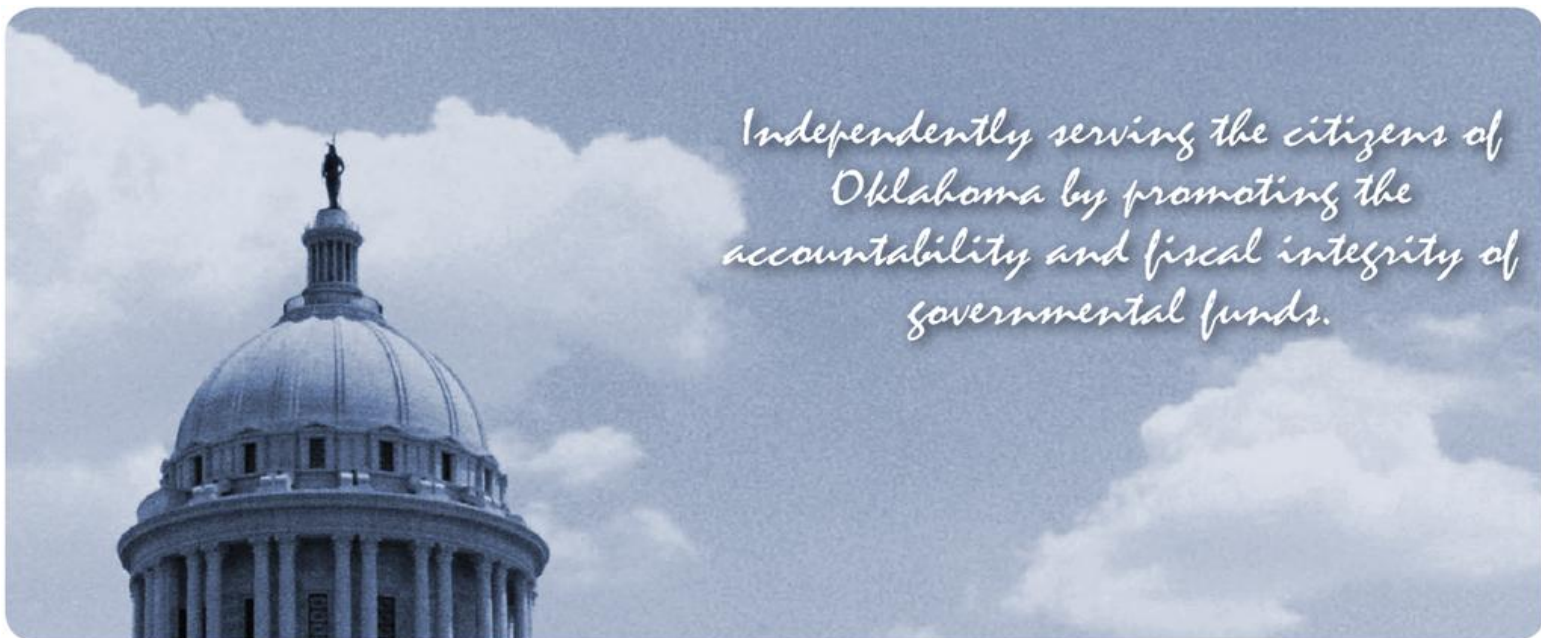


COUNTY AUDIT

SEMINOLE COUNTY

For the fiscal year ended June 30, 2013



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



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

**SEMINOLE COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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



Oklahoma State Auditor & Inspector

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

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, 2013. The audit was conducted in accordance with 19 O.S. § 171.

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

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

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

Sincerely,

A handwritten signature in blue ink, appearing to read "Gary A. Jones". The signature is fluid and cursive.

