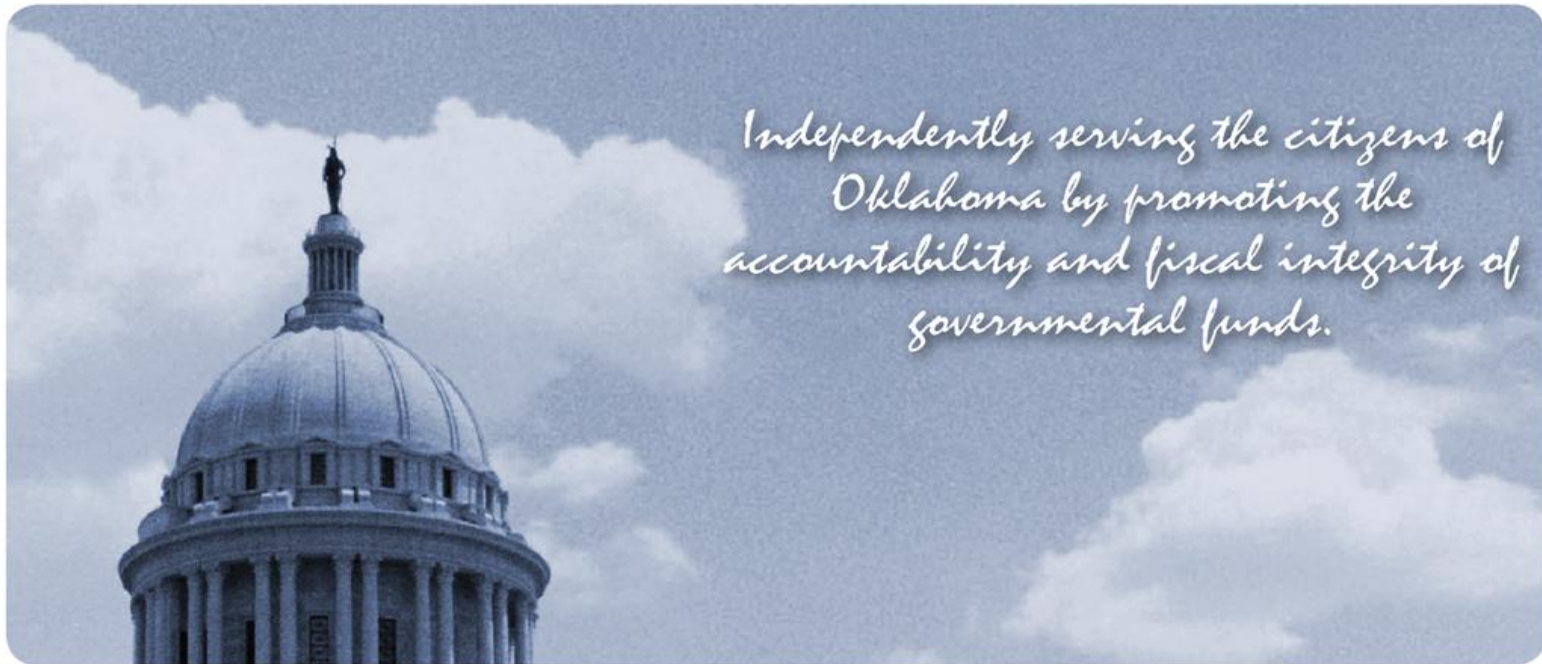


COUNTY AUDIT

STEPHENS COUNTY

For the fiscal year ended June 30, 2013



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



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

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

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



Oklahoma State Auditor & Inspector

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

February 27, 2015

TO THE CITIZENS OF
STEPHENS COUNTY, OKLAHOMA

Transmitted herewith is the audit of Stephens County, Oklahoma for the fiscal year ended June 30, 2013. The audit was conducted in accordance with 19 O.S. § 171.

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

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

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

Sincerely,

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

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

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

TABLE OF CONTENTS

INTRODUCTORY SECTION (Unaudited)

Statistical Information.....	iii
County Officials.....	iv
Ad Valorem Tax Distribution	v
Assessed Value of Property Trend Analysis.....	vi
County Payroll Expenditures Analysis	vii
County General Fund Analysis	viii
County Highway Fund Analysis	ix

FINANCIAL SECTION

Report of State Auditor and Inspector	1
Financial Statement:	
Statement of Receipts, Disbursements, and Changes in Cash Balances—Regulatory Basis (with Combining Information)—Major Funds.....	4
Notes to the Financial Statement.....	5

OTHER SUPPLEMENTARY INFORMATION

Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis—General Fund.....	10
Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis—County Health Department Fund	11
Combining Statement of Receipts, Disbursements, and Changes in Cash Balances—Regulatory Basis—Remaining Aggregate Funds	12
Notes to Other Supplementary Information	13

