

COUNTY AUDIT

STEPHENS COUNTY

For the fiscal year ended June 30, 2012



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



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

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

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Oklahoma State Auditor & Inspector

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

December 19, 2014

TO THE CITIZENS OF
STEPHENS COUNTY, OKLAHOMA

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

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

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

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

Sincerely,

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

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

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

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

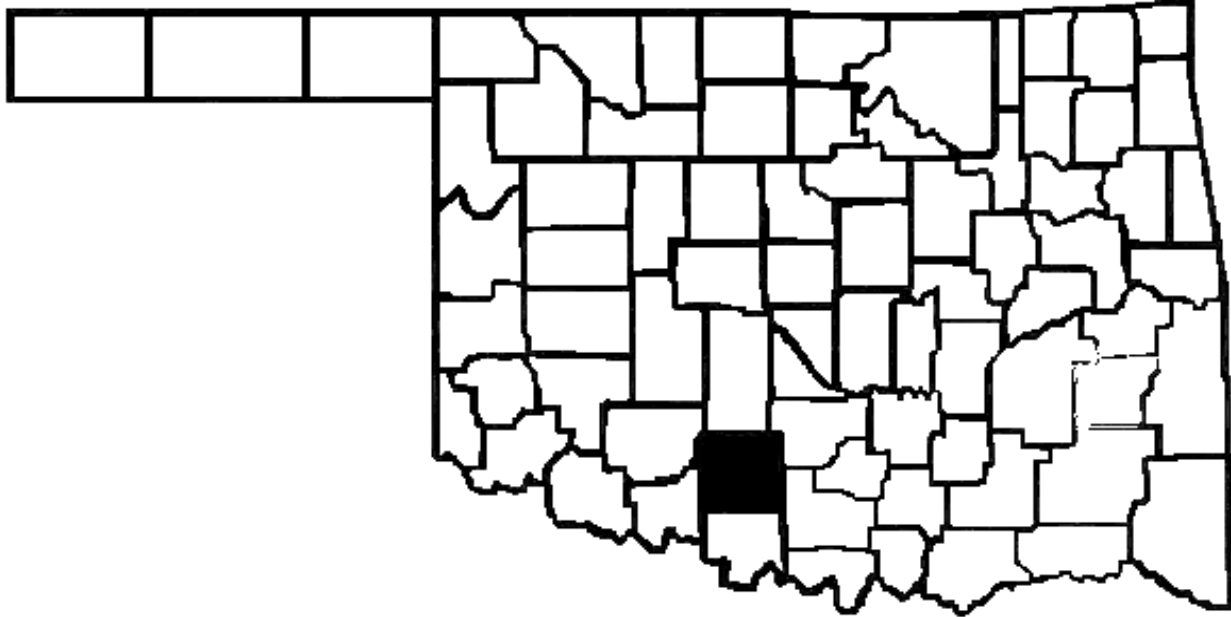
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**STEPHENS COUNTY, OKLAHOMA
STATISTICAL INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**



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. The county is served by U.S. 81 and S.H. 7, 29, and 53. Duncan Municipal Airport, Union Pacific 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, Humphries, and Fuqua lakes.

The Stephens County Memorial Museum is located in Duncan. For more information, call the county clerk's office at 580/255-0977.

County Seat – Duncan

Area – 891.12 Square Miles

County Population – 43,487
(2009 est.)

