger during the fiscal year 2011.

Cause of Condition: Policies and procedures have not been designed regarding a monthly reconciliation of the County Clerk’s appropriation ledger to the County Treasurer’s general ledger.

Effect of Condition: These conditions could result in unrecorded transactions, misstated financial reports, undetected errors, misappropriation of funds, or clerical errors that are not detected in a timely manner.

Recommendation: OSAI recommends that the County Clerk’s appropriation ledger (record of disbursements) be reconciled to the County Treasurer’s general ledger on a monthly basis.

Management Response:

County Clerk: The County Clerk has implemented steps to correct this. The County Clerk prints an outstanding warrant list on the last day of each month and compares the list with the County Treasurer.

Criteria: Safeguarding controls are an aspect of internal controls. Safeguarding controls relate to prevention or timely detection of unauthorized transactions and unauthorized access to assets. Failure to perform tasks that are part of internal controls, such as reconciliations not performed, are deficiencies in internal control. Further, reconciliations should be performed on a monthly basis.

Finding 2011-4 – Inadequate Internal Controls Over Pledged Collateral and Noncompliance with Statute

Condition: The County's bank account balances and investments were under-pledged on the following days:

Date	Bank	FDIC	Collateral Amount	Total Collateral	Investment Amount	Over-Under Collateral
10/31/2010	Financial Institution #1	\$250,000.00	\$3,836,028.86	\$4,086,028.86	\$4,831,489.09	\$(745,460.23)
11/30/2010	Financial Institution #1	\$250,000.00	\$4,653,539.75	\$4,903,539.75	\$4,915,887.53	\$(12,347.78)
12/31/2010	Financial Institution #1	\$250,000.00	\$4,625,886.20	\$4,875,886.20	\$6,211,111.86	\$(1,335,225.66)

**OKFUSKEE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Date	Bank	FDIC	Collateral Amount	Total Collateral	Investment Amount	Over-Under Collateral
1/31/2011	Financial Institution #1	\$250,000.00	\$5,148,887.63	\$5,398,887.63	\$5,848,690.39	\$(449,802.76)
2/28/2011	Financial Institution #2	\$250,000.00	\$1,205,642.01	\$1,455,642.01	\$1,467,089.12	\$(11,447.11)
3/31/2011	Financial Institution #2	\$250,000.00	\$1,168,173.54	\$1,418,173.54	\$1,578,662.17	\$(160,488.63)

Cause of Condition: Procedures have not been designed to ensure daily bank deposits are adequately secured.

Effect of Condition: These conditions resulted in noncompliance with state statute. Failure to properly monitor pledged collateral amounts resulted in unsecured county funds and could result in possible loss of county funds.

Recommendation: OSAI recommends that the County design procedures to daily compare bank balances to the pledged collateral ledgers to ensure that county funds are adequately secured against loss by a financial institution. Documentation for this daily procedure should be maintained.

Management Response:

County Treasurer: This issue has been resolved.

Criteria: Title 62 O.S. § 517.4 A. states, “A treasurer of a public entity shall require that financial institutions deposit collateral securities or instruments to secure the deposits of the public entity in each such institution. The amount of collateral securities or instruments to be pledged for the security of public deposits shall be established by the treasurer of the public entity consistent with the provisions of the Security for Local Public Deposits Act; provided, such amount shall not be less than the amount of the deposit to be secured, less the amount insured.”

Further, effective internal controls would include monitoring the daily bank balances to the amount of securities pledged to protect the County against loss of investments.

Finding 2011-13 – Inadequate Segregation of Duties - County Treasurer’s Office

Condition: The County Treasurer has segregated the duties of preparing/reviewing deposits and performing bank reconciliations; however, the employees who perform these duties also issue receipts. In addition, all employees work from the same cash drawer. For mail-in payments, all employees can open the mail and issue receipts. A daily mail log is not maintained.

Cause of Condition: In order to provide prompt services to the citizens of Okfuskee County and for ease of operations, the County Treasurer’s office utilize all employees to issue receipts. Additionally, due to

**OKFUSKEE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

the limited number of personnel, one individual is sometimes 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 the following key accounting functions of the Treasurer's office be adequately segregated:

- Issuing receipts
- Preparing/reviewing deposits and taking them to the bank
- Maintaining accounting ledgers and reconciling bank statements

In addition OSAI recommends establishing a system of controls to adequately protect the collections of the Treasurer's office, which include but are not limited to the following:

- Establish separate cash drawers for all employees receiving cash.
- A daily log of mailed in receipts should be compiled.

Management Response:

County Treasurer: The Treasurer's office has implemented steps to segregate duties. The Treasurer will open the mail and a deputy will receipt and the 1st deputy will do the deposit. The 1st deputy will reconcile the bank statements and the Treasurer will review the reports and sign off on the reports.

On the issue of everyone working out of the same cash drawer, I feel like this is working for us because at the end of every day we balance with checks and cash.

Auditor Response: Although the County Treasurer has reassigned some processes, the duties regarding the collection process are not adequately segregated.

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 receiving, receipting, recording, and depositing of cash should be separated.

SECTION 3—Independent Auditor's Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133

No matters were reported.

**OKFUSKEE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

SECTION 4—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 2011-6 – Inadequate Segregation of Duties - Court Clerk

Condition: Policies and Procedures have not been designed regarding the receipting, depositing, and disbursements process for the Court Clerk’s office. One employee can receipt money, issue and approve vouchers, prepare the daily deposits and perform monthly reconciliations with the County Treasurer.

