

COUNTY AUDIT

# STEPHENS COUNTY

For the fiscal year ended June 30, 2010



*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

**STEPHENS COUNTY, OKLAHOMA  
FINANCIAL STATEMENT  
AND INDEPENDENT AUDITOR'S REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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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

September 19, 2012

TO THE CITIZENS OF  
STEPHENS COUNTY, OKLAHOMA

Transmitted herewith is the audit of Stephens County, Oklahoma for the fiscal year ended June 30, 2010. 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

**STEPHENS COUNTY, OKLAHOMA  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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**STEPHENS COUNTY, OKLAHOMA  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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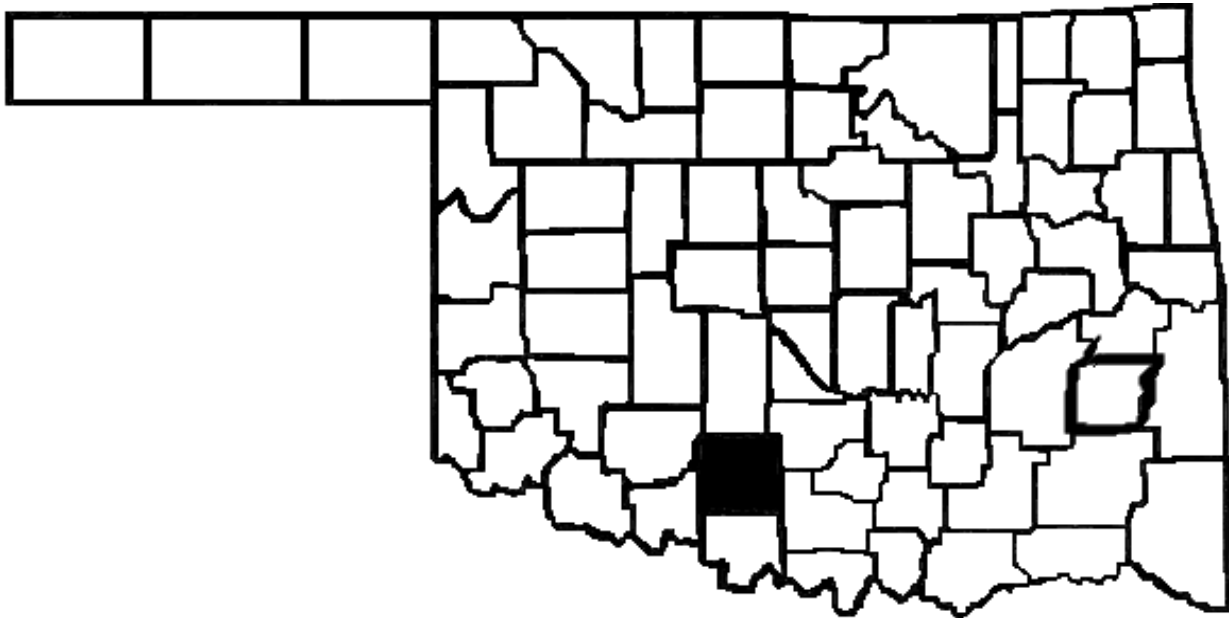
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**STEPHENS COUNTY, OKLAHOMA  
STATISTICAL INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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Created at statehood from portions of Comanche County, Oklahoma Territory, and the Chickasaw Nation, Stephens County was named for John H. Stephens, a member of congress from Texas and staunch advocate of Oklahoma statehood. The first permanent settler, Silas Fitzpatrick, sold his store to William Duncan, for whom the county seat was named in 1892. Duncan Municipal Airport, OKT Railroad, and Oklahoma Transportation-Jefferson Bus Lines provide additional transportation links.

The economy is based on agriculture (wheat, peanuts, cotton, cattle) and petroleum. Duncan, Marlow, and Comanche are the principal municipalities and each offers a wide range of goods and services. Halliburton Oil Field Services began in Duncan and remains a major employer in the area.

Duncan maintains 144 acres of parks and playgrounds and two public swimming pools. There are golf courses in Duncan, Marlow, and Comanche. Boating, fishing, camping facilities and 4,000 acres of recreational lands are found at Clear Creek, Duncan, Humphreys, and Fuqua Lakes.

County Seat – Duncan

Area – 891.12 Square Miles

County Population – 43,332  
(2007 est.)

Farms – 1,310

Land in Farms – 469,700 Acres

Primary Source: Oklahoma Almanac 2009-2010

**STEPHENS COUNTY OFFICIALS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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**Board of County Commissioners**

District 1 – Darrell Sparks  
District 2 – Todd Churchman  
District 3 – Dee Bowen

**County Assessor**

Cathy Hokit

**County Clerk**

Jo Johnson

**County Sheriff**

Wayne McKinney

**County Treasurer**

Janice Graham

**Court Clerk**

Connie Elam

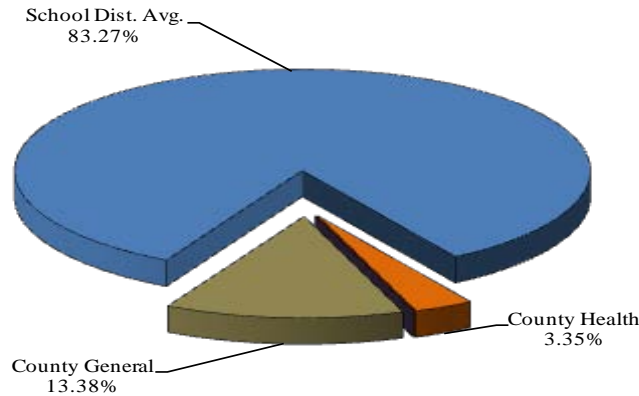
**District Attorney**

Brett Burns



**STEPHENS COUNTY, OKLAHOMA  
AD VALOREM TAX DISTRIBUTION  
SHARE OF THE AVERAGE MILLAGE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