Farms – 1,310

Land in Farms – 469,700 Acres

Primary Source: Oklahoma Almanac 2011-2012

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

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

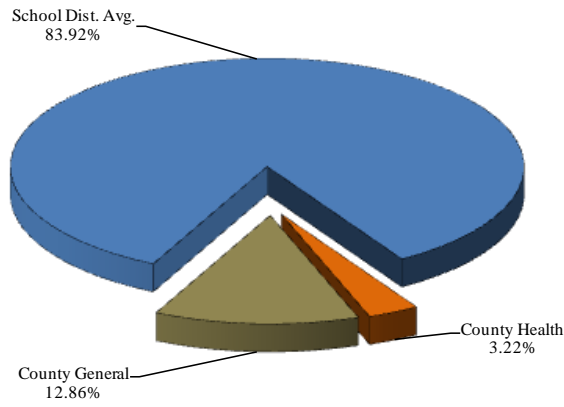
Margaret Cunningham

District Attorney

Jason Hicks

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

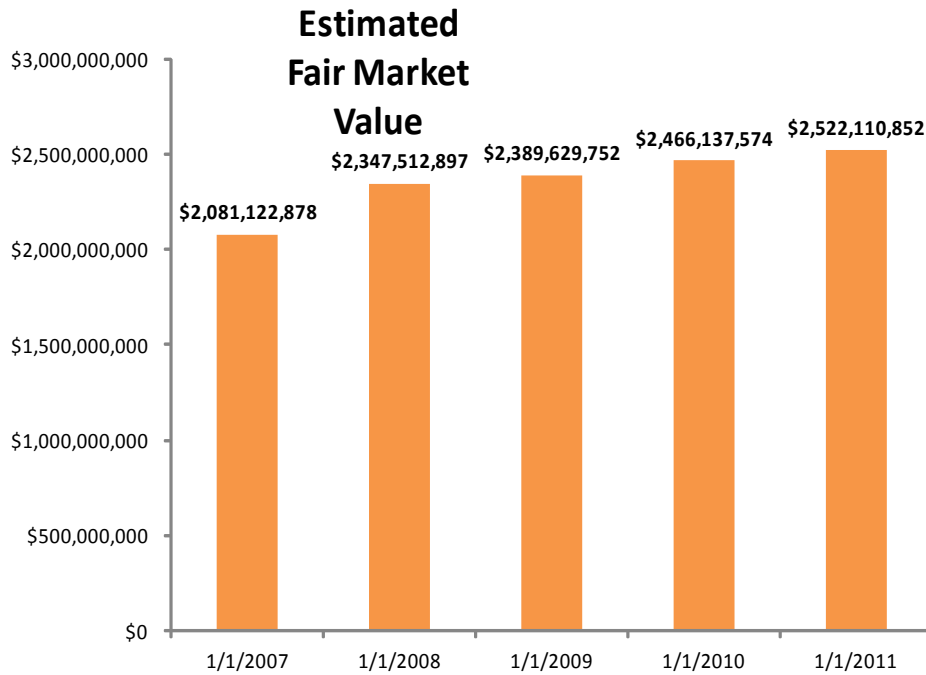
Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of a property is \$1,000.00 and the millage rate is 1.00, then the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



County-Wide Millages		School District Millages							
				Gen.	Bldg.	Skg.	Career Tech	Common	Total
County General	10.22								
County Health	2.56	Duncan	I-1	35.72	5.10	17.60	12.26	4.09	74.77
		Comanche	JI-2	35.66	5.09	14.83	12.26	4.09	71.93
		Marlow	JI-3	35.77	5.11	-	12.26	4.09	57.23
		Velma-Alma	JI-15	35.69	5.10	3.16	12.26	4.09	60.30
		Empire	JI-21	36.48	5.21	13.21	12.26	4.09	71.25
		Central High	JI-34	36.08	5.15	19.75	12.26	4.09	77.33
		Bray-Doyle	JI-42	35.96	5.14	5.82	12.26	4.09	63.27
		Grandview	JD-82	36.22	5.17	-	12.26	4.09	57.74
		Sterling	I-3	36.32	5.19	19.65	14.42	4.09	79.67
		Fox	I-74	37.00	5.29	15.09	15.91	4.09	77.38
		Walters	I-1	36.55	5.22	-	12.26	4.09	58.12
		Temple	I-101	35.00	5.00	11.30	12.26	4.09	67.65
		Elmore City	I-72	35.18	5.03	10.07	11.06	4.09	65.43
		Waurika	I-23	35.00	5.00	-	12.26	4.09	56.35
		Ringling	I-14	36.42	5.20	-	15.91	4.09	61.62

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

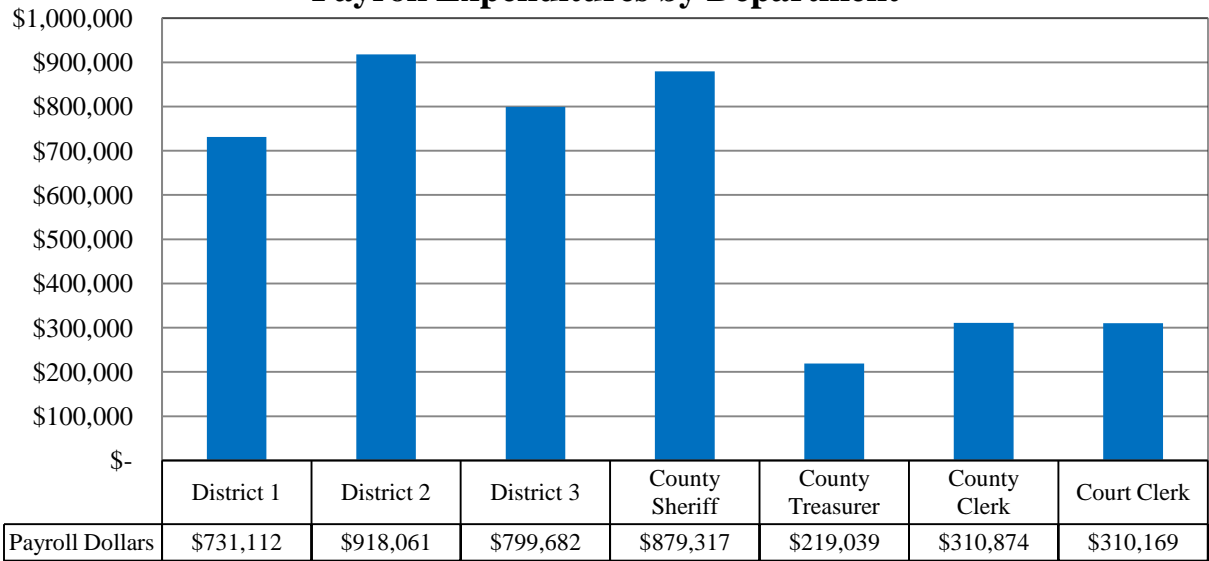
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2011	\$82,858,957	\$28,225,896	\$180,985,278	\$13,368,362	\$278,701,769	\$2,522,110,852
1/1/2010	\$81,819,157	\$24,973,833	\$177,433,562	\$13,236,298	\$270,990,254	\$2,466,137,574
1/1/2009	\$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



