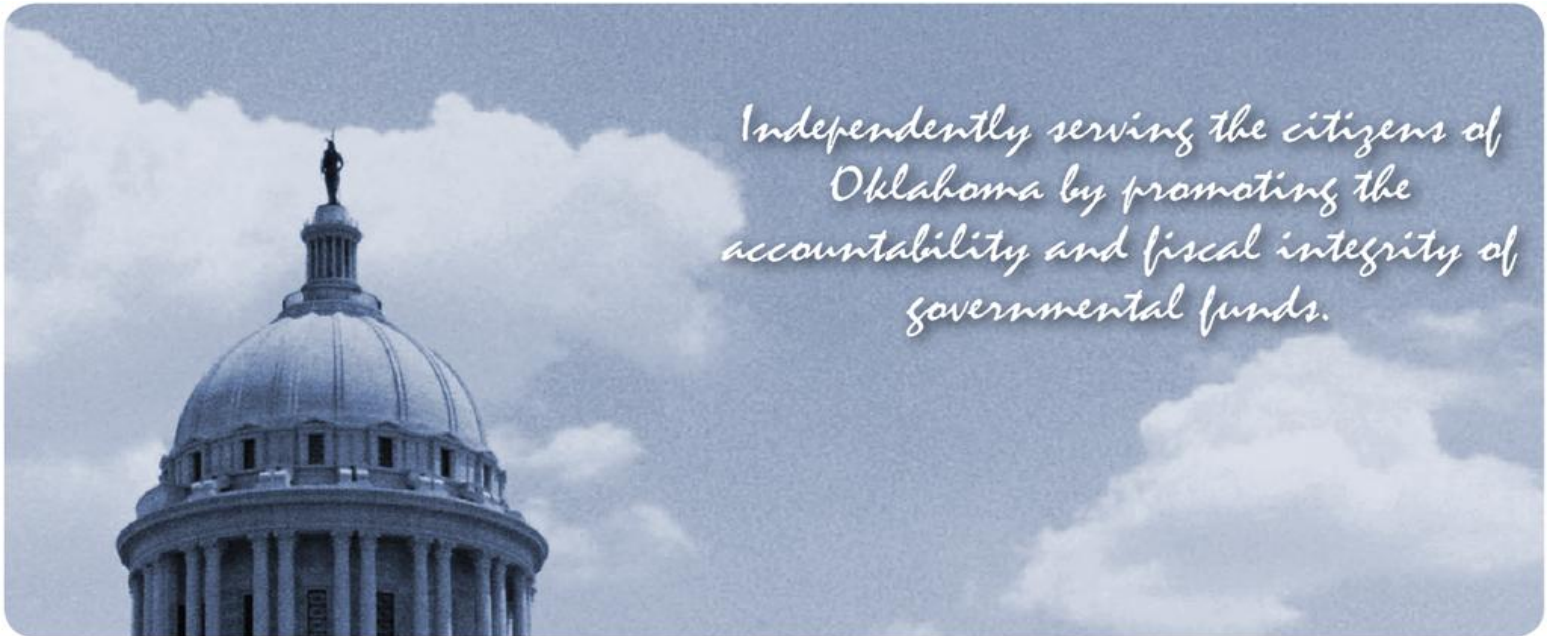


COUNTY AUDIT

# SEMINOLE COUNTY

For the fiscal year ended June 30, 2012



*Independently serving the citizens of  
Oklahoma by promoting the  
accountability and fiscal integrity of  
governmental funds.*



Oklahoma State  
Auditor & Inspector  
Gary A. Jones, CPA, CFE

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

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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

January 28, 2016

TO THE CITIZENS OF  
SEMINOLE COUNTY, OKLAHOMA

Transmitted herewith is the audit of Seminole County, Oklahoma for the fiscal year ended June 30, 2012. The audit was conducted in accordance with 19 O.S. § 171.

A report of this type can be critical in nature. Failure to report commendable features in the accounting and operating procedures of the entity should not be interpreted to mean that they do not exist.

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

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

Sincerely,

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

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

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

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

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INTERNAL CONTROL AND COMPLIANCE SECTION

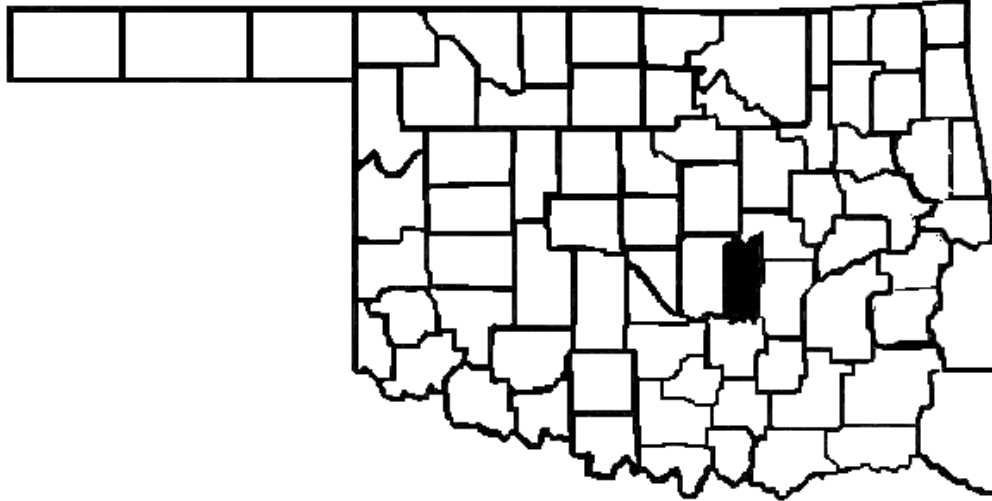
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**PRESENTED FOR INFORMATIONAL PURPOSES ONLY**

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

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Taking its name from a Creek word meaning “runaway” or “those who camp at a distance,” this county was originally part of the Seminole Nation, Indian Territory. As a result of a treaty with the Creeks in 1856, the Seminoles received an estimated 2,169,080 acres of land in the Indian Territory where they could establish their own government and laws. They were the last of Five Civilized Tribes to organize their own government in this region.

Although oil exploration began near Wewoka as early as 1902, it was not until 1923 and the discovery of the Greater Seminole Field that the county experienced an economic boom. By September 1929, this became the premier high-gravity oil field in the United States. Now, agriculture and manufacturing also contribute to the economy.