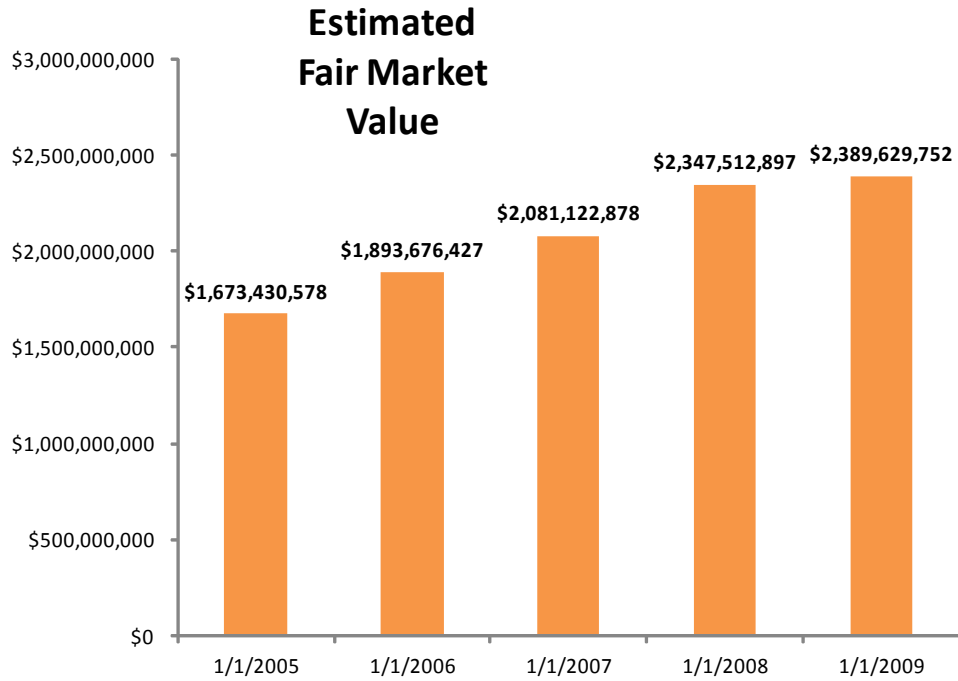
Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of a property is \$1,000.00 and the millage rate is 1.00, then the 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	Common	Total
County General	10.22								
County Health	2.56								
		Duncan	I-1	35.72	5.10	23.92	12.26	4.09	81.09
		Comanche	JI-2	35.66	5.09	15.52	12.26	4.09	72.62
		Jefferson County	JI-2	36.05	5.15	15.52	12.54	-	69.26
		Marlow	JI-3	35.77	5.11	-	12.26	4.09	57.23
		Grady County	JI-3	36.96	5.28	-	12.19	-	54.43
		Velma-Alma	JI-15	35.69	5.10	5.99	12.26	4.09	63.13
		Carter County	JI-15	37.33	5.33	5.99	12.80	-	61.45
		Empire	JI-21	36.48	5.21	14.39	12.26	4.09	72.43
		Comanche County	JI-21	39.24	5.61	14.39	12.70	-	71.94
		Cotton County	JI-21	36.54	5.22	14.39	12.49	-	68.64
		Central High	JI34	36.08	5.15	20.30	12.26	4.09	77.88
		Grady County	JI-34	35.18	5.03	20.30	12.19	-	72.70
		Comanche County	JI-34	36.92	5.27	20.30	12.70	-	75.19
		Bray-Doyle	JI-42	35.96	5.14	-	12.26	4.09	57.45
		Grady County	JI-42	35.41	5.06	-	12.19	-	52.66
		Garvin County	JI-42	35.41	5.06	-	12.14	-	52.61
		Grandview	JD-82	36.22	5.17	-	12.26	4.09	57.74
		Jefferson County	JD-82	35.00	5.00	-	12.54	-	52.54
		Sterling	I-3	36.32	5.19	12.46	14.42	4.09	72.48
		Fox	I-74	37.00	5.29	14.90	16.17	4.09	77.45
		Walters	I-1	36.55	5.22	-	12.26	4.09	58.12
		Temple	I-101	35.00	5.00	9.33	12.26	4.09	65.68
		Elmore City	I-72	35.18	5.03	10.47	11.06	4.09	65.83
		Waurika	I-23	35.00	5.00	-	12.26	4.09	56.35
		Ringling	I-14	36.42	5.20	-	16.17	4.09	61.88
		Ryan	I-1	-	-	-	6.00	-	6.00

**STEPHENS COUNTY, OKLAHOMA  
 ASSESSED VALUE OF PROPERTY  
 TREND ANALYSIS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

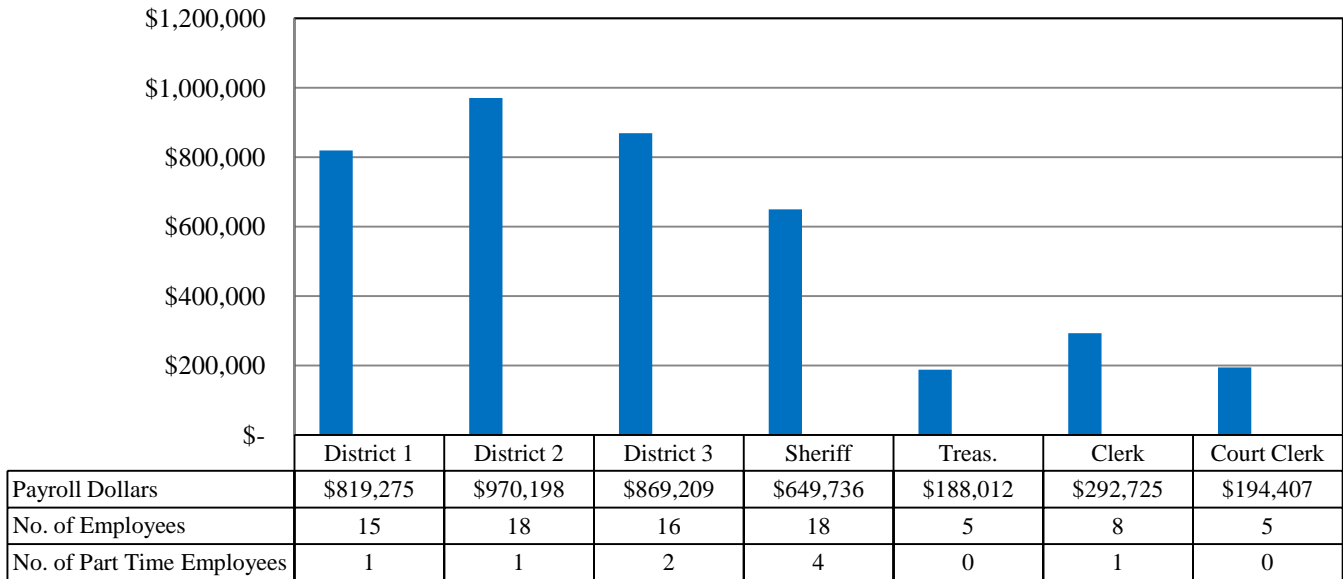
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2009	\$79,476,374	\$22,653,666	\$172,477,414	\$13,025,880	\$261,581,574	\$2,389,629,752
1/1/2008	\$84,641,447	\$21,920,692	\$163,032,341	\$12,821,258	\$256,773,222	\$2,347,512,897
1/1/2007	\$65,981,368	\$23,711,147	\$151,527,592	\$12,694,689	\$228,525,418	\$2,081,122,878
1/1/2006	\$58,131,607	\$26,165,242	\$137,576,841	\$12,323,082	\$209,550,608	\$1,893,676,427
1/1/2005	\$51,227,224	\$25,121,121	\$132,427,016	\$11,670,195	\$197,105,166	\$1,673,430,578



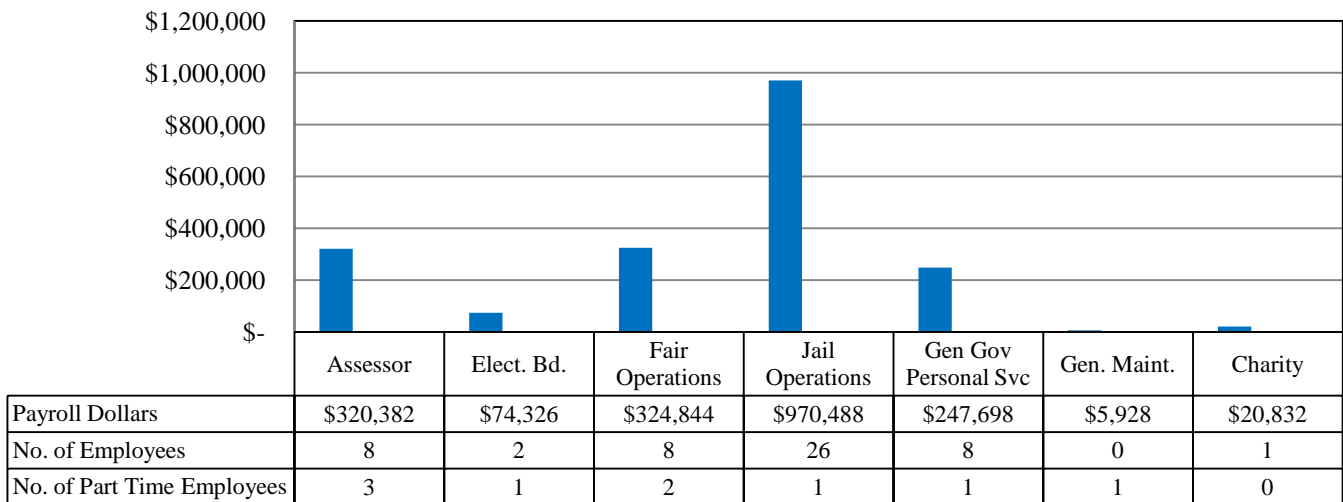
**STEPHENS COUNTY, OKLAHOMA  
COUNTY PAYROLL EXPENDITURES ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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, 2010.