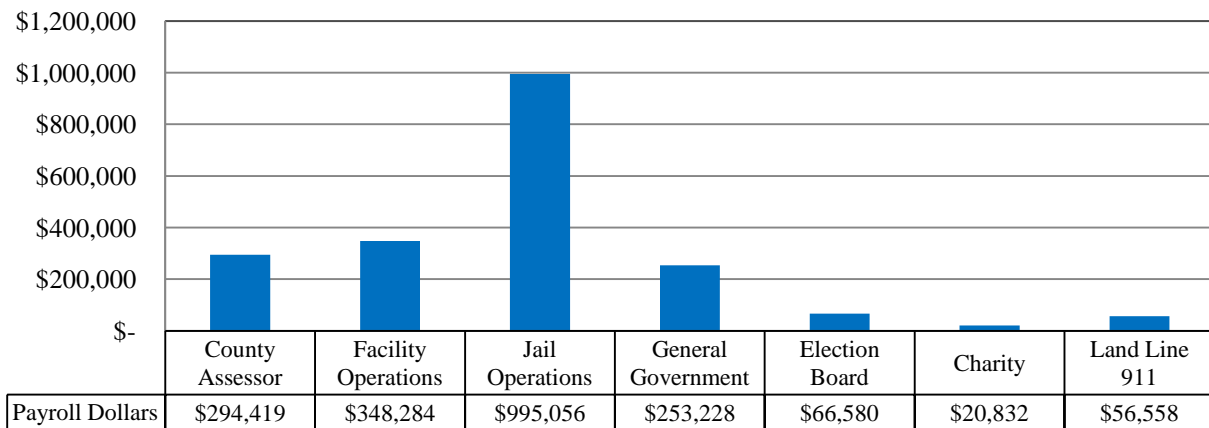
**STEPHENS COUNTY, OKLAHOMA
COUNTY PAYROLL EXPENDITURES ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