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

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

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

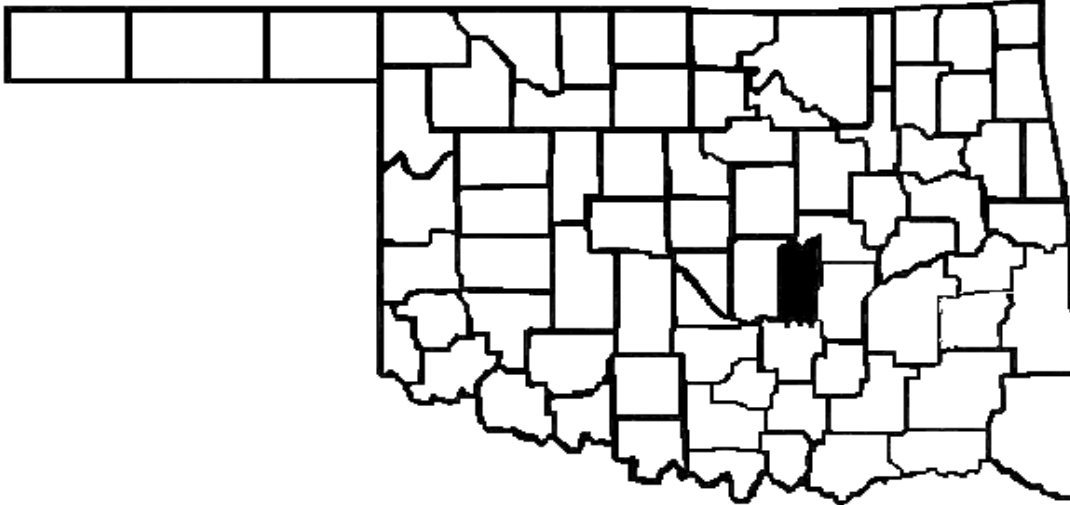
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PRESENTED FOR INFORMATIONAL PURPOSES ONLY**

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



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 – 25,450
(2012 est.)

Farms –1,172

Land in Farms – 250,751 Acres

Primary Source: Oklahoma Almanac 2013-2014

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

Board of County Commissioners

District 1 – Herb Williams
District 2 – Tommy Monks
District 3 – Clifton Taylor

County Assessor

Denise Bailey

County Clerk

Tahasha Wilcots

County Sheriff

Shannon Smith

County Treasurer

Lisa Turpin

Court Clerk

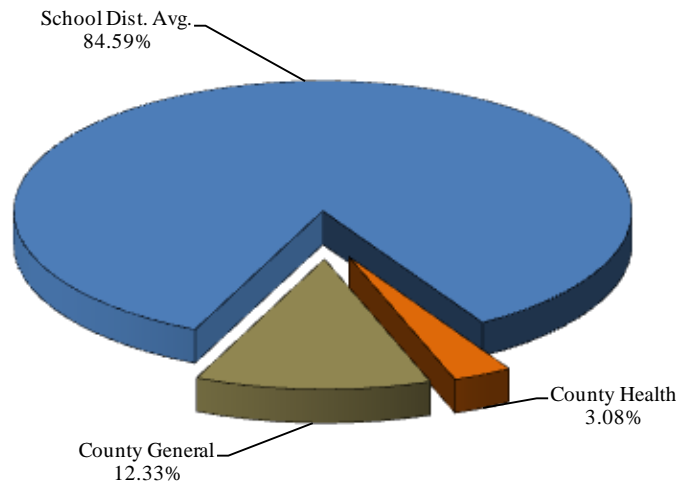
Kim Davis

District Attorney

Chris Ross

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

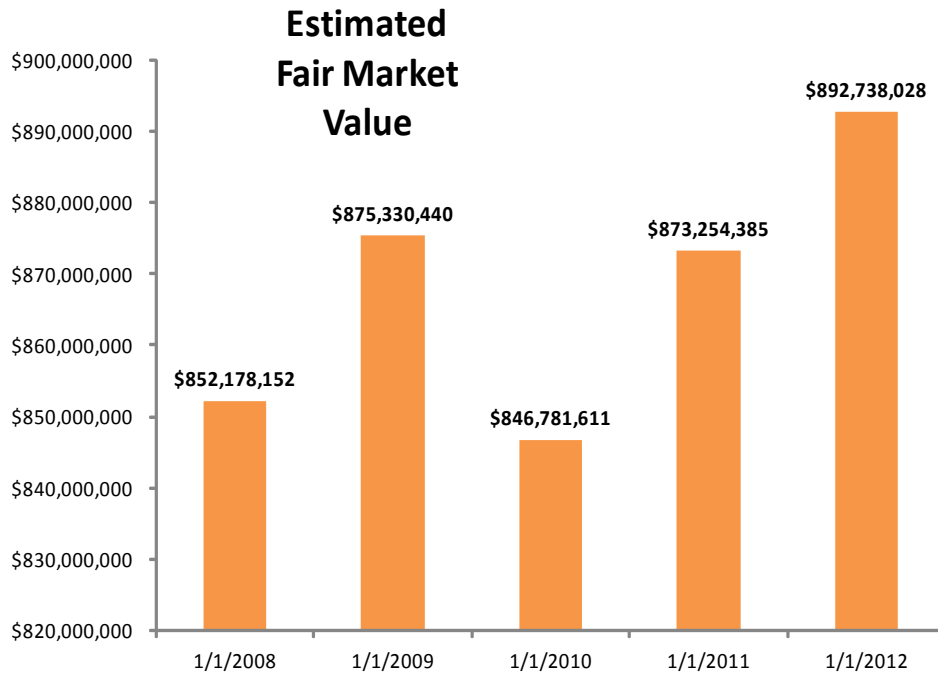
Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of a property is \$1,000.00 and the millage rate is 1.00, then the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