**Payroll Expenditures by Department**



**Payroll Expenditures by Department**

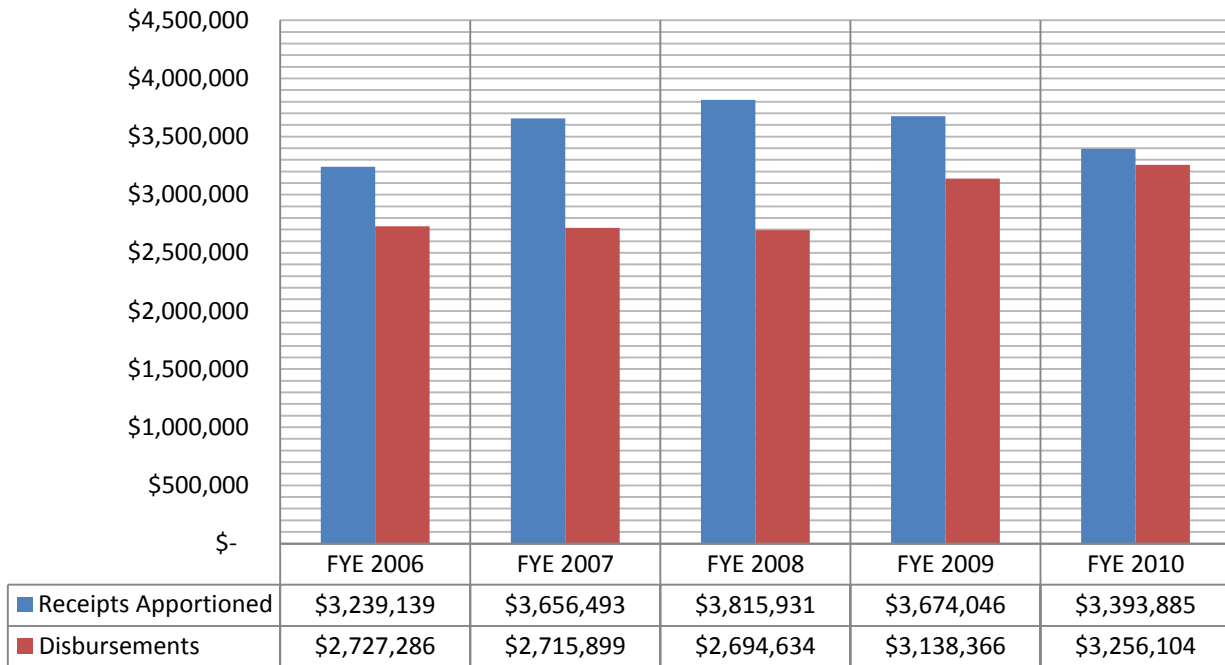


**STEPHENS COUNTY, OKLAHOMA  
COUNTY GENERAL FUND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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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.

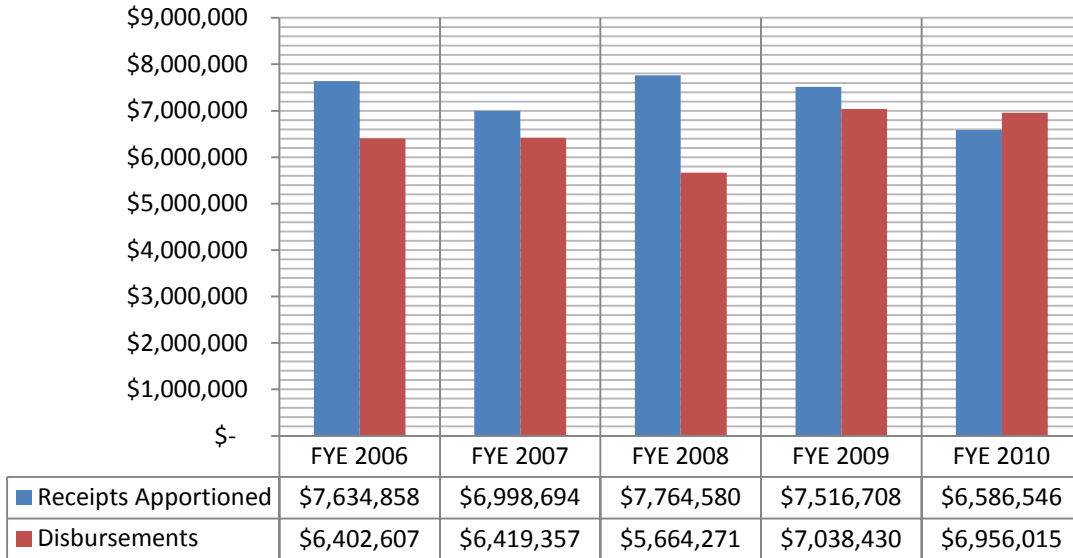


**STEPHENS COUNTY, OKLAHOMA  
COUNTY HIGHWAY FUND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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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  
STEPHENS 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 Stephens County, Oklahoma, as of and for the year ended June 30, 2010, listed in the table of contents as the financial statement. This financial statement is the responsibility of Stephens 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 Stephens County as of June 30, 2010, 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 Stephens County, for the year ended June 30, 2010, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2012, on our consideration of Stephens County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

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

September 17, 2012



**REGULATORY BASIS FINANCIAL STATEMENT**

**STEPHENS 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, 2010**

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	Beginning Cash Balances July 1, 2009	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2010
Combining Information:				
Major Funds:				
County General Fund	\$ 3,949,334	\$ 3,393,885	\$ 3,256,104	\$4,087,115
County Highway Cash	11,815,170	6,586,546	6,956,015	11,445,701
County Health Department	590,118	684,076	613,862	660,332
Violence of Crime Advocate (VOCA) Grant	10,147	35,642	35,008	10,781
Governmental Building Authority Jail Sales Tax	2,950,276	134,348	239,910	2,844,714
Governmental Building Authority Fair Sales Tax	2,436,286	801,557	890,245	2,347,598
Governmental Building Authority Jail Operations	613,990	1,330,423	1,389,873	554,540
Governmental Building Authority Fair Operations	106,034	401,001	394,853	112,182
REAP Grant	29,701	16,842	46,496	47
Sheriff Grant Fund		86,307	30,689	55,618
Remaining Aggregate Funds	1,792,138	1,464,955	880,693	2,376,400
<b>Combined Total - All County Funds</b>	<u>\$ 24,293,194</u>	<u>\$ 14,935,582</u>	<u>\$ 14,733,748</u>	<u>\$ 24,495,028</u>

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

**STEPHENS COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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**1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

Stephens 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 general operations of the government.

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

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

Violence of Crime Advocate (VOCA) Grant – accounts for grant monies received to pay salaries of victim's advocate for the Sheriff's Department.

Governmental Building Authority Jail Sales Tax – accounts for the sales tax funds used to retire debt incurred when the Authority built the Stephens County Jail.

Governmental Building Authority FairSales Tax – accounts for the sales tax funds used to retire debt incurred when the Authority built the Stephens County Fairgrounds Buildings.