Cause of Condition: Employees have not been instructed to separate the duties of the Court Clerk’s Office; therefore one employee can receipt money, issue and approve vouchers, prepare the daily deposits and perform monthly reconciliations with the County Treasurer.

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 the Court Clerk’s office develop policies and procedures for the receipting of money, issuing and approving vouchers, preparing the daily deposits and performing monthly reconciliations with the County Treasurer.

Further, OSAI recommends management be aware of these conditions and realize that a concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. The most effective procedures lie in management’s overseeing of office operations and a periodic review of operations. OSAI recommends management provide segregation of duties so that no one employee is able to perform all accounting functions. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating procedures to mitigate the risks involved with a concentration of duties. Compensating procedures would include separating key processes and/or critical functions of the office, and having management review and approval of accounting functions.

Management Response:

Court Clerk: I hereby state the conditions set out have occurred in a prior administration. Upon election, my term as Okfuskee County Court Clerk began on January 2, 2013. My office is working towards correcting this matter and following the recommendation of the OSA&I for “Segregation of Duties.”

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 receiving, receipting, recording, depositing cash and checks, reconciliations, and transaction authorization should be segregated.

**OKFUSKEE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Finding 2011- 8 – Inadequate Internal Controls Over Court Fund Claims Process

Condition: During our test of Court Fund claims for the fiscal year 2011, the following was noted.

- Two of the twenty-five claims tested could not be located.

Cause of Condition: Policies and procedures have not been designed to ensure detailed supporting documentation is maintained for all expenditures.

Effect of Condition: This condition could result in misappropriation of funds.

Recommendation: OSAI recommends that the Court Clerk place more emphasis on ensuring that an itemized claim is attached to all claims for supporting documentation.

Management Response:

Court Clerk: As stated above my term of office as Court Clerk began on January 2, 2013. This condition has been addressed in my office and we are working to implement the recommendation of the OSA&I in their report.

Criteria: Effective accounting procedures are necessary to ensure the stewardship and accountability of public funds. An important aspect of effective accounting procedures includes maintaining detailed supporting documentation for expenditures.

Finding 2011-10 – Inadequate Internal Controls and Noncompliance Over Consumable Inventories (Repeat Finding)

Condition: Upon inquiry of County personnel, observation and review of documents regarding consumable inventory, the following was noted:

- District 2 fuel records are not maintained in a manner for the physical measurement to be reconciled to a ledger in a timely manner.
- District 2 was unable to provide documentation for consumable inventory (fuel) for the fiscal year 2011.

Cause of Condition: Procedures have not been designed and implemented with regard to effective internal controls over safeguarding consumable inventory (fuel).

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:

**OKFUSKEE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

- Performing and documenting a periodic physical count of inventory.
- 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:

County Commissioner District 2: Procedures have been implemented to correct this by purchasing a new fuel gauge and measurement stick and better fuel logs.

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.

Finding 2011-11 – Inadequate Internal Controls and Noncompliance Over Inmate Trust and Sheriff Commissary Funds

Condition: During the audit of the Inmate Trust Fund and Sheriff Commissary, we noted the following weaknesses:

- Bank reconciliations are performed, but not reviewed or approved.
- Inmate trust disbursements do not have two authorized signatures.
- The Sheriff's office does not make deposits daily.
- Inmate Trust funds are collected and held for the next deposit, are kept in an unsecured file cabinet.
- The Sheriff's office does not file an annual report for the Commissary Fund with the Board of County Commissioners by January 15th, of each year.
- The County Sheriff does not have a Commissary Account on the County Treasurer's general ledger. All expenditures are made from the Inmate Trust Fund and are not filed with and allowed by the Board of County Commissioners.
- Inmate Trust Fund profits are not deposited into the Sheriff's Commissary Fund.
- Inmate Trust processes are not properly segregated.

Cause of Condition: Policies and Procedures have not been designed regarding the Inmate Trust Fund.

Effect of Condition: These conditions resulted noncompliance with state statutes. 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:

- Bank reconciliations should be performed on a monthly basis.
- All checks from the Inmate Trust Fund should be signed and have two authorized signatures.
- All collections should be deposited daily.

**OKFUSKEE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

- Collections received after the current day's deposit should be retained in a secure location.
- The Sheriff should file a report of the commissary with the County Commissioners by January 15th, of each year.
- Profits from commissary sales should be deposited in a fund set up with the Treasurer. The fund should be identified as the Sheriff Commissary Fund.
- Expenditures should be made from the Sheriff Commissary Fund in accordance with 19 O.S. § 180.43.
- Inmate Trust Fund monies should be maintained in a manner that reflects each inmate's trust deposit, disbursements, and account balances. The inmate's trust fund balances should be reconciled to the bank statements each month.
- 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.

Management Response:

County Sheriff: The Sheriff's office has implemented steps to correct this.

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

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

Title 19 O.S. § 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 of each year."

Title 19 O.S. § 531 A. states in part, "The county sheriff may establish a checking account, to be designated the "Inmate Trust Checking Account." The county sheriff shall deposit all monies collected from inmates incarcerated in the county jail into this checking account and may write checks to the Sheriff's Commissary Account for purchases made by the inmate during his or her incarceration and to the inmate from unencumbered balances due the inmate upon his or her discharge."

**OKFUSKEE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

In addition, Title 19 O.S. § 531 C. states, “Banking fees on the account may be paid out of the Sheriff Commissary Account or the county Sheriff’s Service Cash Fund.”



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