County-Wide Millages		School District Millages								
			Gen.	Bldg.	Skd.	Career Tech.	Career Tech Bldg.	Common	Total	
County General	10.44									
County Health	2.61	Seminole	I-1	36.17	5.17	16.19	10.50	5.25	4.18	77.46
		Wewoka	I-2	36.99	5.28	22.44	10.50	5.25	4.18	84.64
		Bowlegs	I-3	37.57	5.37	11.65	10.50	5.25	4.18	74.52
		Konawa	I-4	35.45	5.06	11.14	-	-	4.18	55.83
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	4.92	Sasakwa	I-10	37.91	5.42	18.27	10.83	2.00	4.18	78.61
		Strother	I-14	39.28	5.61	4.81	10.50	5.25	4.18	69.63
		Butner	I-15	38.11	5.44	13.95	10.50	5.25	4.18	77.43
		Justice	I-54	38.16	5.45	-	10.50	5.25	4.18	63.54
		Maud	I-117	37.83	5.40	16.71	10.50	5.25	4.18	79.87

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

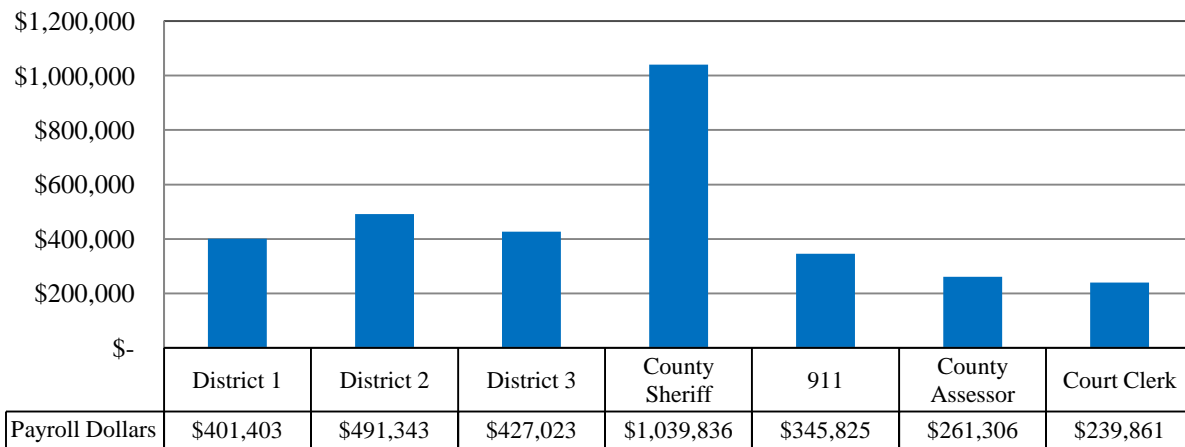
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2012	\$19,743,929	\$43,693,070	\$64,438,602	\$6,491,277	\$121,384,324	\$892,738,028
1/1/2011	\$18,882,446	\$44,302,759	\$62,641,861	\$6,591,132	\$119,235,934	\$873,254,385
1/1/2010	\$18,985,570	\$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