Payroll Expenditures by Department



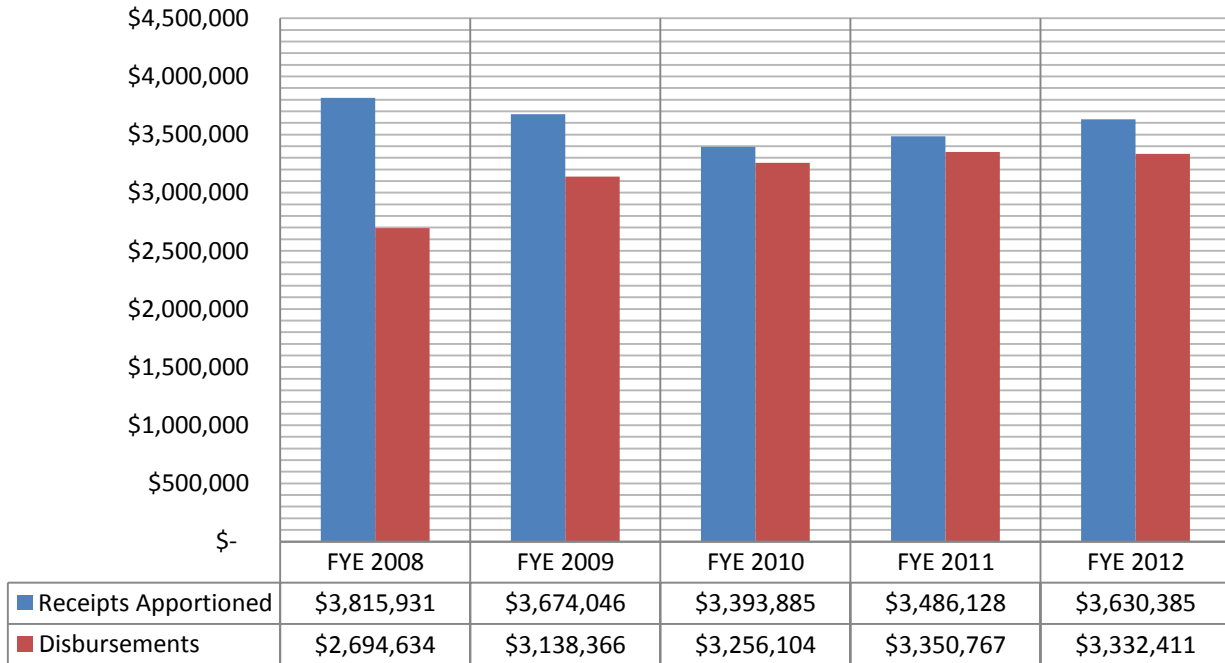
Payroll Expenditures by Department



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

County General Fund

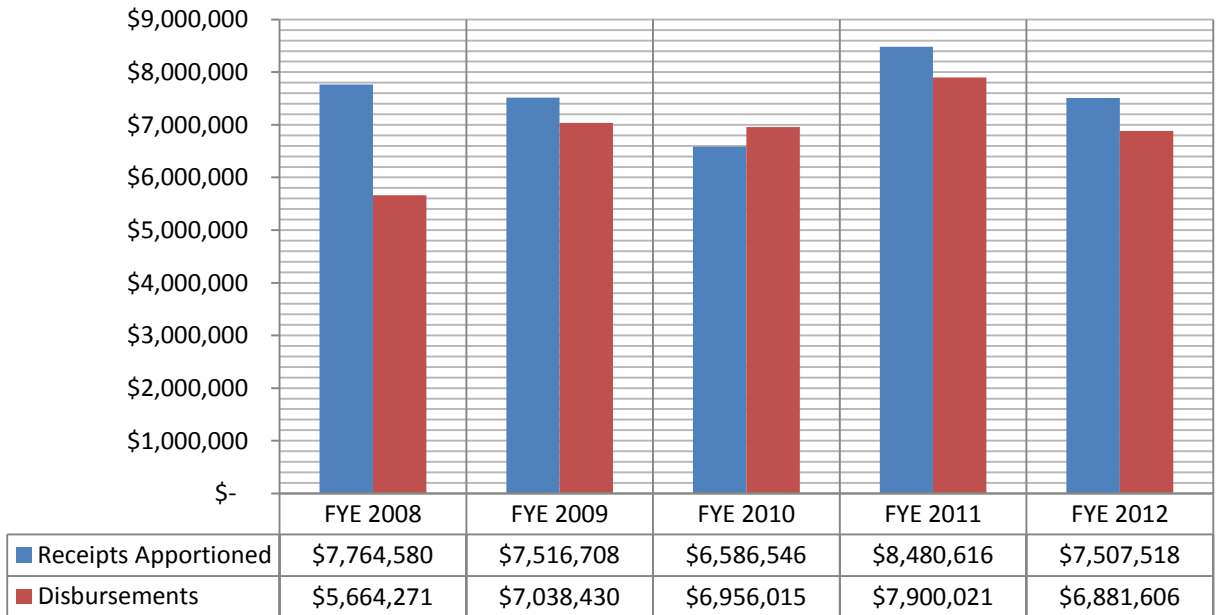
The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the county's primary source of operating revenue. The County General Fund is typically used for county employees' salaries plus many expenses for county maintenance and operation. It also 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, 2012**

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, 2012, 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, 2012, or changes in its financial position for the year then ended.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2014, 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 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

December 15, 2014

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, 2012

	Beginning Cash Balances July 1, 2011	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2012
Combining Information:				
Major Funds:				
County General Fund	\$ 4,222,476	\$ 3,630,385	\$ 3,332,411	\$ 4,520,450
County Highway Fund	12,026,296	7,507,518	6,881,606	12,652,208
County Health Department	710,251	724,161	316,639	1,117,773
Community Development Block Grant (CDBG)	-	112,120	112,120	-
Violence of Crime Advocate (VOCA) Grant	10,037	32,590	33,106	9,521
Governmental Building Authority Jail Operations	518,188	1,507,891	1,383,670	642,409
Governmental Building Authority Facility Operations	103,780	380,182	378,248	105,714
Governmental Building Authority Jail Sales Tax	2,708,608	93,250	65,585	2,736,273
Governmental Building Authority Facility Sales Tax	2,288,562	961,604	978,770	2,271,396
Rural Economic Action Plan (REAP) Grant	-	8,200	8,200	-
Sheriff Housing	1,239,214	865,946	932,882	1,172,278
Remaining Aggregate Funds	1,689,281	1,340,238	1,036,280	1,993,239
Combined Total - All County Funds	<u>\$ 25,516,693</u>	<u>\$ 17,164,085</u>	<u>\$ 15,459,517</u>	<u>\$ 27,221,261</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, 2012**

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 Fund – accounts for state, local, and miscellaneous receipts and disbursements are 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.