**STEPHENS COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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Governmental Building Authority Jail Operations – accounts for the funds collected from a county sales tax to be used for the maintenance and operation of the Stephens County Jail.

Governmental Building Authority Fair Operations - accounts for the funds collected from a county sales tax to be used for the maintenance and operation of the Stephens County Fairgrounds and Buildings.

REAP Grant – accounts for grant monies received from the State of Oklahoma for the conservation district and disbursed for equipment.

Sheriff Grant Fund – accounts for funds received from various grants to the Sheriff’s office.

**C. Basis of Accounting**

The financial statement is prepared on a basis of accounting wherein amounts are recognized when received or disbursed. This basis of accounting differs from accounting principles generally accepted in the United States of America, which require revenues to be recognized when they become available and measurable or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred. This regulatory basis financial presentation is not a comprehensive measure of economic condition or changes therein.

Title 19 O.S. § 171 specifies the format and presentation for Oklahoma counties to present their financial statement on a regulatory basis. 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.

**STEPHENS COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

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

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

**2. Ad Valorem Tax**

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

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

**3. Other Information**

**A. Pension Plan**

Plan Description. The County contributes to the Oklahoma Public Employees Retirement Plan (the Plan), a cost-sharing, multiple-employer defined benefit pension plan administered by the 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.

**STEPHENS COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

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

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

**C. Contingent Liabilities**

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

The County is a defendant in one lawsuit. Although the outcome of this lawsuit is not presently determinable, in management's opinion, the resolution of these matters will not have a material adverse effect on the financial condition of the County.

**D. Sales Tax**

The voters of Stephens County approved a one-half percent (1/2%) sales tax effective August 22, 2000. This sales tax was established for acquiring, constructing, equipping, repairing, renovating, operating, and maintaining county jail facilities and parking facilities for Stephens County, Oklahoma; to pay the principal of and interest on indebtedness incurred on behalf of said County by the Stephens County Governmental Building Authority for such purposes; providing that three-tenths of one percent (3/10%) sales tax shall be levied until repealed by a majority of the electors of Stephens County in an election called for that purpose, and further providing that the remaining two-tenths of one percent (2/10%) sales tax shall expire and cease to be collected on October 1, 2005; fixing effective date; making provisions cumulative; and providing severability of provisions. The sales tax is deposited into two funds known as the Governmental Building Authority Jail Sales Tax and the Governmental Building Authority Jail Operations. All indebtedness of the Governmental Building Authority has been retired.

On November 7, 2000, the voters of Stephens County approved a one-fourth of one percent (1/4%) sales tax for the sole purpose to pay for acquiring, constructing, equipping, repairing, renovating, operating, and maintaining County Fair facilities for the County of Stephens, Oklahoma; to pay the principal of and interest on indebtedness incurred on behalf of said County by the Stephens County Governmental Building Authority for such purposes; providing that said

**STEPHENS COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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sales tax shall expire and cease to be collected on December 31, 2020; fixing effective date; making provisions accumulative; and providing severability of provisions. The sales tax is deposited into two funds known as the Governmental Building Authority Fair Sales Tax and Governmental Building Authority Fair Operations. The said sales tax shall expire December 31, 2020, at which time all indebtedness of the Government Building Authority Fair Operations will be retired.

**E. Restatement of Fund Balance**

The ending Combined County Funds balance of the financial statement for the fiscal year ending June 30, 2009, was overstated \$77,797. The misstatement resulted from the inclusion of the excess resale fund, which is a trust and agency fund, with an ending balance of \$82,538 and excluding a \$4,741 transfer into the resale property fund. The restated beginning Combined County Funds balance of the financial statement for the fiscal year ending June 30, 2010, is \$24,293,194.

**OTHER SUPPLEMENTARY INFORMATION**



**STEPHENS 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, 2010**

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 3,949,334	\$ 3,949,334	\$ -
Less: Prior Year Outstanding Warrants	(154,971)	(154,971)	-
Less: Prior Year Encumbrances	(70,657)	(64,808)	5,849
Beginning Cash Balances, Budgetary Basis	<u>3,723,706</u>	<u>3,729,555</u>	<u>5,849</u>
Receipts:			
Ad Valorem Taxes	2,430,331	2,648,484	218,153
Charges for Services	230,000	183,251	(46,749)
Intergovernmental Revenues	402,500	461,402	58,902
Miscellaneous Revenues	136,775	100,748	(36,027)
Total Receipts, Budgetary Basis	<u>3,199,606</u>	<u>3,393,885</u>	<u>194,279</u>
Expenditures:			
District Attorney	4,000	3,915	85
County Sheriff	579,629	562,875	16,754
County Treasurer	211,408	210,370	1,038
County Commissioners	3,000	1,774	1,226
OSU Extension	93,977	93,900	77
County Clerk	337,026	330,312	6,714
Court Clerk	205,407	199,612	5,795
County Assessor	176,989	176,730	259
Revaluation of Real Property	284,931	242,225	42,706
District Court	10,000	9,351	649
General Government	4,823,403	1,211,884	3,611,519
Excise-Equalization Board	7,202	6,416	786
County Election Board	81,971	81,442	529
Charity	38,133	34,607	3,526
Wildlife Trapper	2,400	2,400	-
County Audit Budget Account	51,836	51,835	1
Free Fair	12,000	9,325	2,675
Total Expenditures, Budgetary Basis	<u>6,923,312</u>	<u>3,228,973</u>	<u>3,694,339</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	3,894,467	<u>\$ 3,894,467</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Outstanding Warrants		86,944	
Add: Current Year Encumbrances		105,704	
Ending Cash Balance		<u>\$ 4,087,115</u>	

**STEPHENS 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, 2010**

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	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 590,118	\$ 590,118	\$ -
Less: Prior Year Outstanding Warrants	(2,159)	(2,159)	-
Less: Prior Year Encumbrances	(51,103)	(42,020)	9,083
Beginning Cash Balances, Budgetary Basis	536,856	545,939	9,083
Receipts:			
Ad Valorem Taxes	608,770	663,416	54,646
Charges for Services	17,999	17,999	-
Intergovernmental	-	2,661	2,661
Total Receipts, Budgetary Basis	626,769	684,076	57,307
Expenditures:			
Health and Welfare	1,163,625	750,129	413,496
Total Expenditures, Budgetary Basis	1,163,625	750,129	413,496
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	479,886	\$ 479,886
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		178,130	
Add: Current Year Outstanding Warrants		2,316	
Ending Cash Balance		\$ 660,332	

**STEPHENS COUNTY, OKLAHOMA**  
**COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND**  
**CHANGES IN CASH BALANCES—REGULATORY BASIS—**  
**REMAINING AGGREGATE FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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	Beginning Cash Balances July 1, 2009	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2010
Remaining Aggregate Funds:				
Resale Property	\$ 204,224	\$ 196,509	\$ 179,512	\$ 221,221
Treasurer Mortgage Tax Certification Fee	30,965	10,883	8,484	33,364
County Clerk Lien Fee	119,721	23,351	15,799	127,273
County Clerk Records, Management, & Preservation	199,881	53,531	14,197	239,215
Assessor Revolving Fee	48,686	15,695	24,715	39,666
Assessor Visual Inspection	9,002	12		9,014
Sheriff Service Fee	557,832	253,690	114,614	696,908
Sheriff Housing	529,144	638,065	273,078	894,131
Sheriff Commissary	9,583	41,938	38,590	12,931
Community Service Sentencing Program	2,634			2,634
DARE	8			8
Free Fair	43,998	201,131	188,818	56,311
Civil Defense	31,279	30,042	22,886	38,435
Courthouse Building	5,181			5,181
County Reward Fund		108		108
<b>Combined Total - Remaining Aggregate Funds</b>	<b>\$ 1,792,138</b>	<b>\$ 1,464,955</b>	<b>\$ 880,693</b>	<b>\$ 2,376,400</b>

**STEPHENS COUNTY, OKLAHOMA  
NOTES TO OTHER SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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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:

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

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

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

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

Assessor Revolving Fee - accounts for the collection of fees for copies restricted by statute.