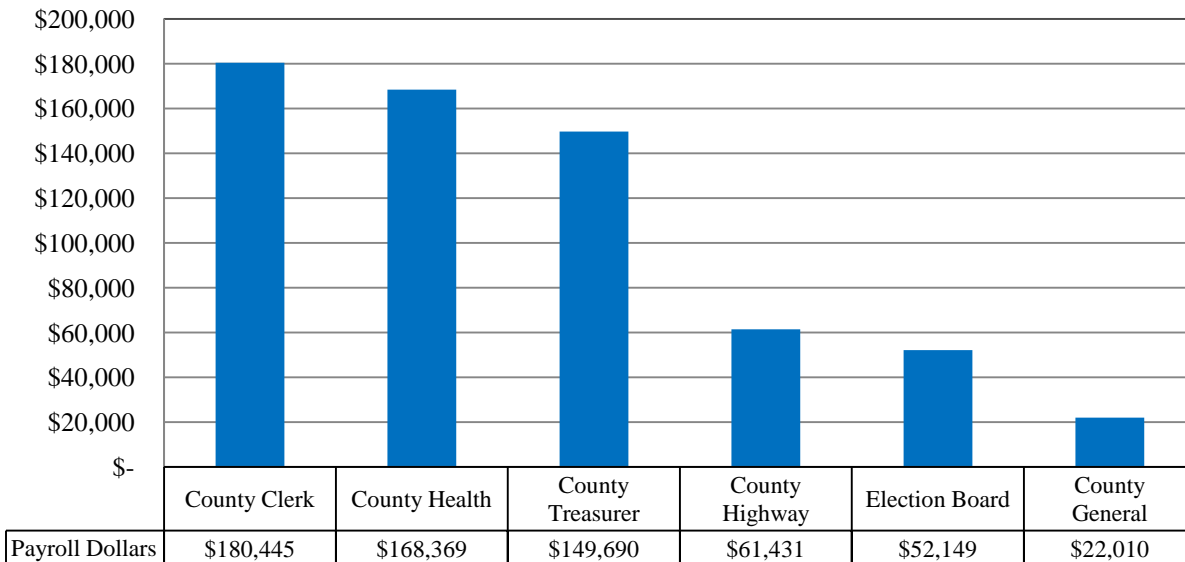
**SEMINOLE COUNTY, OKLAHOMA
COUNTY PAYROLL EXPENDITURES ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

County officers' salaries are based upon the assessed valuation and population of the counties. State statutes provide guidelines for establishing elected officers' salaries. The Board of County Commissioners sets the salaries for all elected county officials within the limits set by the statutes. The designated deputy or assistant's salary cannot exceed the principal officer's salary. Salaries for other deputies or assistants cannot exceed the principal officer's salary. The information presented below is for the fiscal year ended June 30, 2013.