Businesses engaged in the production of clothing, oil field chemicals and tanks, air blasting equipment, and others are located in the area. Seminole State College continues the tradition first exemplified by the founding of the Mekasukey Academy for Seminole boys in 1891 and the Emahaka Boarding School for Seminole girls in 1893.

Sources of recreational activities include area lakes as well as public golf course in Seminole and Wewoka. For more information, call the county clerk’s office at 405/257-2501.

County Seat – Wewoka

Area – 640.57 Square Miles

County Population – 24,296  
(2009 est.)

Farms –1,172

Land in Farms – 250,751 Acres

Primary Source: Oklahoma Almanac 2011-2012

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

---

**Board of County Commissioners**

District 1 – Herb Williams  
District 2 – Fred Combs  
District 3 – Clifton Taylor

**County Assessor**

Billy Parks

**County Clerk**

Tahasha Wilcots

**County Sheriff**

Shannon Smith

**County Treasurer**

Lisa Turpin

**Court Clerk**

Kim Davis

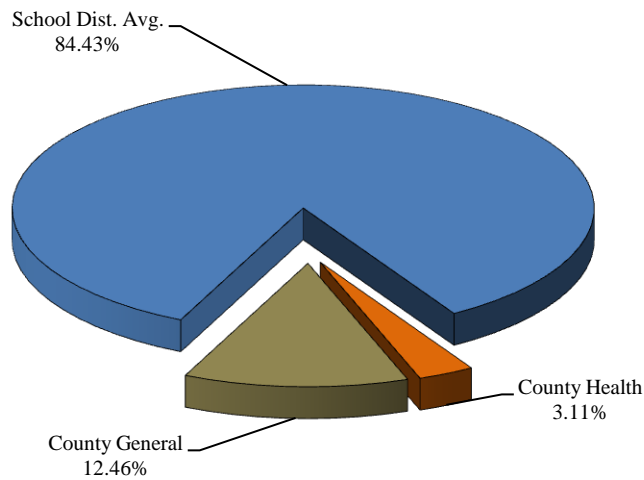
**District Attorney**

Chris Ross



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

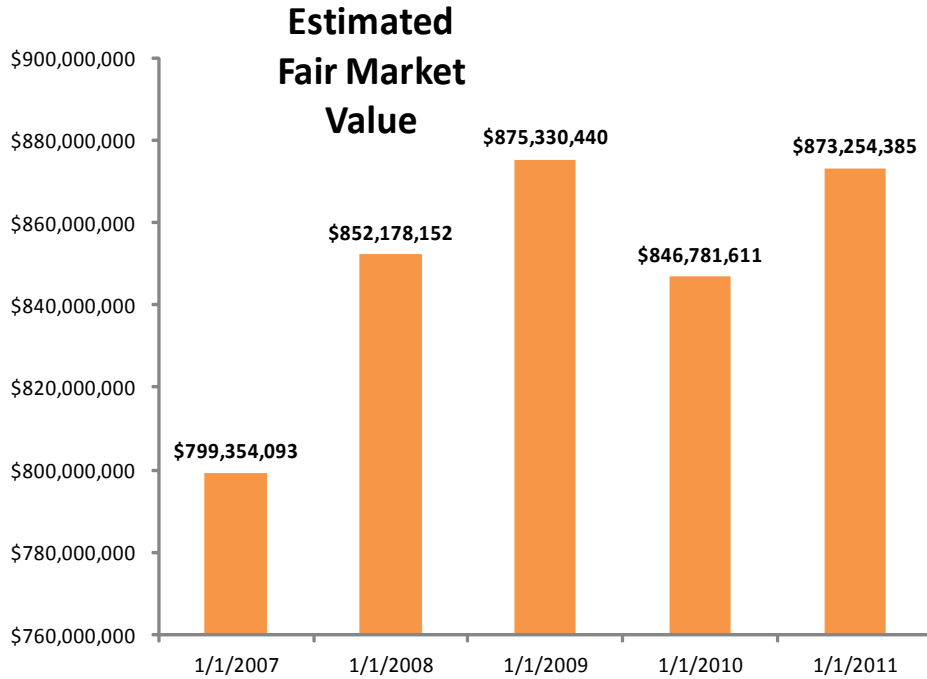
Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of a property is \$1,000.00 and the millage rate is 1.00, then the tax on that property is \$1.00. This chart shows the different entities of the County and their share of the various millages as authorized by the Constitution.



County-Wide Millages		School District Millages								
				Gen.	Bldg.	Skg.	Career Tech.	Career Tech Bldg.	Common	Total
County General	10.44									
County Health	2.61	Seminole	I-1	36.17	5.17	15.71	10.50	5.25	4.18	76.98
		Wewoka	I-2	36.99	5.28	24.18	10.50	5.25	4.18	86.38
		Bowlegs	I-3	37.57	5.37	13.44	10.50	5.25	4.18	76.31
		Konawa	I-4	35.45	5.06	9.98	-	-	4.18	54.67
		City Sinking								
		New Lima	I-6	37.59	5.37	-	10.50	5.25	4.18	62.89
		Varnum	I-7	38.33	5.48	-	10.50	5.25	4.18	63.74
Seminole	6.32	Sasakwa	I-10	37.91	5.42	22.50	10.83	2.00	4.18	82.84
		Strother	I-14	39.28	5.61	5.60	10.50	5.25	4.18	70.42
		Butner	I-15	38.11	5.44	13.87	10.50	5.25	4.18	77.35
		Justice	I-54	38.16	5.45	-	10.50	5.25	4.18	63.54
		Maud	I-117	37.83	5.40	-	10.50	5.25	4.18	63.16