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

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

Sheriff Housing – accounts for the collection of monies from the Oklahoma Department of Corrections and disbursements are for the purpose of maintaining the jail.

**STEPHENS COUNTY, OKLAHOMA  
NOTES TO OTHER SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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Sheriff Commissary – accounts for the collection of the sale of items to inmates and disbursements to purchase commissary goods from the vendor. Excess funds are used for maintenance and operations of the Sheriff's department.

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

DARE – accounts for state funds disbursed for the purpose of drug education and drug awareness.

Free Fair – accounts for monies received from rentals and used for the operation of the fairgrounds.

Civil Defense – accounts for the receipt and disbursement of funds from state and local governments for civil defense purposes.

Courthouse Building – accounts for monies received for courthouse improvements.

County Reward Fund – accounts for monies collected and disbursed to citizens involved in the reporting of littering offenses.

**STEPHENS COUNTY, OKLAHOMA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
<b>U.S. DEPARTMENT OF INTERIOR</b>			
Direct Grant:			
Payments in Lieu of Taxes	15.226	N/A	\$ 18,649
Total U.S. Department of Interior			<u>18,649</u>
<b>U.S. DEPARTMENT OF JUSTICE</b>			
Passed Through District Attorneys Council:			
Crime Victim Assistance (VOCA)	16.575	0507-1402	19,593
Direct Grant:			
Edward Byrne Memorial Justice Assistance Grant Program (JAG)	16.738	N/A	30,689
Total U.S. Department of Justice			<u>50,282</u>
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>			
Passed Through Oklahoma Department of Emergency Management:			
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	N/A	5,453
Total U.S. Department of Transportation			<u>5,453</u>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>			
Passed Through Oklahoma Department of Emergency Management:			
Disaster Grants-Public Assistance (Presidentially Declared Disasters)	97.036	DR 1883	475,733
Disaster Grants-Public Assistance (Presidentially Declared Disasters)	97.036	DR 1876	138,583
Total CFDA # 97.036			<u>614,316</u>
Emergency Management Performance Grants (EMPG)	97.042	N/A	19,170
Total U.S. Department of Homeland Security			<u>633,486</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 707,870</u>

**STEPHENS COUNTY, OKLAHOMA  
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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Basis of Presentation

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

**INTERNAL CONTROL AND COMPLIANCE SECTION**





# Oklahoma State Auditor & Inspector

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

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

TO THE OFFICERS OF  
STEPHENS COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Stephens County, Oklahoma, as of and for the year ended June 30, 2010, which comprises Stephens County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated September 17, 2012. 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. 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 Stephens 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 Stephens County's internal control over financial reporting.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies in internal control described in the accompanying schedule of findings and questioned costs to be material weaknesses in internal control over financial reporting. 2010-1, 2010-2, and 2010-5.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting, 2010-3, 2010-4, 2010-6, 2010-7, and 2010-14.

#### Compliance and Other Matters

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

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

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

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



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

September 17, 2012



# Oklahoma State Auditor & Inspector

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

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

TO THE OFFICERS OF  
STEPHENS COUNTY, OKLAHOMA

### Compliance

We have audited the compliance of Stephens County, Oklahoma, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on Stephens County's major federal program for the year ended June 30, 2010. Stephens County's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of Stephens County's management. Our responsibility is to express an opinion on Stephens County's compliance based on our audit.

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

In our opinion, Stephens County, complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2010.

### Internal Control Over Compliance

Management of Stephens County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Stephens County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test

and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Stephens County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance 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 discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2010-10, 2010-11, and 2010-12 to be material weaknesses.

Stephens County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Stephens 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, federal awarding agencies, and pass-through entities, 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

September 17, 2012

**STEPHENS COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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**SECTION 1—Summary of Auditor’s Results**

Financial Statements

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

Internal control over financial reporting:

- Material weakness(es) identified?..... Yes
- Significant deficiency(ies) identified..... Yes

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

Federal Awards

Internal control over major programs:

- Material weakness(es) identified?..... Yes
- Significant deficiency(ies) identified ..... None reported

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

Any audit findings disclosed that are required to be reported  
in accordance with section 510(a) of Circular A-133?..... Yes

Identification of Major Programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)

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

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

**STEPHENS COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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**SECTION 2—Findings related to the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

**Finding 2010-1—Inadequate County-Wide Controls**

**Condition:** County-wide controls regarding Risk Management and Monitoring have not been designed.

**Cause of Condition:** Procedures have not been designed to address risks of the County.

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

**Recommendation:** OSAI recommends that the County design procedures to identify and address risks. 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.

Examples of risks and procedures to address risk management:

<b>Risks</b>	<b>Procedures</b>
Fraudulent activity	Segregation of duties
Information lost to computer crashes	Daily backups of information
Noncompliance with laws	Attend workshops
Natural disasters	Written disaster recovery plans
New employee errors	Training, attending workshops, monitoring

Examples of activities and procedures to address monitoring:

<b>Monitoring</b>	<b>Procedures</b>
Communication between officers	Periodic meetings to address items that should be included in the handbook and to determine if the County is meeting its goals and objectives.
Annual Financial Statement	Review the financial statement of the County for accuracy and completeness.
Schedule of Expenditures of Federal Awards (SEFA)	Review the SEFA of the County for accuracy and to determine all federal awards are presented.
Audit findings	Determine audit findings are corrected.
Financial status	Periodically review budgeted amounts to actual amounts and resolve unexplained variances.
Policies and procedures	Ensure employees understand expectations in meeting the goals of the County.

**STEPHENS COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Following up on complaints	Determine source of complaint and course of action for resolution.
Estimate of needs	Work together to ensure this financial document is accurate and complete.

**Management Response:** Stephens County is in the process of updating the 2-22-11 Policy and Procedures Handbook for all county employees. County management takes an aggressive stance on training sessions, communicating, and monitoring county funds, record keeping, and disaster planning. It will be a continuing goal to keep employees and county officials aware of new and existing procedures to monitor and manage the control environment, risk management, information and communication, and fixed assets and accountability.

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

Risk Assessment is a component of internal control which should provide for an assessment of the risks the County faces from both internal and external sources. Once risks have been identified, they should be analyzed for their possible effect. Management then has to formulate an approach for risk management and decide upon the internal control activities required to mitigate those risks and achieve the internal control objectives of efficient and effective operations, reliable financial reporting, and compliance with laws and regulations.

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 2010-2—Inadequate Controls over Receipting and Balancing Processes**

**Condition:** Upon inquiry and observation of the receipting and balancing process of the County Treasurer’s office, the following was noted:

- The Treasurer’s office has two employees that issue miscellaneous receipts. One of these employees also prepares the deposit, signs and dates the deposit.

**STEPHENS COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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**Cause of Condition:** Procedures have not been designed to adequately segregate the duties over the receipting and depositing process within the office of the County Treasurer.

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

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

Further, the duties of issuing receipts, balancing the cash drawer, preparing the daily deposit, and delivering the deposit to the financial institution should be performed by separate employees.

**Management Response:** Every employee in my office including myself issues some type of receipt; therefore, it is impossible for me to have someone that does not take receipts to make the deposit. The deposits are prepared by one employee and then re-checked by another and initialed by both employees. The deposits are then brought to me. After being informed on the segregation of duties issue, I now verify them, I initial them, place them in a locked bank bag, and I take them to the bank. At the bank, they are verified again by the bank employee. The deposit slip receipts from the bank are then checked back to the general ledger again. I do not want an employee nor do I think it would be good stewardship of the taxpayer's money to have an employee in my office that could not wait on customers. If an employee could not issue a receipt of any kind, they would not be able to effectively serve the public.