Community Development Block Grant (CDBG) – accounts for a grant received for handicap accessibility and tripping hazards at the courthouse and parking lot repairs at the fairgrounds.

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

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.

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

Governmental Building Authority Facility 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.

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

Rural Economic Action Plan (REAP) Grant – accounts for grant monies received from the State of Oklahoma for the Conservation District, to be disbursed for equipment.

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

C. Basis of Accounting

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

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

D. Budget

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

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

E. Cash and Investments

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

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

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

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

2. Ad Valorem Tax

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

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

3. Other

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

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

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

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

B. Other Post Employment Benefits (OPEB)

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

C. Contingent Liabilities

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

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

D. Sales Tax

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 accounted for in two funds known as the Governmental Building

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

Authority Jail Sales Tax fund and the Governmental Building Authority Jail Operations fund. 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 Government Building Authority for such purposes; providing that said 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 said sales tax shall expire December 31, 2020, at which time all indebtedness of the Governmental Building Authority Facility Operations will be retired. The sales tax is accounted for in two funds known as the Governmental Building Authority Facility Sales Tax fund and Governmental Building Authority Facility Operations fund.

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, 2012

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 4,222,476	\$ 4,222,476	\$ -
Less: Prior Year Outstanding Warrants	(18,893)	(18,893)	-
Less: Prior Year Encumbrances	(128,026)	(120,066)	7,960
Beginning Cash Balances, Budgetary Basis	<u>4,075,557</u>	<u>4,083,517</u>	<u>7,960</u>
Receipts:			
Ad Valorem Taxes	2,589,393	2,800,508	211,115
Charges for Services	180,000	291,103	111,103
Intergovernmental Revenues	430,741	468,963	38,222
Miscellaneous Revenues	20,000	69,811	49,811
Total Receipts, Budgetary Basis	<u>3,220,134</u>	<u>3,630,385</u>	<u>410,251</u>
Expenditures:			
District Attorney	4,000	3,960	40
County Sheriff	574,120	573,219	901
County Treasurer	207,180	205,474	1,706
County Commissioners	2,940	1,971	969
OSU Extension	92,098	91,430	668
County Clerk	330,285	328,178	2,107
Court Clerk	201,299	199,607	1,692
County Assessor	173,449	171,860	1,589
Revaluation of Real Property	285,889	230,573	55,316
District Court	14,500	12,853	1,647
General Government	5,206,062	1,303,319	3,902,743
Excise-Equalization Board	7,202	6,385	817
County Election Board	91,489	91,295	194
Charity	36,133	31,731	4,402
Wildlife Trapper	2,400	2,400	-
County Audit Budget Account	54,645	38,782	15,863
Free Fair	12,000	10,762	1,238
Total Expenditures, Budgetary Basis	<u>7,295,691</u>	<u>3,303,799</u>	<u>3,991,892</u>
Excess of Receipts and Beginning Cash			
Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	4,410,103	<u>\$ 4,410,103</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Outstanding Warrants		16,530	
Add: Current Year Encumbrances		<u>93,817</u>	
Ending Cash Balance		<u>\$ 4,520,450</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, 2012**

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 710,251	\$ 710,251	\$ -
Less: Prior Year Outstanding Warrants	(35,879)	(35,879)	-
Less: Prior Year Encumbrances	(50,573)	(32,533)	18,040
Beginning Cash Balances, Budgetary Basis	623,799	641,839	18,040
Receipts:			
Ad Valorem Taxes	648,615	701,498	52,883
Charges for Services	-	10,512	10,512
Intergovernmental Revenues	10,513	151	(10,362)
Miscellaneous Revenues	-	12,000	12,000
Total Receipts, Budgetary Basis	659,128	724,161	65,033
Expenditures:			
Health and Welfare	1,282,927	370,771	912,156
Total Expenditures, Budgetary Basis	1,282,927	370,771	912,156
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	995,229	\$ 995,229
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		74,982	
Add: Current Year Outstanding Warrants		47,562	
Ending Cash Balance		\$ 1,117,773	