Payroll Expenditures by Department



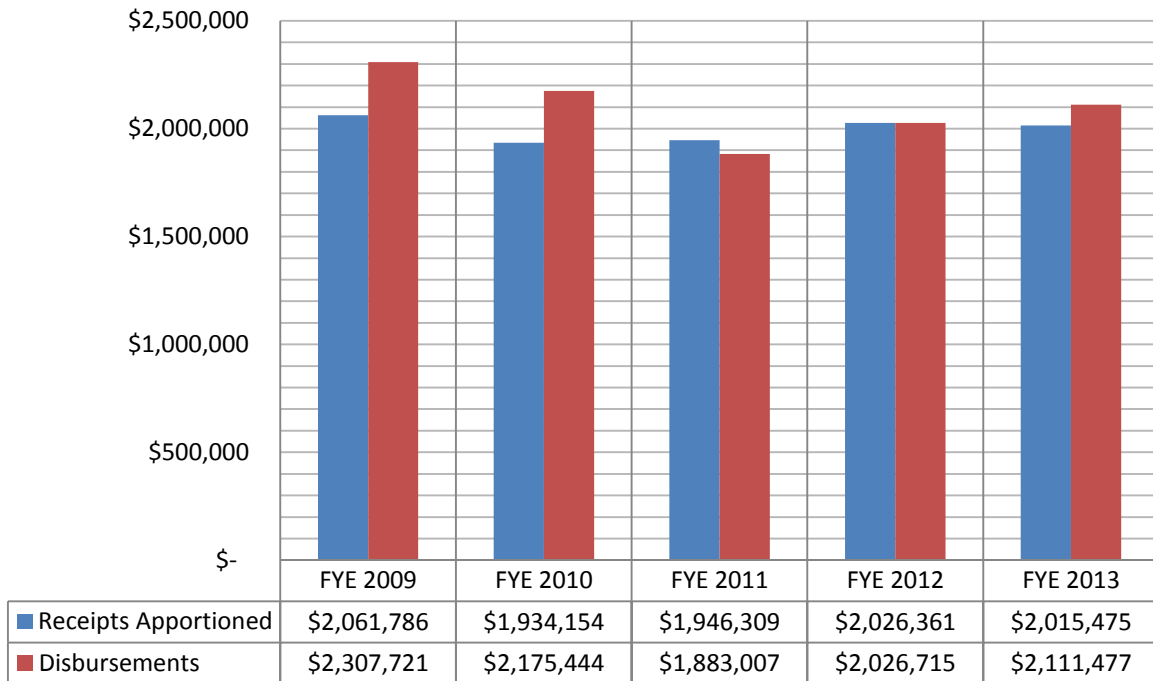
Payroll Expenditures by Department



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

County General Fund

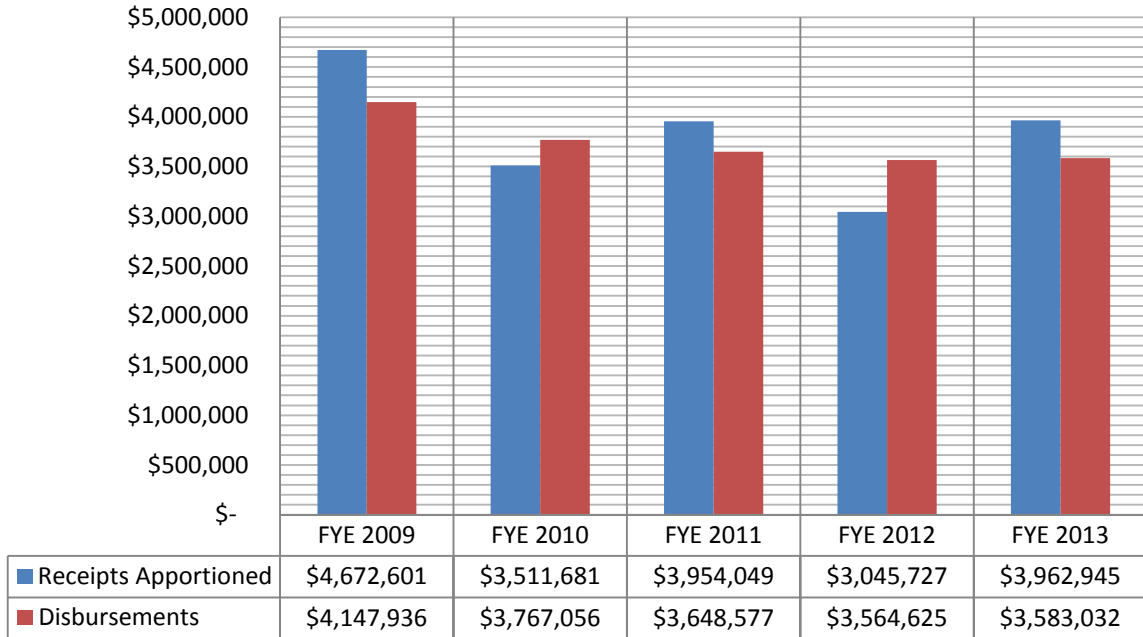
The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the county's primary source of operating revenue. The County General Fund is typically used for county employees' salaries plus many expenses for county maintenance and operation. It also 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, 2013**