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

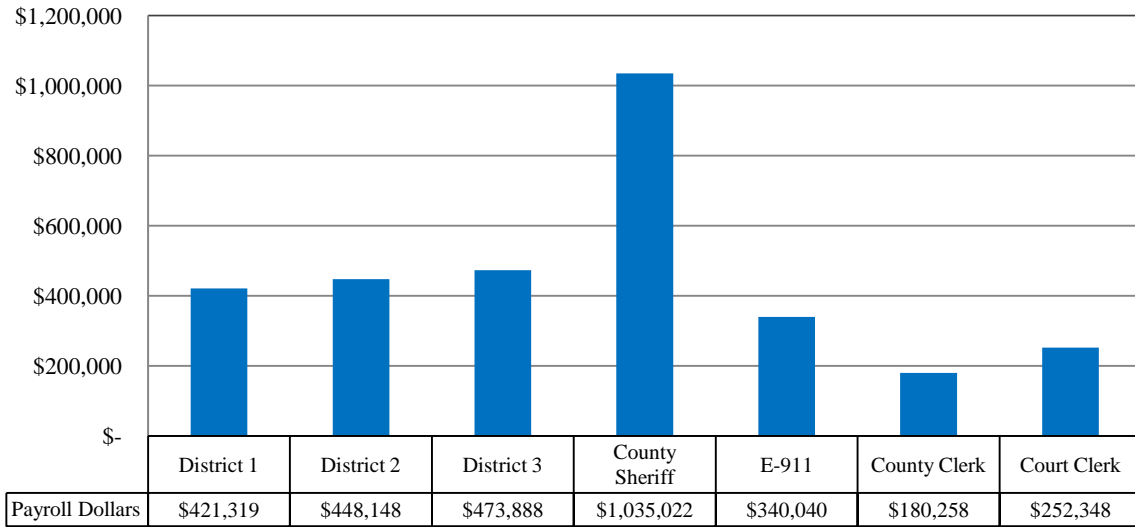
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2011	\$18,882,446	\$44,302,759	\$62,641,861	\$6,591,132	\$119,235,934	\$873,254,385
1/1/2010	\$18,985,570	\$40,839,482	\$61,180,493	\$6,593,301	\$114,412,244	\$846,781,611
1/1/2009	\$23,606,857	\$41,791,547	\$59,485,375	\$6,582,083	\$118,301,696	\$875,330,440
1/1/2008	\$17,427,593	\$42,441,339	\$62,545,117	\$6,558,465	\$115,855,584	\$852,178,152
1/1/2007	\$17,394,476	\$44,504,833	\$55,155,674	\$6,541,223	\$110,513,760	\$799,354,093



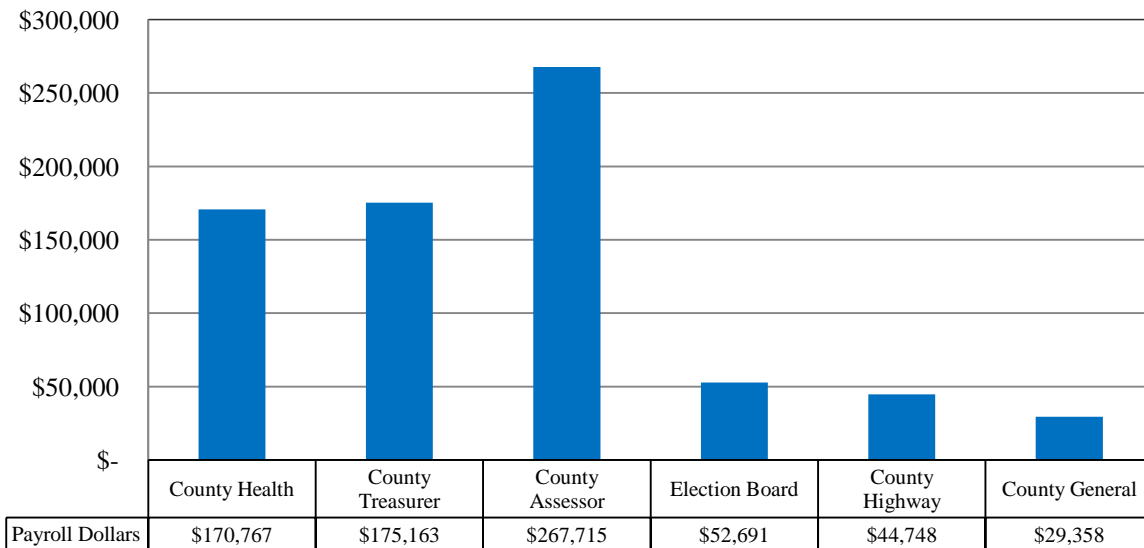
**SEMINOLE COUNTY, OKLAHOMA  
COUNTY PAYROLL EXPENDITURES ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

County officers' salaries are based upon the assessed valuation and population of the counties. State statutes provide guidelines for establishing elected officers' salaries. The Board of County Commissioners sets the salaries for all elected county officials within the limits set by the statutes. The designated deputy or assistant's salary cannot exceed the principal officer's salary. Salaries for other deputies or assistants cannot exceed the principal officer's salary. The information presented below is for the fiscal year ended June 30, 2012.

**Payroll Expenditures by Department**



**Payroll Expenditures by Department**

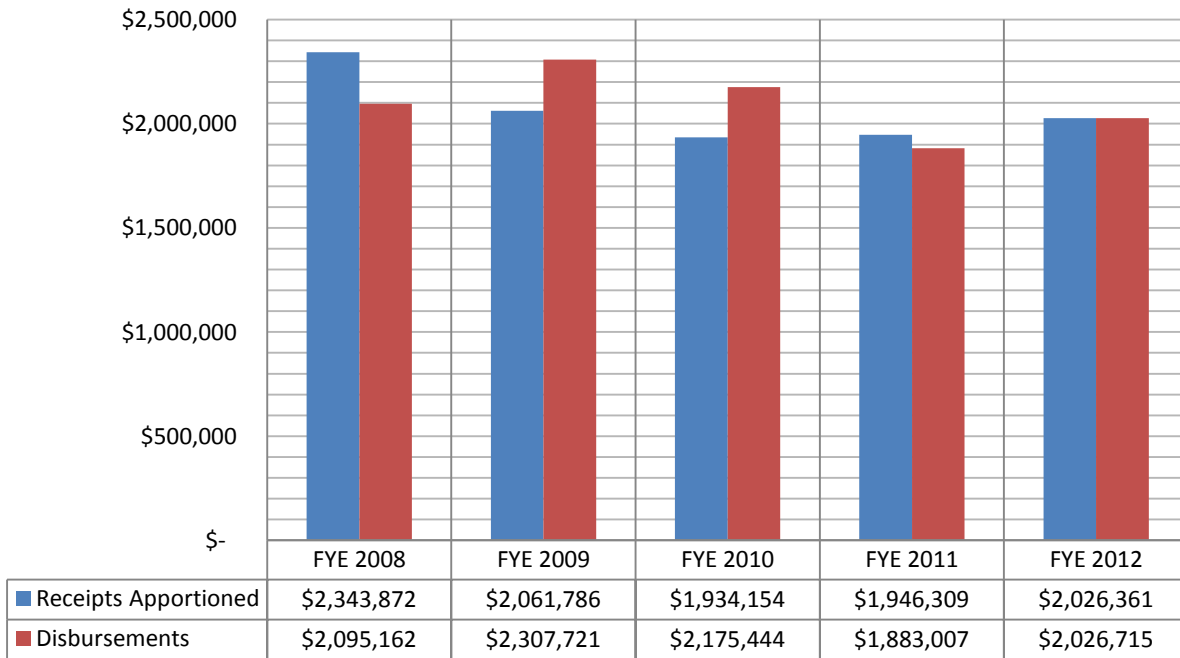


**SEMINOLE COUNTY, OKLAHOMA  
COUNTY GENERAL FUND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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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.