**Criteria:** Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, the duties of receiving, receipting, recording, depositing cash and checks, reconciliations, and transaction authorization should be segregated.

**Finding 2010-3—Inadequate Internal Controls Over Pledged Collateral**

**Condition:** Upon inquiry of the County Treasurer and observation of documents, the following internal control weakness was noted:

- The County Treasurer does not monitor pledged collateral amounts to daily bank balances to ensure that County funds are adequately secured.



**STEPHENS COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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**Cause of Condition:** Procedures have not been designed and implemented to monitor daily bank balances to pledged collateral amounts.

**Effect of Condition:** Failure to monitor pledged collateral amounts could result in unsecured County funds and possible loss of County funds.

**Recommendation:** OSAI recommends that the County Treasurer implement a system of procedures to provide reasonable assurance that County funds are adequately secured.

Further, OSAI recommends the County Treasurer monitor pledged collateral amounts to bank balances on a daily basis to ensure that County funds are adequately secured.

**Management Response:** I do know each day how much money Stephens County has and I know each day what my collateral is, but I do not keep any kind of record of that. To correct this, I will print each day a copy of my general ledger and attach a copy of pledged collateral report. I will check these totals to insure that my collateral is sufficient and will sign or initial this. All of my balances and pledges are also monitored daily by my banks.

**Criteria:** Accountability and stewardship are overall goals of management in the accounting of funds. An important aspect of procedures is the safeguarding of assets. Procedures over safeguarding of assets constitute a process, affected by an entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from misappropriation.

**Finding 2010-4—Inadequate Internal Controls Over the Calculation of Sales Tax**

**Condition:** Upon inquiry and observation of the recordkeeping process of apportioning sales tax collections, the following was noted:

- There is no independent oversight of the calculation of sales tax collections that is presented for appropriation by the County Treasurer to the County Clerk.

**Cause of Condition:** Procedures have not been designed and implemented to document the review of the calculation of sales tax apportionments for accuracy and compliance with the sales tax ballot.

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

**Recommendation:** OSAI recommends an employee recalculate the apportionment of sales tax collections that is presented for appropriation by the County Treasurer to the County Clerk. The employee should initial and date the recalculation.

**Management Response:** We will verify that the calculation is correct and sign or initial it.

**STEPHENS COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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**Criteria:** Accountability and stewardship are overall goals of management in the accounting of funds. An important aspect of procedures is the safeguarding of assets. Procedures over safeguarding of assets constitute a process, affected by an entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or timely detection of errors, unauthorized transactions, and safeguarding assets from misappropriation.

**Finding 2010-5—Inadequate Control Procedures Over the Payroll Process**

**Condition:** Upon inquiry of County Clerk employees and observation of documents, the following exceptions were noted;

- The payroll clerk enters new hires, posts withholdings, maintains personnel files, prints payroll, posts to accounting records, and distributes payroll checks.

**Cause of Condition:** In an effort to maximize efficiency and available resources, the County has relied upon one employee to perform most of the payroll processes.

**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 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 approve accounting functions.

The following key accounting functions of the payroll process should be adequately segregated:

- Enrolling new employees and maintaining personnel files.
- Reviewing time records and preparing payroll.
- Distributing payroll warrants to individuals.

**Management Response:** More than one person will have responsibility for the payroll process. The County Clerk will check all payroll reports.

**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.

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**Finding 2010-6—Inadequate Control Procedures Over the Free Fair Accounting Records**

**Condition:** Based upon inquiry and observation of accounting records, the following exceptions were noted in the Free Fair receipting and depositing process:

- The Free Fair Board does not report monthly activity of the source of revenue and expense to the Board of County Commissioners.
- One employee writes most receipts and deposits funds with the County Treasurer.
- Deposits are not made daily.
- One receipt was issued out of sequential order.
- Not all receipts were dated.

**Cause of Condition:** Procedures have not been designed and implemented to adequately segregate the duties of receipting and depositing funds and reporting activity to the Board of County Commissioners.

**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 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 also recommends funds be deposited daily in compliance with 19 O.S. § 682.

Further, OSAI recommends management over Free Fair maintain an activity log of all revenue types received (RV camp rental, building rental, etc.), date of rental, cost of rental, amount received, and all pertinent information concerning the transaction. The log should be presented to the Board of County Commissioners monthly along with a transaction report of all funds received and expended, showing beginning and ending balances.

**Management Response:** More than one employee is now handling receipts, preparing and depositing of funds. Receipts will be kept in order. Fairground activities will be kept on a log monthly to balance with funds received and expended. Monthly reports will be provided to the Board of County Commissioners on the second Monday of each month.

**Criteria:** Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, the duties of receiving, receipting, recording, depositing cash and checks, reconciliations, and transaction authorization should be segregated.

**STEPHENS COUNTY, OKLAHOMA  
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**Finding 2010-7—Written Disaster Recovery Plan**

**Condition:** Upon inquiry, the following offices do not have a written Disaster Recovery Plan:

- Court Clerk
- County Sheriff
- County Assessor
- District 1
- District 2
- District 3

**Cause of Condition:** The County has not addressed the need for individual Disaster Recovery Plans.

**Effect of Condition:** The failure to have a current Disaster Recovery Plan could result in the County being unable to function in the event of a disaster. The lack of a procedure addressing how critical information and or systems would be restored could cause significant problems in ensuring that County business could continue uninterrupted.

**Recommendation:** OSAI recommends that each elected official develop a Disaster Recovery Plan that addresses the above listed criteria and how critical information and systems within their offices would be restored in the event of a disaster.

**Management Response:** All county offices now have an emergency contact list, two locations for temporary relocation of county offices, and a vendor list to be able to continue efficient operation in case of a disaster. Stephens County also has an active and efficient LEPC and Emergency Management Director and program in place. A current EOP is available which meets all state requirements to be able to accept grants and comply with necessary procedures.

**Criteria:** Disaster Recovery Plan(s) are an integral part of county operations to ensure that business can be continued as usual in the event of a disaster. Each office or the county as a whole should have a current, detailed Disaster Recovery Plan on file and should be aware of its content.

According to the standards of the Information Systems Audit and Control Association (CobiT, Delivery and Support) DS11.6 Security Requirements for Data Management, management should define and implement policies and procedures to identify and apply security requirements applicable to the receipt, processing, storage and output of data to meet business objectives, the organization's security policy and regulatory requirements

According to the standards of the Information Systems Audit and Control Association (CobiT Delivery and Support 4), information services management should ensure that a written disaster recovery plan is documented and contains the following:

- All pertinent county officers with emergency contact information.
- Minimum of two locations for temporary relocation of county offices and contact information for the relocation process.

**STEPHENS COUNTY, OKLAHOMA  
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- List of all numbers to contact to continue operations (computer vendor, internet provider, etc.)

**Finding 2010-14—Inadequate Controls Over the Official Depository Receipting Process**

**Condition:** Upon inquiry and observation of the receipting and depositing process for each office, the following was noted:

**County Clerk's Office:** The County Clerk has four deputies that work from the same cash drawer. All four deputies issue receipts and one of the same deputies performs the duties of balancing the cash drawer and preparing the deposit slip. The County Clerk does not maintain a mail log.

**County Assessor's Office:** The County Assessor and eight full-time deputies work from one cash drawer and issue receipts. Two of the same employees perform the duties of balancing the cash drawer, preparing and delivering the deposit to the County Treasurer. The County Assessor does not maintain a mail log.