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, 2012

	Beginning Cash Balances July 1, 2011	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2012
Remaining Aggregate Funds:				
Resale Property	\$ 318,523	\$ 246,955	\$ 112,653	\$ 452,825
Treasurer Mortgage Tax Certification Fee	25,715	10,165	10,465	25,415
County Clerk Lien Fee	144,014	77,184	49,839	171,359
County Clerk Records Management & Preservation	158,530	85,775	30,173	214,132
Assessor Revolving Fee	28,523	17,528	16,621	29,430
Assessor Visual Inspection	9,027	9	701	8,335
Sheriff Service Fee	807,814	326,645	303,485	830,974
Sheriff Grant Fund	26,303	-	19,002	7,301
Sheriff Commissary	20,763	63,425	64,841	19,347
Sheriff Training	1	-	-	1
Community Service Sentencing Program	1,038	-	-	1,038
Drug Abuse Resistance Education (DARE)	8	-	-	8
Free Fair	51,081	199,615	201,205	49,491
Civil Defense	45,848	55,914	29,880	71,882
Courthouse Building	821	-	223	598
County Reward Fund	823	200	-	1,023
Wireless 911 Fee	15,313	70,555	12,432	73,436
Land Line 911 Fee	35,136	182,123	184,760	32,499
County Education Authority Acceptance Fee	-	4,145	-	4,145
Combined Total - Remaining Aggregate Funds	\$ 1,689,281	\$ 1,340,238	\$ 1,036,280	\$ 1,993,239

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

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 state 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.

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

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

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

Sheriff Training – accounts for the collection of miscellaneous receipts and disbursements are for the training of Sheriff’s deputies.

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

Drug Abuse Resistance Education (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.

Wireless 911 Fee – accounts for the collection of fees imposed on wireless users within the county for the operation of the Emergency 911 service.

Land Line 911 Fee – accounts for the collection of fees imposed on land line users within the county for the operation of the Emergency 911 service.

County Education Authority Acceptance Fee – accounts for collections of administrative fees to be expended on the annual audit of the Stephens County Educational Facilities Authority.

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, 2012, 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 December 15, 2014. Our report on the basic financial statement was adverse because the statement is not a presentation in conformity with accounting principles generally accepted in the United States of America. However, our report also included our opinion that the financial statement does present fairly, in all material respects, the receipts, disbursements, and changes in cash balances – regulatory basis of the County for the year ended June 30, 2012, on the basis of accounting prescribed by Oklahoma state law, described in Note 1. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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 responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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

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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2012-2.

We noted certain matters regarding statutory compliance that we reported to the management of Stephens County, which are included in Section 2 of the schedule of findings and responses contained in this report.

Stephens County's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. 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., section 24A.1 et seq.), and shall be open to any person for inspection and copying.

A handwritten signature in blue ink, appearing to read "Gary A. Jones", with a long horizontal flourish extending to the right.

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

December 15, 2014

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

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

Finding 2012-1 – Inadequate County-Wide Internal Controls (Repeat Finding)

Condition: County-wide internal controls regarding Risk Management and Monitoring have not been designed. Also, the office of the District 1 County Commissioner, District 2, County Commissioner, District 3 County Commissioner, and the County Sheriff do not have a Disaster Recovery Plan in place for the information systems used within their offices.

Cause of Condition: Policies and procedures have not been designed to address risks of the County.

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

Recommendation: The Oklahoma State Auditor & Inspector's Office (OSAI) recommends that the County design procedures to 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.

Management Response:

Chairman of the BOCC: The Board of County Commissioners will work towards assessing and identifying risks to design written policies and procedures regarding county-wide controls.

District 1 County Commissioner: The County Commissioner of District 1 will work towards the development of a Disaster Recovery Plan for the information systems used within the office.

District 2 County Commissioner: The County Commissioner of District 2 will work towards the development of a Disaster Recovery Plan for the information systems used within the office.

District 3 County Commissioner: The County Commissioner of District 3 will work towards the development of a Disaster Recovery Plan for the information systems used within the office.

County Sheriff: The County Sheriff will work towards the development of a Disaster Recovery Plan for the information systems used within the office.

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.

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

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.

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

Finding 2012-2 – Inadequate Internal Controls and Noncompliance Over the Disbursement Process (Repeat Finding)

Condition: The audit of fifty purchase orders reflected the following noncompliance:

- Five instances were noted in which supporting documentation of the disbursement was not attached to the purchase order (i.e., invoice and receiving report).
- Two instances were noted in which goods and/or services were received prior to the encumbrance of funds.

The audit of the disbursements for the County Sheriff reflected the following exceptions:

- Eight instances were noted in which funds for disbursements totaling \$369 did not have supporting documentation of the disbursement attached to the purchase order (i.e., invoice and receiving report).
- Twenty-nine instances were noted in which funds for disbursements totaling \$160,739.26 were not encumbered prior to receiving of goods and/or services in accordance with state statutes.

During the period, the Sheriff purchased real property which included a metal building used for the storage of equipment. Although the BOCC authorized the purchase of real property in the amount of \$120,000, the County Sheriff signed and executed the agreement to purchase real property.

Cause of Condition: Policies and procedures have not been designed over the disbursements process to strengthen internal controls and ensure compliance with state statutes and the Oklahoma Constitution.

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

Effect of Condition: These conditions resulted in noncompliance with state statutes and the Oklahoma Constitution with regard to indebtedness of the County. These conditions could result in unrecorded transactions, misstated financial reports, undetected errors, and misappropriation of funds.