County Highway Fund

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



FINANCIAL SECTION



Oklahoma State Auditor & Inspector

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

Independent Auditor's Report

TO THE OFFICERS OF
SEMINOLE COUNTY, OKLAHOMA

Report on the Financial Statement

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

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

Opinion on Regulatory Basis of Accounting

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

Other Matters

Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

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

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

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

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, 2013

	Beginning Cash Balances July 1, 2012	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2013
Combining Information:				
Major Funds:				
County General Fund	\$ 559,392	\$ 2,015,475	\$ 2,111,477	\$ 463,390
County Highway	2,138,060	3,962,945	3,583,032	2,517,973
County Health	426,594	324,324	297,267	453,651
Sheriff Sales Tax	97,848	341,827	264,116	175,559
County General Sales Tax	691,636	337,682	150,118	879,200
County Highway Sales Tax	1,293,310	1,013,049	1,005,573	1,300,786
E-911 Tax	62,959	222,110	125,546	159,523
Ambulance Tax	83,798	298,853	240,852	141,799
Police Tax	23,533	79,299	9,765	93,067
Fire Tax 2	29,324	98,813	25,723	102,414
Jail Tax	819,983	1,387,520	1,376,948	830,555
Fire Tax	529,972	-	154,654	375,318
E-911	40,752	294,673	293,863	41,562
Sheriff Service Fee	48,398	182,092	129,324	101,166
Sheriff Transport B4	79,275	466,620	397,997	147,898
Resale Property	282,973	163,189	105,534	340,628
CBRI 105	995,224	273,861	317,234	951,851
Remaining Aggregate Funds	396,888	489,673	418,686	467,875
Combined Total - All County Funds	\$ 8,599,919	\$ 11,952,005	\$ 11,007,709	\$ 9,544,215

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, 2013**

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, 2013**

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, 2013**

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, 2013**

2. Ad Valorem Tax

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

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

3. Other Information

A. Pension Plan

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

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

B. Other Post Employment Benefits (OPEB)

In addition to the pension benefits described in the Pension Plan note, OPERS provides post-retirement health care benefits of up to \$105 each for retirees who are members of an eligible 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, 2013**

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 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:

- 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.

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

- 11.5 percent – Divided equally between Seminole, Wewoka, and Konawa police departments. These funds are accounted for in the Police Tax fund.

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, 2013

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 559,392	\$ 559,392	\$ -
Less: Prior Year Outstanding Warrants	(122,432)	(122,432)	-
Less: Prior Year Encumbrances	(41,732)	(38,055)	3,677
Beginning Cash Balances, Budgetary Basis	<u>395,228</u>	<u>398,905</u>	<u>3,677</u>
Receipts:			
Ad Valorem Taxes	1,152,047	1,253,819	101,772
Charges for Services	268,343	285,853	17,510
Intergovernmental Revenues	344,878	366,384	21,506
Miscellaneous Revenues	68,552	109,419	40,867
Total Receipts, Budgetary Basis	<u>1,833,820</u>	<u>2,015,475</u>	<u>181,655</u>
Expenditures:			
District Attorney	3,500	-	3,500
County Sheriff	418,716	418,025	691
County Treasurer	119,900	116,272	3,628
County Commissioners	6,000	4,414	1,586
County Commissioners - OSU Extension	22,080	20,649	1,431
County Clerk	156,851	156,088	763
Court Clerk	143,300	137,218	6,082
County Assessor	128,923	127,323	1,600
Revaluation of Real Property	255,164	242,607	12,557
District Court	168,831	140,083	28,748
General Government	262,653	228,549	34,104
Excise-Equalization Board	4,451	3,055	1,396
County Election Board	70,612	67,157	3,455
Insurance	420,800	396,156	24,644
Civil Defense/Emergency Management	8,154	7,955	199
Cemetary Account	10,000	7,285	2,715
Free Fair Budget	16,975	16,502	473
County Audit Budget Account	12,138	8,606	3,532
Provision for interest on warrants	-	942	(942)
Total Expenditures, Budgetary Basis	<u>2,229,048</u>	<u>2,098,886</u>	<u>130,162</u>
Excess of Receipts and Beginning Cash			
Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	315,494	<u>\$ 315,494</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Outstanding Warrants		110,643	
Add: Current Year Encumbrances		<u>37,253</u>	
Ending Cash Balance		<u>\$ 463,390</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, 2013**