**County Sheriff's Office:** One full-time employee is responsible for issuing receipts, preparing the deposit, and delivering the deposit to the County Treasurer. The County Sheriff does not maintain a mail log.

**Cause of Condition:** Procedures have not been designed to adequately segregate the duties of the receipting and depositing process of official depository accounts.

**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 management be aware of these conditions and determine how to properly segregate duties. OSAI further recommends implementing compensating procedures to mitigate the risks involved with a concentration of duties. Compensating procedures would include separating key processes and/or critical functions of the office, and having management review and approve the accounting functions.

Further, employees should not all work from the same cash drawer. The duties of issuing receipts, balancing the cash drawer, preparing the daily deposit, and delivering the deposit to the County Treasurer's office should be performed by separate individuals.

**STEPHENS COUNTY, OKLAHOMA  
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**Management Response:**

**County Clerk:** We will separate these duties and the County Clerk will oversee the depositing of funds.

**County Assessor:** The way I divide my daily deposit is as follows: If there are any checks in the mail, I open those and give those to one of two deputies. One of these deputies issues a receipt. Any employee may take money across the counter and make a receipt. At the end of the work day, one of the same two deputies will balance the money drawer and the other one will take it to the Treasurer's office.

**County Sheriff:** Although one individual is responsible for deposits, reconciling inmate transactions, etc., there is a second employee that oversees and checks the work product. Although all monies were accounted for, we understand the necessity to separate these duties.

**Criteria:** Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, the duties of receiving, receipting, recording, depositing cash and checks, reconciliations, and transaction authorization should be segregated.

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

**Finding 2010-10— Schedule of Expenditures of Federal Awards – FEMA**

**PASS THROUGH GRANTOR:** Oklahoma Department of Emergency Management

**FEDERAL AGENCY:** United States Department of Homeland Security

**CFDA NO:** 97.036

**FEDERAL PROGRAM NAME:** Disaster Grants - Public Assistance (Presidentially Declared Disasters)

**FEDERAL AWARD NUMBER:** 1883 & 1876

**FEDERAL AWARD YEAR:** 2010

**CONTROL CATEGORY:** Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching, Level of Effort, Earmarking; Period of Availability of Federal Funds; Procurement and Suspension and Debarment; and Special Tests and Provisions

**QUESTIONED COSTS:** \$-0-

**Condition:** The County has not designed and implemented formal procedures for the reporting of its major federal program for Disaster Grants – Public Assistance as required by OMB Circular A-133.

**Cause of Condition:** Procedures have not been designed to accurately report federal expenditures on the Schedule of Expenditures of Federal Awards.

**Effect of Condition:** This condition could result in a misstatement of the Schedule of Expenditures of Federal Awards.

**STEPHENS COUNTY, OKLAHOMA  
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**Recommendation:** OSAI recommends Stephens County have a policy for handling all federal grants awarded to the County. These policies could incorporate by reference applicable federal regulations to be followed, as well as the appropriate policy for the application, receipt, and expenditure of federal funds. OSAI also recommends that amounts reported on the Schedule of Expenditures of Federal Awards be reconciled to accounting records.

**Management Response:** A Schedule of Expenditures of Federal Awards will be maintained in a timely manner. Grant recipients will be coordinating closer with the County Treasurer, County Clerk and the Board of County Commissioners for reconciliation, in accordance with website: [cfda.gov](http://cfda.gov), as provided by SA&I.

**Criteria:** Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, an accurate record of federal expenditures should be maintained.

*OMB A-133, Subpart C, §\_\_\_.300* reads as follows:

Subpart C—Auditees

§\_\_\_.300 Auditee responsibilities.

The auditee shall:

(b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

(d) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with §\_\_\_.310.

Additionally, FEMA Public Assistance Guide; Chapter 5, page 137, Project Management, Record Keeping states in part:

It is critical that the applicant establish and maintain accurate records of events and expenditures related to disaster recovery work...This information should include the completed PW; completed Special Considerations Questions form; estimated and actual costs; force account labor; force account equipment, materials, and purchases; photographs of damage, work underway, and work completed; insurance information; environmental and/or historic alternatives and hazard mitigation opportunities considered; environmental review documents; receipt and disbursement documents; and records of donated goods and services, if any.

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**Finding 2010-11—Lack of Internal Controls Over Compliance Requirements – FEMA**

**PASS THROUGH GRANTOR:** Oklahoma Department of Emergency Management

**FEDERAL AGENCY:** United States Department of Homeland Security

**CFDA NO:** 97.036

**FEDERAL PROGRAM NAME:** Disaster Grants - Public Assistance (Presidentially Declared Disasters)

**FEDERAL AWARD NUMBER:** 1883 & 1876

**FEDERAL AWARD YEAR:** 2010

**CONTROL CATEGORY:** Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching, Level of Effort, Earmarking; Period of Availability of Federal Funds; Procurement and Suspension and Debarment; and Special Tests and Provisions

**QUESTIONED COSTS:** \$-0-

**Condition:** During the process of documenting the County's internal controls regarding federal disbursements, we noted the County has not established procedures to ensure compliance with the following compliance requirements: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching, Level of Effort, Earmarking; Period of Availability of Federal Funds; Procurement and Suspension and Debarment; and Special Tests and Provisions.

**Cause of Condition:** Procedures have not been designed to ensure federal expenditures are made in accordance with federal compliance requirements.

**Effect of Condition:** This condition could result in noncompliance with grant requirements and loss of federal funds to the County.

**Recommendation:** OSAI recommends the County gain an understanding of requirements for these programs and implement internal control procedures to ensure compliance with requirements.

**Management Response:** FEMA instruction procedures have been varied and complicated in the past. There is a vast difference from when the disaster occurs, when FEMA officials come to set up project worksheets, when funds are or are not approved, and when and if monies are incurred. The county has kept the most accurate records possible to be in compliance with the grant requirements.

**Criteria:** *OMB A-133, Subpart C, §\_\_.300* reads as follows:

Subpart C—Auditees

§\_\_.300 Auditee responsibilities.

The auditee shall:

(b) Maintain internal controls over Federal programs that provide reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.



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Further, accountability and stewardship should be overall goals in management's accounting of federal funds. Internal controls should be designed to monitor compliance with laws and regulations pertaining to grant contracts.

**Finding 2010-12—County-Wide Controls Over Major Programs – FEMA**

**PASS THROUGH GRANTOR:** Oklahoma Department of Emergency Management

**FEDERAL AGENCY:** United States Department of Homeland Security

**CFDA NO:** 97.036

**FEDERAL PROGRAM NAME:** Disaster Grants - Public Assistance (Presidentially Declared Disasters)

**FEDERAL AWARD NUMBER:** 1883 & 1876

**FEDERAL AWARD YEAR:** 2010

**CONTROL CATEGORY:** Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching, Level of Effort, Earmarking; Period of Availability of Federal Funds; Procurement and Suspension and Debarment; and Special Tests and Provisions

**QUESTIONED COSTS:** \$-0-

**Condition:** County-wide controls regarding Risk Management and Monitoring have not been designed.

**Cause of Condition:** Procedures have not been designed to ensure the County is in compliance with grant requirements.

**Effect of Condition:** This condition could result in noncompliance with grant requirements and loss of federal funds to the County.

**Recommendation:** OSAI recommends the County implement a system of internal controls to ensure compliance with grant requirements.