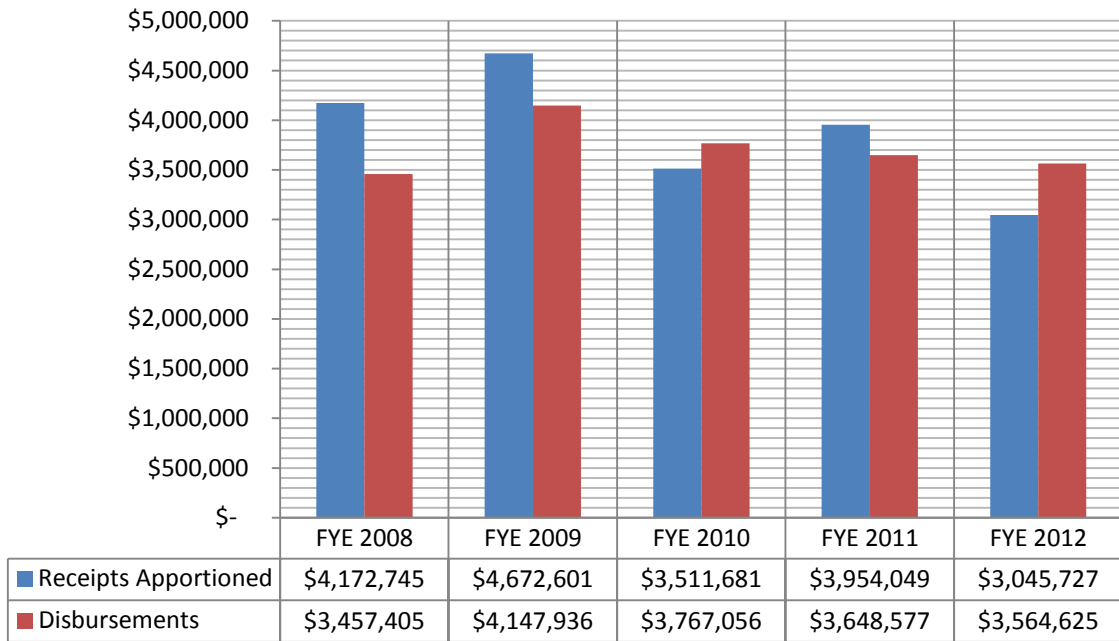


**SEMINOLE COUNTY, OKLAHOMA  
COUNTY HIGHWAY FUND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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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 SEMINOLE 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 Seminole County, Oklahoma, as of and for the year ended June 30, 2012, listed in the table of contents as the financial statement. This financial statement is the responsibility of Seminole 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 Seminole County as of June 30, 2012, or changes in its financial position for the year then ended.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined total of receipts, disbursements, and changes in cash balances for all county funds of Seminole County, for the year ended June 30, 2012, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2016, on our consideration of Seminole County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the combined total of all county funds on the financial statement. The Other Supplementary Information, as listed in the table of contents, is presented for purposes of additional analysis, and is not a required part of the financial statement. Such supplementary information has been subjected to the auditing procedures applied in the audit of the combined total—all county funds on the regulatory basis Statement of Receipts, Disbursements and Changes in Cash Balances and, in our opinion, is fairly stated, in all material respects, in relation to the combined total—all county funds. The information listed in the table of contents under Introductory Section has not been audited by us, and accordingly, we express no opinion on it.

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

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

January 27, 2016



**REGULATORY BASIS FINANCIAL STATEMENT**

**SEMINOLE COUNTY, OKLAHOMA**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND**  
**CHANGES IN CASH BALANCES—REGULATORY BASIS**  
**(WITH COMBINING INFORMATION)—MAJOR FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Beginning Cash Balances July 1, 2011	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2012
Combing Information:						
Major Funds:						
County General Fund	\$ 559,746	\$ 2,026,361	\$ -	\$ -	\$ 2,026,715	\$ 559,392
County Highway	2,557,033	3,045,727	99,925	-	3,564,625	2,138,060
County Health	481,442	311,450	-	-	366,298	426,594
Sheriff Sales Tax	74,377	276,911	-	-	253,440	97,848
County General Sales Tax	563,234	276,107	-	-	147,705	691,636
County Highway Sales Tax	1,170,085	831,089	8,168	-	716,032	1,293,310
E-911 Tax	-	63,089	-	-	130	62,959
Ambulance Tax	-	88,689	-	-	4,891	83,798
Police Tax	-	23,533	-	-	-	23,533
Fire Tax 2	-	29,324	-	-	-	29,324
Jail Tax	1,194,271	1,274,634	-	-	1,648,922	819,983
Fire Tax	642,609	422,004	-	-	534,641	529,972
E-911	50,096	556,772	-	-	566,116	40,752
Sheriff Service Fee	45,153	150,185	-	-	146,940	48,398
Sheriff Transport B4	47,766	329,391	-	-	297,882	79,275
Resale Property	244,481	150,087	-	-	111,595	282,973
CBRI 105	858,610	333,658	-	197,044	-	995,224
Remaining Aggregate Funds	358,949	170,623	-	3,000	129,684	396,888
<b>Combined Total - All County Funds, As Restated</b>	<b>\$ 8,847,852</b>	<b>\$ 10,359,634</b>	<b>\$ 108,093</b>	<b>\$ 200,044</b>	<b>\$ 10,515,616</b>	<b>\$ 8,599,919</b>

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

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

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**1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

Seminole 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 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 revenues from ad valorem taxes, officers' fees, interest earnings, and miscellaneous collections of the County. Disbursements are for the general operations of the County.

County 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. Disbursements are for the operation of the county health department.