Recommendation: OSAI recommends the following in accordance with 19 O.S. § 1505C.2 and § 1505E:

- County funds should be encumbered prior to the receipt of goods and/or services.
- Disbursements of County funds should be supported with invoices and receiving reports.

Further, OSAI recommends Title 19 O.S. § 3, Title 60 O.S. § 390, and Title 19 O.S. § 339(A)(1) be adhered to with regard to the County entering into contracts.

Management Response:

Board of County Commissioners: Please be totally assured that this office is very concerned that procedures have not been followed to be in compliance with state statutes and the Oklahoma Constitution. It is also to be noted that we have acted upon the advice of our District Attorney on approval of purchase orders that have not been encumbered properly, lease-purchasing, and payment of purchase orders, to avoid lawsuits. The Stephens County Clerk and her staff have done an excellent job of attempting to stay in accordance with the provisions set out in the state purchasing and explaining the proper procedures for purchasing. We are of the opinion that this notice may bring awareness that purchasing laws and rules are not made by our county, but are to be followed by the entire state. Accountability and stewardship are a vital part of the goals we have as elected officials. It is not only important to be accountable and legal in the eyes of the state laws, but also to the taxpayers and constituents of this county. It is our desire to have better communication and open relationships between all county offices to make sure we comply with the statutes and laws governing our county.

County Clerk: I am aware and concur with State Auditor's findings.

County Sheriff: In response to the finding of twenty-nine instances totaling \$160,739.26 in which funds were not encumbered prior to receiving goods or services.

- Eighteen instances totaling \$36,444.95 was paid to Juvenile Housing under the direction of the County Clerk's Office.
- One instance totaling \$120,000 was paid for purchase of real property under the direction of the County Clerk's Office.
- Three instances totaling \$943.79 was paid to Bennett which should have been paid under blanket purchase orders.
- Seven instances totaling \$3,350.52 for miscellaneous purchases that were incorrectly encumbered for unknown reasons.

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

Criteria: Accountability and stewardship are overall goals of management in accounting of county funds. To help ensure a proper accounting of county funds, communication between offices is of vital importance to ensure the accuracy of recording, authorization, custody of assets, and execution of transactions so that unrecorded transactions, misstated financial reports, clerical errors, or misappropriation of funds are detected in a timely manner.

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

Effective internal controls would include procedures that ensure compliance with Title 19 O.S. § 1505C.2 and § 1505E.

Title 19 O.S. § 3 states in part, "The powers of a county as a body politic and corporate shall be exercised by its board of county commissioners.

Title 60 O.S. § 390 states, "The board of county commissioners of each county of the state, as to such county, and the governing board of each city, town and school district of the state, as to each such governmental subdivision, is hereby authorized in its discretion to accept, upon behalf of such county, city, town or school district, any gift, testamentary or otherwise, whether unconditional or conditional, of any property, whether real or personal or both, to such county, city, town, or school district, or any institution, department or agency thereof; and, in such instances, the property, or, in the case of real property or intangible personal property, the muniments of title thereto, shall be delivered to, and any necessary receipts therefore shall be executed by, such board."

Title 19 O.S. § 339(A)(1) states in part, "The board of county commissioners shall have power, To make all orders respecting the real property of the county, to sell the public grounds of the county and to purchase other grounds in lieu thereof; and for the purpose of carrying out the provisions of this section it shall be sufficient to convey all the interests of the county in those grounds when an order made for the sale and a deed is executed in the name of the county by the chair of the board of county commissioners, reciting the order, and signed by the chair and acknowledged by the county clerk for and on behalf of the county;..."

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

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

Finding 2012-3 – Inadequate Internal Controls and Noncompliance Over Inmate Trust Fund Checking Account and Sheriff Commissary Fund (Repeat Finding)

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

- One employee is primarily responsible for inputting inmate deposits into the commissary system, preparing deposit slips, depositing with the financial institution, preparing checks, posting transactions to inmate records, and reconciling the Inmate Trust Checking Account to the bank statement at the end of each month.
- Checks from the Inmate Trust Fund Checking Account only require one authorized signature. One employee has the capability to both print and sign checks without independent oversight.
- All money collected from inmates at the time of booking was not deposited into the Inmate Trust Fund Checking Account.
- Inmate trust funds were not deposited into the Inmate Trust Fund Checking Account on a daily basis.
- Unauthorized purchases were made from the Inmate Trust Fund Checking Account, including the following:
 - Inmate haircuts,
 - Phone cards from the vendor,
 - Over-the-counter medication,
 - Specialty sales such as soda and suckers, and
 - Gas expense to deliver donated bread from Oklahoma City.