Examples of risks and procedures to address risk management for federal programs:

<b>Risks</b>	<b>Procedures</b>
Errors and misstatements in reporting	Independent review by another employee
Fraudulent activity	Segregation of duties
Information lost to computer crashes	Daily backups of information
Noncompliance with laws and grant requirements	Attend workshops, ensure employees receive current compliance supplements
New employee errors	Training, attending workshops, monitoring

**STEPHENS COUNTY, OKLAHOMA  
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Examples of activities and procedures to address monitoring of federal programs:

<b>Monitoring</b>	<b>Procedures</b>
Communication between officers	Discussion in BOCC meetings to monitor progress of grant and compliance with grant requirements.
Schedule of Expenditures of Federal Awards (SEFA)	Review the SEFA of the County for accuracy and to determine all federal awards are presented.
Audit findings	Determine audit findings are timely corrected.
Financial status	Periodically review budgeted amounts to actual amounts and resolve unexplained variances.
Compliance with grant requirements	Ensure employees understand grant requirements for federal program and are provided with the latest version of the compliance supplement.

**Management Response:** Procedures have been implemented to ensure county wide controls to maintain an internal control structure over Public Assistance Grants.

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

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

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.

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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**SECTION 4—This section contains certain matters not required to be reported in accordance with *Government Auditing Standards*. However, we believe these matters are significant enough to bring to management’s attention. We recommend that management consider these matters and take appropriate corrective action.**

**Finding 2010-8—Fixed Assets Inventory**

**Condition:** Based upon inquiry and observation of the recordkeeping process for fixed assets, it was determined that periodic inventory verifications are not being performed.

**Cause of Condition:** Procedures have not been designed to perform an annual physical count of fixed assets and to retain documentation of physical count. Stephens County is in the process of updating the 2-22-11 Policy and Procedures Handbook for all county employees. County management takes an aggressive stance on training sessions, communicating, and monitoring county funds, record keeping, and disaster planning. It will be a continuing goal to keep employees and county officials aware of new and existing procedures to monitor and manage the control environment, risk management, information and communication, and fixed assets and accountability.

**Effect of Condition:** This condition could result in inaccurate records, unauthorized use of fixed assets, or loss of fixed assets.

**Recommendation:** OSAI recommends that the County implement procedures to comply with 19 O.S. § 178.1 and 69 O.S § 645. OSAI also recommends that all offices implement controls to safeguard fixed assets, including marking fixed assets with a county identification number, performing an annual physical count of all inventories, and retaining documentation to verify that the physical count was performed.

Further, all highway machinery should be clearly and visibly marked “Property of Stephens County” or “Leased to Stephens County.”

**Management Response:**

**Board of County Commissioners:** All Stephens County offices now perform an annual audit of all fixed assets over \$500.00 to comply with Title 19 O.S. section 178.1 and Title 69 O.S. section 645.

**County Treasurer:** We update our inventory with each new purchase that needs to be added to inventory. I will, however, implement a yearly visual inspection of my inventory and keep record of such.

**Criteria:** An important aspect of internal controls is the safeguarding of assets. Internal controls over safeguarding of assets constitute a process, affected by an entity’s governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from misappropriation.

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Title 19 O.S. § 178.1 and 69 O.S. §645 requires the maintenance of inventory records, periodic inventory verifications, and equipment be clearly and visibly marked “Property of” the county or “Leased to” the county.

**Finding 2010-9–Inmate Trust Fund Checking Account**

**Condition:** Based on inquiry of the Sheriff’s staff and observation of records, the following exceptions were noted:

- One employee is responsible for inputting inmate deposits into the Tiger Commissary system, preparing deposit slips, depositing with the financial institution, preparing checks, posting all transactions to inmate records, and reconciling the Inmate Trust Account to the bank statements at the end of each month.
- Receipts are not issued for all monies received with regard to inmate trust funds.
- Inmate trust funds are not deposited into the Inmate Trust Fund Checking Account on a daily basis.
- Purchases were made from the Inmate Trust Fund that are not allowed by Oklahoma Statutes, including;
  - Over-the-counter medication
  - Haircuts for the inmates
  - Specialty sales such as ice cream or popcorn
  - Gas expense to deliver donated bread from Oklahoma City

**Cause of Condition:** The Inmate Trust Fund was established in 2005 by the prior administration. The current administration was following guidelines set by the prior administration.

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

Further, OSAI recommends receipts be issued for all monies received, funds be deposited on a daily basis, and expenditures from the Inmate Trust be in accordance with 28 O.S § 9, 19 O.S § 682, and 19 O.S. §531.A.

**STEPHENS COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
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**Management Response:**

1. Although one individual is responsible for deposits, reconciling inmate transactions, etc., there is a second employee that oversees and checks the work product. Although all monies were accounted for, we understand the necessity to separate these duties.
2. Regarding the receipts not being issued to the inmates for the deposits into the Inmate Trust Fund accounts; virtually all inmates do not want receipts due to the Tiger Commissary system puts the inmate's social security number on it. The system does not allow the number deleted and the inmates do not want other inmates to be able to access their social security number.
3. There would be many days that only a very small amount (\$5.00 or less) would be collected on a particular day for the inmate commissary account. Because of this, the deposit might not be made every day. However, as told to us by the auditors, all money was accounted for and we will accommodate the request.
4. In regard to the purchases being made from the Inmate Trust Fund that are considered disallowable, i.e., haircuts, over the counter medicines, specialty items, and bread. It was explained to us that these items need to be purchased through a purchase order. The items are purchased through the inmate's personal account within the Inmate Trust Fund which is deposited separate from county managed funds. We are able to pay Tiger Commissary and Coca Cola vendors by check from the Inmate Trust Fund; however, it was explained to us that these other vendors could not be. A system was worked out for the over the counter medications and the bread; however, the haircuts and specialty food items described are inmate specific items that Tiger does not provide.

**Criteria:** Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, the duties of receiving, receipting, recording, depositing cash and checks, reconciliations, and transaction authorization should be segregated. Additionally, 28 O.S. § 9 states, "Every officer charging fees shall give a receipt therefor."

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**Finding 2008-2— Schedule of Expenditures of Federal Awards – FEMA**

**PASS THROUGH GRANTOR:** Oklahoma Department of Emergency Management

**FEDERAL AGENCY:** United States Department of Homeland Security

**CFDA NO:** 97.036

**FEDERAL PROGRAM NAME:** Disaster Grants - Public Assistance (Presidentially Declared Disasters)

**FEDERAL AWARD NUMBER:** 1678, 1712, 1718, and 1723

**FEDERAL AWARD YEAR:** 2008

**CONTROL CATEGORY:** Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Period of Availability of Federal Funds; and Special Tests and Provisions.

**QUESTIONED COSTS:** \$-343,575

**Condition:** The County reported federal expenditures totaling \$502,196 for FEMA grants. Accounting records were not maintained to document \$343,575 and therefore resulted in questioned costs.

**Status:** This finding was not corrected in fiscal year 2010 and it is unlikely the County can obtain documentation to support these questioned costs.

**Finding 2008-3—Schedule of Expenditures of Federal Awards**

**PASS THROUGH GRANTOR:** Oklahoma Department of Emergency Management

**FEDERAL AGENCY:** United States Department of Homeland Security

**CFDA NO:** 97.036

**FEDERAL PROGRAM NAME:** Disaster Grants - Public Assistance (Presidentially Declared Disasters)

**FEDERAL AWARD NUMBER:** 1678, 1712, 1718, and 1723

**FEDERAL AWARD YEAR:** 2008

**CONTROL CATEGORY:** Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Period of Availability of Federal Funds; and Special Tests and Provisions

**QUESTIONED COSTS:** \$-0-

**Condition:** The County has not designed and implemented formal procedures for the reporting of its major federal program for Disaster Grants – Public Assistance as required by OMB Circular A-133.

**Status:** This finding was not corrected in fiscal year 2010 and resulted in Repeat Finding 2010-10.



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