Sheriff Sales Tax – accounts for the collection of sales tax revenue and the disbursements of funds as restricted by the sales tax resolution.

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

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

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County Highway Sales Tax – accounts for the collection of sales tax revenue and the disbursements of funds as restricted by the sales tax resolution.

E-911 Tax – accounts for the collection of sales tax revenue and the disbursements of funds as restricted by the emergency sales tax resolution.

Ambulance Tax – accounts for the collection of sales tax revenue and the disbursements of funds as restricted by the emergency sales tax resolution.

Police Tax – accounts for the collection of sales tax revenue and the disbursements of funds as restricted by the emergency sales tax resolution.

Fire Tax 2 – accounts for the collection of sales tax revenue and the disbursements of funds as restricted by the sales tax resolution.

Jail Tax – accounts for the collection of sales tax revenue and the disbursements of funds as restricted by the sales tax resolution.

Fire Tax – accounts for the collection of sales tax revenue and the disbursements of funds as restricted by the sales tax resolution.

E-911 – accounts for monies received from private telephone companies for the operation of emergency 911 services.

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

Sheriff Transport B4 – accounts for monies received from the State of Oklahoma for the boarding and feeding of Department of Corrections’ prisoners and for service fees received for transportation of inmates and juveniles.

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 state, local, and miscellaneous receipts and disbursements are for the purpose of constructing and maintaining county roads and bridges.

**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

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

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expenses to be recognized when the related liabilities are incurred. This regulatory basis financial presentation is not a comprehensive measure of economic condition or changes therein.

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

**D. Budget**

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

**E. Cash and Investments**

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

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

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

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.

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

---

**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 issue 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.

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

---

**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**

On November 7, 2006, the Seminole County voters approved an additional one-half percent (1/2%) sales tax for acquiring, construction, equipping, repairing, renovating, operating, and maintaining County jail facilities; to pay the principle of and interest on indebtedness incurred on behalf of said County by the Seminole County Public Building Authority for such purposes; and any remainder for other County purposes expiring April 1, 2027. These funds are accounted for in the Jail Tax fund.

On August 22, 2006, the Seminole County voters approved a one-quarter percent (1/4%) sales tax for funding the fire departments in the following communities: Bowlegs, Cromwell, Konawa, Maud, Sasakwa, Seminole, Strother, and Wewoka. The revenues will be used for the general operation, maintenance, repair, and purchase of equipment and training. The revenues will be divided equally between each department. This tax will have a five year limit beginning January 1, 2007. These funds are accounted for in the Fire Tax fund.

On February 9, 2010, the Seminole County voters approved the renewal of a one-half percent (1/2%) sales tax for a period of five years beginning September 1, 2010. Proceeds of the tax are designated as follows: These funds are accounted for in the County General Sales Tax fund, Sheriff Sales Tax fund, and the County Highway Sales Tax fund.

- 60 percent – county road fund for the repair or replacement of county roads, bridges, and equipment.
- 20 percent – county sheriff
- 20 percent – county general government for the maintenance and operations on County property and operating expenses.

On October 11, 2011, the Seminole County voters approved an additional one-half percent (1/2%) sales tax for a term of five years beginning January 1, 2012. Proceeds of tax are designated as follows:

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

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- 14.33 percent – Divided equally between eight fire departments those being Seminole, Wewoka, Konawa, Bowlegs, Maud, Cromwell, Sasakwa, and Strother. These funds are accounted for in the Fire Tax 2 fund.
- 30.83 percent – to the County-wide 911 service. These funds are accounted for in the E-911 Tax fund.
- 43.34 percent – 24.76 percent goes to City of Seminole ambulance services; 12.38 percent goes to Wewoka Ambulance services; and 6.2 percent goes to Konawa ambulance services. These funds are accounted for in the Ambulance Tax fund.
- 11.5 percent – Divided equally between Seminole, Wewoka, and Konawa police departments. These funds are accounted for in the Police Tax fund.

**E. Interfund Transfers**

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

- \$99,925 was transferred from the CBRI 105 fund to County Highway fund for reimbursement payment for the Wolf Cemetery Bridge project.
- \$23,199 was transferred from the CBRI 105 fund to Highway Emergency Transportation Revolving (ETR) fund, a trust and agency fund, for reimbursement payment for the Wolf Cemetery Bridge project.
- \$8,168 was transferred from the CBRI 105 fund to County Highway Sales Tax fund for reimbursement payment for the Wolf Cemetery Bridge project.
- \$3,000 was transferred from the CBRI 103 fund to the Highway ETR fund, a trust and agency fund, for the reimbursement payment for project 10083.
- \$65,752 was transferred from the CBRI 105 fund to the Highway ETR fund, a trust and agency fund, for the reimbursement payment for project 10084.

**F. Restatement of Prior Year Ending Cash Balance**

Due to the reclassification of funds for the fiscal year ended June 30, 2012, the ending balance of the schedule included in the prior year operational audit report is different than the July 1, 2012, beginning balance. The difference is due to reclassification of the Highway Emergency Transportation Revolving and Teen Court, trust and agency funds, and County Clerk Petty Cash fund, a governmental fund.

Prior Year Ending Balance, as reported	\$9,296,766
Reclassification:	
Highway Emergency Transportation Revolving	(448,972)
Teen Court	(2)
County Clerk Petty Cash	60
Beginning Balance, As Restated	\$8,847,852