Additionally, the Sheriff’s office did not file an annual report for the Sheriff Commissary Fund with the Board of County Commissioners.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure that internal controls are in place with regard to the Inmate Trust Fund Checking Account and Sheriff Commissary fund.

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

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

control point of view. Management should provide segregation of duties so that no one employee is able to perform all accounting functions.

OSAI recommends that checks require two authorized signatures and restrict any employee with check printing capabilities from being authorized signers of the account.

Further, OSAI recommends all money collected from inmates at time of booking to be deposited into the Inmate Trust Fund Checking Account (19 O.S. § 531 A), funds be deposited on a daily basis (19 O.S. § 682), and expenditures from the Inmate Trust Fund Checking Account should be made in accordance with 19 O.S. § 531 A. In addition, the Sheriff's office should file an annual report for the Commissary Fund with the Board of County Commissioners by January 15th of each year (19 O.S. § 180.43 D). Additionally, all records should be maintained and made available for audit purposes.

Management Response:

County Sheriff: The County Sheriff is aware of this condition and will work toward a segregation of duties over the Inmate Trust Fund Checking Account. All checks will now require two authorized signatures and employees with check printing capabilities will not be authorized signers. The County Sheriff is aware that money collected from inmates at time of booking is not deposited into the Inmate Trust Fund Checking Account due to timing of the release of the inmate. An emphasis has been placed on depositing inmate money into the Inmate Trust Fund Checking Account on a daily basis. The County Sheriff will work toward compliance of State Statutes regarding allowed expenditures from the Inmate Trust Fund Checking Account. The County Sheriff will file an annual report for the Commissary Fund with the Board of County Commissioners by January 15th.

Criteria: Accountability and stewardship are overall goals of management in 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.

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

Title 19 O.S. § 682 states in part, "...It shall be the duty of each and every county officer..., to deposit daily...every kind received or collected by virtue or under color of office..."

Title 19 O.S. § 180.43 D states in part, "...The sheriff shall file an annual report on any said commissary under his or her operation no later than January 15th of each year."

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

Finding 2012-4 – Inadequate Internal Controls and Noncompliance Over Fixed Assets and Consumable Inventories

Condition: Upon inquiry and observation of fixed assets inventory items, we noted the following:

District 1 Commissioner:

- One of the ten items selected was not marked with the correct County identification number.

District 2 Commissioner:

- One of the ten items selected was not marked with a County identification number.

District 3 Commissioner:

- An annual physical fixed assets inventory count was not being performed.

County Assessor:

- Two of the five items were not marked with a County identification number.

County Sheriff:

- An annual physical fixed asset inventory count is not being performed.
- Two of the five items selected did not reflect the correct serial number on the inventory listing.
- Three of the five items selected were not marked with a County identification number.
- Two of the five items selected were marked with a County identification number; however they are located on the top of the vehicles and can only be identified by air.

Upon inquiry and observation of consumable inventory items for District 1, 2, and 3, we noted the following:

District 1, District 2, and District 3 County Commissioners:

- A monthly physical count of consumable inventories is not being performed.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure compliance with the state statutes regarding the identification of fixed assets, maintaining accurate inventory records, and the safeguarding of consumable items.

Effect of Condition: These conditions resulted in noncompliance with state statutes. When fixed assets are not monitored and equipment is not properly marked with County identification numbers, opportunities for misuse or loss of equipment can occur. Additionally, when consumable inventories are not monitored on a monthly basis, opportunities for misuse or theft of items are more likely to occur.

Recommendation: OSAI recommends management implement internal controls to ensure compliance with 19 O.S. § 178.1, 19 O.S. § 1502(A)(1), 19 O.S. § 1502(B)(1) by maintaining inventory records and marking all assets with county identification numbers that may be identified at ground level. OSAI recommends the performing and documenting a periodic inventory of fixed assets. Additionally, the key

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

functions of receiving duties and inventory control duties should be performed by separate employees in order to effectively segregate those duties.

OSAI also recommends performing and documenting of a monthly consumable inventory count for each District. Documentation of physical verification should be initialed and dated by the employee performing the physical count and retained to show the design and implementation of internal controls by the County Commissioners. Additionally, the key functions of receiving duties and consumable inventory control duties should be performed by separate employees in order to effectively segregate those duties.

Management Response:

District 1: The County Commissioner will ensure that all equipment is marked with County identification numbers and perform a monthly consumable inventory count.

District 2: The County Commissioner will ensure that all equipment is marked with County identification numbers and perform a monthly consumable inventory count.

District 3: The County Commissioner will perform a count of fixed assets once a year and perform a monthly consumable inventory count.

County Assessor: The County Assessor will review fixed assets to ensure that equipment is marked with the County identification number.

County Sheriff: The County Sheriff will perform an annual count of fixed assets to ensure that equipment is identified in compliance with state statutes. Further, the County Sheriff has begun the process of placing identification numbers on windshields of equipment.

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



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