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 426,594	\$ 426,594	\$ -
Less: Prior Year Outstanding Warrants	(26,536)	(26,536)	-
Less: Prior Year Encumbrances	(44,794)	(36,847)	7,947
Beginning Cash Balances, Budgetary Basis	355,264	363,211	7,947
Receipts:			
Ad Valorem Taxes	288,012	313,455	25,443
Charges for services	5,479	5,669	190
Miscellaneous Revenues	-	5,200	5,200
Total Receipts, Budgetary Basis	293,491	324,324	30,833
Expenditures:			
Health and Welfare	648,755	381,851	266,904
Total Expenditures, Budgetary Basis	648,755	381,851	266,904
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	305,684	\$ 305,684
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Cancelled Warrants		33	
Add: Current Year Encumbrances		136,007	
Add: Current Year Outstanding Warrants		11,927	
Ending Cash Balance		\$ 453,651	

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

	Beginning Cash Balances July 1, 2012	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2013
Remaining Aggregate Funds:				
CBRI 103	\$ 20,881	\$ -	\$ 4,290	\$ 16,591
Treasurer Mortgage Certification Fee	17,832	3,450	2,365	18,917
County Clerk Petty Cash	60	120	-	180
County Clerk Lien Fee	72,706	79,987	29,084	123,609
Sheriff Special Operation Team	908	-	-	908
CDBG 09 13589	-	246,250	244,750	1,500
L.E.P.C.	707	1,000	-	1,707
Flood Plain	-	50	-	50
Solid Waste - Trash Fund	5,083	210	-	5,293
CDBG Fairground Grant	2,015	-	-	2,015
Seminole County Extension Building	-	22,540	-	22,540
Sheriff Grant 2009-SB-B9-182	4,058	-	4,058	-
Sheriff Donation	3,932	7,745	9,484	2,193
Assessor Revolving Fund	14,113	8,056	7,947	14,222
County Clerk Preservation	109,138	56,385	62,646	102,877
Special Project BIA - Road	79,677	-	-	79,677
Sheriff Commissary Fund	4,934	-	-	4,934
Seminole County Pictometry Fund	-	50,060	-	50,060
Emergency Management Fund	3,612	-	2,120	1,492
FEMA	57,232	13,820	51,942	19,110
Combined Total - Remaining Aggregate Funds	\$ 396,888	\$ 489,673	\$ 418,686	\$ 467,875

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

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 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.

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.

CDBG 09 13589 – accounts for Community Development Block Grant funds received and disbursement of funds as restricted to grant agreement.

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

Flood Plain – accounts for collection of permits and disbursements for office supplies.

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

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.

Seminole County Extension Building – accounts for the donations given to the OSU extension office to construct an office at the fairgrounds.

Sheriff Grant 2009-SB-B9-182 – accounts for the collection of funds from the U.S. Department of Justice and disbursement of funds as 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.

Seminole County Pictometry Fund – accounts for collections from different entities in Seminole County and disbursed to assist with aerial view shots to aid with emergency management and the Assessor’s office.

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

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

TO THE OFFICERS OF
SEMINOLE COUNTY, OKLAHOMA

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

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses: 2013-1, 2013-2, 2013-4, 2013-5, 2013-6, and 2013-17.

Compliance and Other Matters

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

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

Seminole County's Responses to Findings

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

Purpose of this Report

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

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



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

January 27, 2016

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

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

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

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, 2013**

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 2013-2 – Inadequate Internal Controls Over Information Systems Security – County Treasurer (Repeat Finding)

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, 2013**

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 2013-4 – Inadequate Segregation of Duties Over Receipting and Balancing Processes – County Treasurer (Repeat Finding)

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, 2013**

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 2013-5 – Inadequate Segregation of Duties Over Purchasing Process (Repeat Finding)

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, 2013**

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 2013-6 – Inadequate Segregation of Duties Over Payroll Process (Repeat Finding)

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, 2013**

Finding 2013-17 – Reconciliation of Appropriation Ledger to General Ledger (Repeat Finding)

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 2013-13 – Inadequate Segregation of Duties - Court Clerk (Repeat Finding)

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, 2013**

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

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

different individuals to reduce the risk of error or fraud. No one individual should have the ability to authorize transactions, have physical custody of assets, and record transactions.

Finding 2013-15 – Inadequate Internal Controls and Noncompliance Over Inmate Trust Fund Checking Account and Sheriff Commissary Fund (Repeat Finding)

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 15th, 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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