**OTHER SUPPLEMENTARY INFORMATION**

**SEMINOLE COUNTY, OKLAHOMA**  
**COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND**  
**CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—**  
**GENERAL FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 559,746	\$ 559,746	\$ -
Less: Prior Year Outstanding Warrants	(128,626)	(128,626)	-
Less: Prior Year Encumbrances	(72,439)	(46,308)	26,131
Beginning Cash Balances, Budgetary Basis	<u>358,681</u>	<u>384,812</u>	<u>26,131</u>
Receipts:			
Ad Valorem Taxes	1,131,657	1,228,546	96,889
Charges for Services	263,992	298,159	34,167
Intergovernmental Revenues	321,801	355,209	33,408
Miscellaneous Revenues	128,903	144,447	15,544
Total Receipts, Budgetary Basis	<u>1,846,353</u>	<u>2,026,361</u>	<u>180,008</u>
Expenditures:			
District Attorney	3,500	-	3,500
County Sheriff	425,914	389,226	36,688
County Treasurer	119,927	116,796	3,131
County Commissioners	6,000	2,757	3,243
County Commissioners - OSU Extension	22,080	20,161	1,919
County Clerk	156,851	155,618	1,233
Court Clerk	143,300	140,318	2,982
County Assessor	128,923	127,999	924
Revaluation of Real Property	259,364	248,450	10,914
District Court	180,831	148,020	32,811
General Government	226,885	205,178	21,707
Excise-Equalization Board	4,500	3,062	1,438
County Election Board	72,184	71,668	516
Insurance	416,000	362,071	53,929
Civil Defense/Emergency Management	10,000	7,477	2,523
Cemetery Account	10,000	1,155	8,845
Free Fair Budget	18,775	15,381	3,394
Provision for Interest on Warrants	-	651	(651)
Total Expenditures, Budgetary Basis	<u>2,205,034</u>	<u>2,015,988</u>	<u>189,046</u>
Excess of Receipts and Beginning Cash			
Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	395,185	<u>\$ 395,185</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Cancelled Warrants		43	
Add: Current Year Outstanding Warrants		122,432	
Add: Current Year Encumbrances		41,732	
Ending Cash Balance		<u>\$ 559,392</u>	

**SEMINOLE COUNTY, OKLAHOMA  
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND  
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—  
COUNTY HEALTH DEPARTMENT FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 481,442	\$ 481,442	\$ -
Less: Prior Year Outstanding Warrants	(49,535)	(49,535)	-
Less: Prior Year Encumbrances	(86,853)	(66,710)	20,143
Beginning Cash Balances, Budgetary Basis	345,054	365,197	20,143
Receipts:			
Ad Valorem Taxes	282,914	306,292	23,378
Charges for Services	-	1,638	1,638
Miscellaneous Revenues	1,638	3,520	1,882
Total Receipts, Budgetary Basis	284,552	311,450	26,898
Expenditures:			
Health and Welfare	629,606	321,383	308,223
Total Expenditures, Budgetary Basis	629,606	321,383	308,223
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	355,264	\$ 355,264
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		44,794	
Add: Current Year Outstanding Warrants		26,536	
Ending Cash Balance		\$ 426,594	

**SEMINOLE COUNTY, OKLAHOMA**  
**COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND**  
**CHANGES IN CASH BALANCES—REGULATORY BASIS—**  
**REMAINING AGGREGATE FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Beginning Cash Balances July 1, 2011	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2012
Remaining Aggregate Funds:						
CBRI 103	\$ 23,881	\$ -	\$ -	\$ 3,000	\$ -	\$ 20,881
Treasurer Mortgage Certification Fee	18,059	3,710	-	-	3,937	17,832
County Clerk Petty Cash	60	-	-	-	-	60
County Clerk Lien Fee	61,338	35,040	-	-	23,672	72,706
Community Service	85	-	-	-	85	-
E-911 Grant	87	-	-	-	87	-
Sheriff Special Operation Team	908	-	-	-	-	908
CDBG 13116 Co Barn	-	12,997	-	-	12,997	-
L.E.G.	56	-	-	-	56	-
L.E.P.C.	707	-	-	-	-	707
Solid Waste - Trash Fund	4,883	200	-	-	-	5,083
CDBG Fairground Grant	2,015	-	-	-	-	2,015
Sheriff Grant 2009-SB-B9-182	4,058	-	-	-	-	4,058
Sheriff Donation	4,355	-	-	-	423	3,932
Assessor Revolving Fund	14,155	5,856	-	-	5,898	14,113
County Clerk Preservation	132,339	49,963	-	-	73,164	109,138
Special Project BIA - Road	79,677	-	-	-	-	79,677
Sheriff Commissary Fund	4,934	-	-	-	-	4,934
Emergency Management Fund	7,352	5,625	-	-	9,365	3,612
FEMA	-	57,232	-	-	-	57,232
<b>Combined Total - Remaining Aggregate Funds</b>	<b>\$ 358,949</b>	<b>\$ 170,623</b>	<b>\$ -</b>	<b>\$ 3,000</b>	<b>\$ 129,684</b>	<b>\$ 396,888</b>

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

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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:

CBRI 103 – accounts for state receipts and disbursements are for the purpose of maintaining county bridges.

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

County Clerk Petty Cash – accounts for monies in cash registers to allow change for daily transactions.

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

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

E-911 Grant – accounts for the grant matching funds for the development of an emergency 911 system.

Sheriff Special Operation Team – accounts for collection of funds from a fundraising effort by the County Sheriff and area police departments. Disbursements from this fund are to be made for the purchase of equipment.

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

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CDBG 13116 Co Barn – accounts for Community Development Block grant funds received and disbursement of funds as restricted to grant agreement.

L.E.G. – accounts for grant monies received from the U.S. Department of Justice Local Law Enforcement Block Grant Program used for the Sheriff’s office.

L.E.P.C. – accounts for state funds received for local emergency planning committees.

Solid Waste – Trash Fund – accounts for grant funds received from the State of Oklahoma for the enforcement of trash and litter laws.

CDBG Fairground Grant – accounts for Community Development Block Grant funds received and the disbursement of funds as restricted to grant agreement.

Sheriff Grant 2009-SB-B9-182 – accounts for the collection of funds from the U.S. Department of Justice and the disbursement of funds are restricted to grant agreement.

Sheriff Donation – accounts for donations to the Sheriff’s department and the disbursements are for the operation of the Sheriff’s office.

Assessor Revolving Fund – accounts for the collections of fee for copies as restricted by state statute.

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

Special Project BIA - Road – accounts for funding received from the Bureau of Indian Affairs and disbursed to the County for special road projects.

Sheriff Commissary Fund – accounts for collection of fees transferred from inmate trust funds for commissary items and disbursement of funds as restricted by state statute.

Emergency Management Fund – accounts for collection of funds from the Federal Emergency Management Agency (FEMA). Disbursements are for the operation of Seminole County Emergency Management office.

FEMA – accounts for federal funds to be used for disaster recovery, FEMA projects.

**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  
SEMINOLE COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Seminole County, Oklahoma, as of and for the year ended June 30, 2012, which comprises Seminole County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated January 27, 2016. Our report on the basic financial statement was adverse because the statement is not a presentation in conformity with accounting principles generally accepted in the United States of America. However, our report also included our opinion that the financial statement does present fairly, in all material respects, the receipts, disbursements, and changes in cash balances – regulatory basis of the County for the year ended June 30, 2012, on the basis of accounting prescribed by Oklahoma state law, described in Note 1. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Seminole 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 Seminole County's internal control over financial reporting.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies in internal control described in the accompanying schedule of findings and responses to be material weaknesses in internal control over financial reporting: 2012-1, 2012-2, 2012-4, 2012-5, 2012-6, and 2012-15.



### Compliance and Other Matters

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

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

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

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

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

January 27, 2016

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

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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 2012-1 – Inadequate County-Wide Controls**

**Condition:** County-wide controls regarding the Risk Assessment, Information and Communication, and Monitoring have not been designed.

**Cause of Condition:** Policies and procedures have not been designed to address the Risk Assessment, Information and Communication, and Monitoring of the County. The County was not fully aware of the benefits gained by the implementation of procedures regarding the Risk Assessment, Information and Communication, and Monitoring as it relates to the strengthening of its internal control structure.

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

**Recommendation:** The Oklahoma State Auditor & Inspector's Office (OSAI) recommends that the County design procedures to establish internal controls, identify and address risk, and to ensure that information is communicated effectively. OSAI also recommends that the County design monitoring procedures to assess the quality of performance over time. These procedures should be written policies and procedures and could be included in the County's policies and procedures handbook.

**Management Response:**

**Chairman of the Board of County Commissioner:** I feel as a county we should recognize OSAI recommendations to implement internal control procedures to identify and address risks related to the financial reporting. The County will follow this on a scheduled basis.

**County Clerk:** The Clerk's office concurs with this condition and can truly say that all elected officials have wanted to have this set up, but were leery of our gatherings being constituted as a meeting. Please advise how to proceed.

**County Treasurer:** I acknowledge the finding, but would like advice on how to meet without violating open meeting laws. We have talked about this but are just not sure on how to implement.

**Criteria:** Internal control is an integral component of an organization's management that provides reasonable assurance that the objectives of effectiveness and efficiency of operations, reliability of financial reporting and compliance with laws and regulations are being met. Internal control comprises the plans, methods, and procedures used to meet missions, goals, and objectives. Internal control also serves as the first line of defense in safeguarding assets and preventing and detecting errors and fraud. County management is responsible for designing a county-wide internal control system comprised of Control Environment, Risk Assessment, Information and Communication, and Monitoring for the achievement of these goals.

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

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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.

Information and Communication is a component of internal control in which information should be recorded and communicated to management and others within the County who need it and in a form and within a time frame that enables them to carry out their internal control and other responsibilities. For a County to run and control its operations, it must have relevant, reliable, and timely communications relating to internal as well as external events. Information is needed throughout the County to achieve all of its 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 process.

**Finding 2012-2 – Inadequate Internal Controls Over Information Systems Security – County Treasurer**

**Condition:** The County Treasurer’s office does not have any mitigating controls to reduce the high risk associated with the lack of adequate internal controls within the County’s financial/bookkeeping software.

**Cause of Condition:** The County Treasurer was not aware of the lack of adequate internal controls within the software.

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

**Recommendation:** OSAI recommends the County Treasurer implement mitigating controls regarding the County’s financial/bookkeeping software such as maintaining all receipts and daily totals/reports in a secure location with limited access. In addition, OSAI recommends software updates be implemented upon availability.

**Management Response:**

**County Treasurer:** I review the daily jackets (which list all receipts and daily totals) each day and sign off on the jacket. I will continue to do this to mitigate controls. Due to a lack of funds, updating our current software is all we are currently able to do.

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

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**Criteria:** According to the standards of the Information Systems Audit and Control Association (CobiT, Deliver and Support DS5), the need to maintain the integrity of information and protect IT assets requires a security management process. This process includes establishing and maintaining IT security roles and responsibilities, policies, standards, and procedures. Security management also includes performing security monitoring and periodic testing and implementing corrective actions for identified security weaknesses or incidents. Effective security management protects all IT assets to minimize the business impact of security vulnerabilities and incidents.

**Finding 2012-4 – Inadequate Segregation of Duties Over Receipting and Balancing Processes – County Treasurer**

**Condition:** The County Treasurer has implemented some controls regarding the collections process; however, some duties have not been adequately segregated. We noted the following weaknesses:

- Everyone issues receipts and has administrator rights to void/delete receipts.
- Employees work out of the same cash drawer.
- The same employee balances the cash drawers, prepares the deposit and takes deposit to the bank.
- No evidence of review on the bank reconciliation. (No signature of preparer, no initials of reviewer, and no tick marks of any kind evidencing verification of documentation on bank reconciliation.)
- All employees have the combination to the vault and access to the key to open the vault.

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure adequate segregation of duties in the County Treasurer’s 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 determine if duties can be properly segregated. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risks involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office, and having management review and approval of accounting functions.

**Management Response:**

**County Treasurer:** I acknowledge the finding of segregation of duties. However due to the limited number of employees in this office, it is sometimes difficult to implement. I now have double initials on the daily packets from where I view them. When we are in the software program and reconciling, the program will print their name on the reconciliation. I will get someone else to review the reconciliation and initial this procedure as well. I will keep the reconciliation reports in my possession.

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

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**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, reconciling the cash drawer, preparing and making deposits, and reconciling account balances should be segregated.

**Finding 2012-5 – Inadequate Segregation of Duties Over Purchasing Process**

**Condition:** Upon inquiry and observation of the County’s purchasing process, the following was noted:

- One employee prepares purchase orders, encumbers purchase orders, approves/authorizes the encumbrance, reviews the purchase order for accuracy, prepares the warrants, and distributes warrants.
- Warrants are being printed before the Board of County Commissioners approves the purchase orders.
- Individuals who are not requisitioning officers are allowed to request purchase order numbers.
- Purchase order numbers are issued before monies are encumbered.

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure adequate segregation of duties in the County Clerk’s office with regard to the purchasing process.

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

**Recommendation:** OSAI recommends management be aware of these conditions and determine if duties can be properly segregated. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risks involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office, and having management review and approval of accounting functions.

OSAI recommends management take steps to adequately segregate the following key accounting functions:

- Preparing purchase orders.
- Encumbering purchase orders.
- Printing warrants.
- Distributing warrants.

**Management Response:**

**County Clerk:** The County Clerk’s office will continue to make new efforts in this area. We have implemented new policies and will continually review the procedures for segregation of duties. I also acknowledge we do print the warrants before meeting time. However, the purchase orders are each approved by the Board of County Commissioners before the Board signs and approves the warrants for release. If a purchase order is denied through this process, the warrant is voided and kept in the folder. Those with permission may call for a purchase order number; however, each office will immediately

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

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submit the purchase order information through their requisitioning officer to our office. Then the purchase order number is entered into the computer and the amount is encumbered.

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

**Finding 2012-6 – Inadequate Segregation of Duties Over Payroll Process**

**Condition:** Upon inquiry and observation of the County's payroll process, the following was noted:

- The First Deputy enrolls new employees, maintains personnel files, enters payroll information, prints verification report and distributes payroll.
- Payroll warrants are printed before the Board of County Commissioners approves the affidavits.

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure adequate segregation of duties in the County Clerk's office with regard to the payroll process.

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

**Recommendation:** OSAI recommends management be aware of these conditions and determine if duties can be properly segregated. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risks involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office, and having management review and approval of accounting functions.

**Management Response:**

**County Clerk:** I agree with OSAI in implementing new procedures to regulate segregation of duties. However due to the limited number of employees and funding, this is not always possible. I do verify all payroll reports to agencies. Even though warrants are printed before approval, they are not released before each warrant and affidavit is signed.

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

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

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**Finding 2012-15 – Reconciliation of Appropriation Ledger to General Ledger**

**Condition:** The County Clerk does not reconcile the appropriation ledger to the County Treasurer's general ledger.

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure the reconciliation of the County Clerk's appropriation ledger to the County Treasurer's general ledger.

**Effect of Condition:** This condition could result in unrecorded transactions and undetected errors.

**Recommendation:** OSAI recommends management take steps to ensure reconciliations are performed between the funds presented on the County Clerk's appropriation ledger and the County Treasurer's general ledger monthly. Documentation of this reconciliation should be reviewed and approved by someone other than the preparer.

**Management Response:**

**County Clerk:** The County Clerk's office recently found out that the process shared between the County Clerk and Treasurer's office is indeed not a proper form of reconciliation and is working with the Treasurer's office to correct this issue.

**Criteria:** Safeguarding controls are an aspect of internal control. Safeguarding controls related to the 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 prepared or not timely prepared, are deficiencies in internal control. Further, reconciliations should be performed on a monthly basis.

**SECTION 2—This section contains certain matters not required to be reported in accordance with *Government Auditing Standards*. However, we believe these matters are significant enough to bring to management's attention. We recommend that management consider these matters and take appropriate corrective action.**

**Finding 2012-12 – Inadequate Segregation of Duties - Court Clerk**

**Condition:** Upon inquiry of the Court Clerk employees, and observation and test of records, we noted the following weaknesses with regard to internal controls related to the receipting process of the Court Clerk and the expenditure process over Court Fund claims:

Receipting process:

- One employee issues receipts, balances the cash drawer, prepares deposits, and opens all mail.
- A mail log is not maintained.

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

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Expenditure process:

- The Court Clerk initiates and prepares the Court Fund claim, attaches and verifies supporting documentation, certifies that goods/services were received, approves the claim, prepares and signs vouchers, and reconciles the monthly and quarterly reports with the County Treasurer.

**Cause of Condition:** Policies and procedures have not been designed and implemented to adequately segregate the duties of the receipting process and the Court Fund disbursement process within the office of the Court Clerk.

**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 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 drawer, preparing the deposit, and opening all the mail. Additionally, OSAI recommends maintaining a daily log of mailed in receipts.

OSAI also recommends the following key accounting functions of the disbursement process for the Court Fund be adequately segregated as follows:

- Preparing Court Fund claims.
- Reviewing voucher report to claims.
- Printing vouchers.
- Signing and registering vouchers with the County Treasurer.
- Reconciling monthly and quarterly reports with the County Treasurer.

**Management Response:**

**Court Clerk:** Due to the number of employees verses number of duties, segregation of duties will probably always be a finding in Seminole County. However, recommendations made by OSAI are appreciated and will be implemented when possible. I have already started using some of the recommendations offered, as well as, initiating some of my own segregation of duties for more transparency. One of OSAI's recommendations is that we keep a mail log. In this office, a mail log would create more of an auditing issue than not doing it. If an employee utilized their time making a log, the money orders, etc., would perhaps lay on a desk un-receipted. As stated previously, due to the number of employees verses number of duties some situations just cannot be helped. We will continue to work toward adequate segregation 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



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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 2012-14 – Inadequate Internal Controls and Noncompliance Over Inmate Trust Fund Checking Account and Sheriff Commissary Fund**

**Condition:** Upon inquiry and observation of the Inmate Trust Fund Checking Account and Sheriff Commissary, the following exceptions were noted:

- One person prepares the deposit, takes the deposit to the bank, and performs inmate account maintenance.
- Individual inmate trust fund balances are not being reconciled to the bank statements each month.
- Collections are not deposited daily.
- Commissions are not being transferred into the Sheriff Commissary Fund.
- Inmate Trust Fund Checking Account is not being reconciled monthly.
- The County Sheriff's office does not produce or file an annual report for the Sheriff Commissary Fund with the Board of County Commissioners by January 15th, of each year.

After performing testwork regarding Inmate Trust Fund Checking Account expenditures, the following exception was noted:

- Checks are being issued to the vendor for commissary items, rather than transferring funds to the Sheriff Commissary and properly paying for items purchased.

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

**Effect of Condition:** This condition resulted in noncompliance with state statutes, laws, and regulations. Also, without proper accounting and safeguarding of the Inmate Trust Fund Checking Account, there is an increased risk of misappropriation of funds.

**Recommendation:** OSAI recommends the following:

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

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- Expenditures should be made from the Sheriff Commissary Fund in accordance with 19 O.S. § 180.43.

**Management Response:**

**County Sheriff:** I have hired a new jail administrator who will help with segregation of duties. We will collect and deposit daily and add money to the inmate's accounts. Commissions will be transfers from the inmate trust account to the commissary fund and all vendor payments will be paid from the commissary fund. Trust fund balances and bank statements will be reconciled monthly. Also, an annual commissary report will be filed with the Board of County Commissioners before January 15<sup>th</sup>, of each year.

**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 transactions and unauthorized access to assets. Failure to perform tasks that are part of internal controls, such as reconciliations not performed or timely prepared, are deficiencies in internal control. Further, reconciliations should be performed on a monthly basis.

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 for unencumbered balances due the inmate upon his or her discharge."



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