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

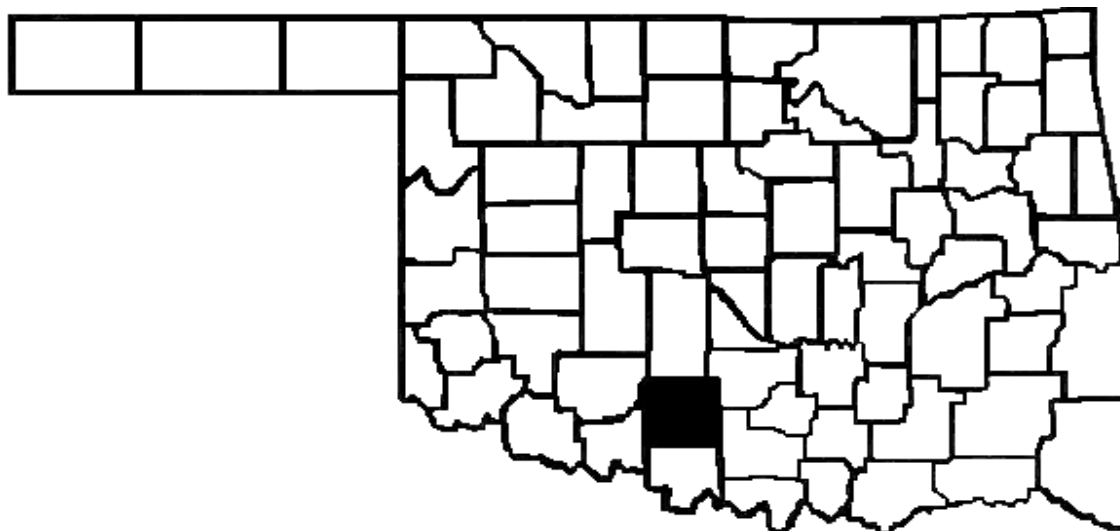
INTERNAL CONTROL AND COMPLIANCE SECTION

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..... 15

Schedule of Findings and Responses..... 17

**INTRODUCTORY SECTION
UNAUDITED INFORMATION ON PAGES iii - ix
PRESENTED FOR INFORMATIONAL PURPOSES ONLY**

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



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 – 44,779
(2012 est.)

Farms – 1,310

Land in Farms – 469,700 Acres

Primary Source: Oklahoma Almanac 2013-2014

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

Board of County Commissioners

District 1 – Darrell Sparks
District 2 – Lonnie Estes
District 3 – Dee Bowen

County Assessor

Cathy Hokit

County Clerk

Cindy Kaiser

County Sheriff

Wayne McKinney

County Treasurer

Janice Graham

Court Clerk

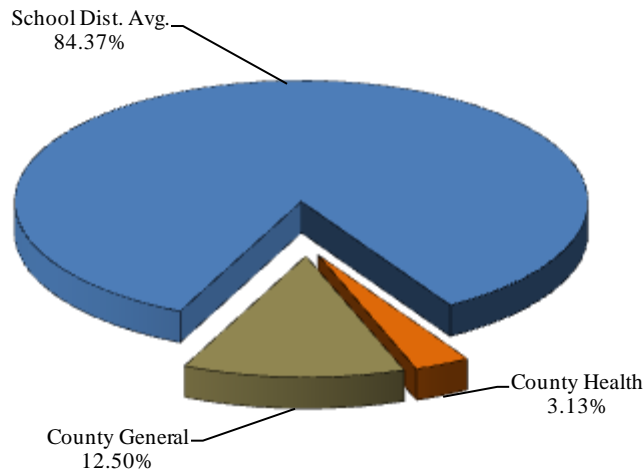
Margaret Cunningham

District Attorney

Jason Hicks

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

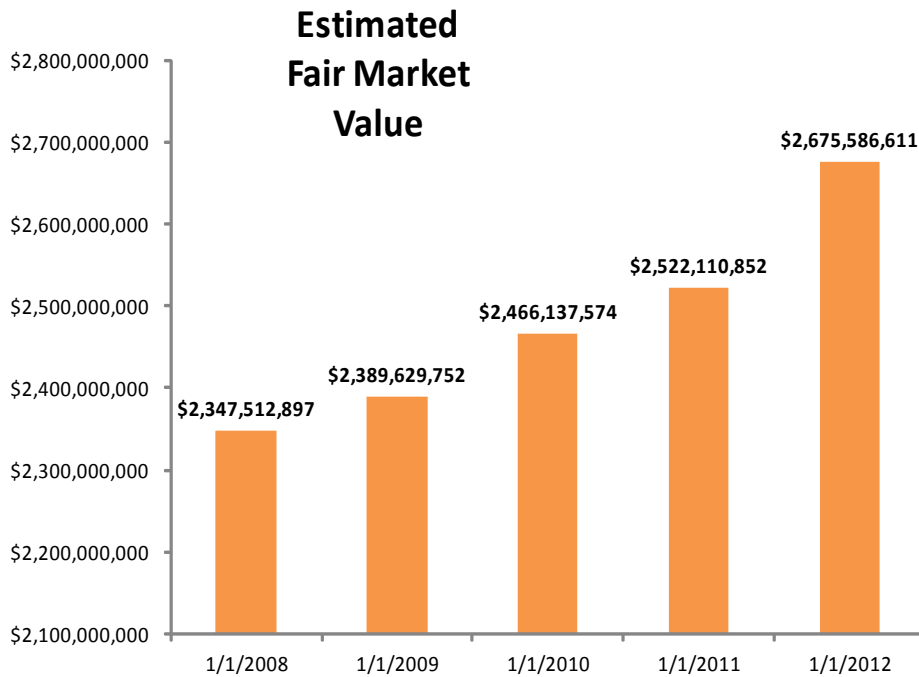
Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of a property is \$1,000.00 and the millage rate is 1.00, then the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



County-Wide Millages		School District Millages							
				Gen.	Bldg.	Skg.	Career Tech	Common	Total
County General	10.22								
County Health	2.56								
		Duncan	I-1	35.72	5.10	15.93	12.26	4.09	73.10
		Comanche	Jl-2	35.66	5.09	13.86	12.26	4.09	70.96
		Marlow	Jl-3	35.77	5.11	-	12.26	4.09	57.23
		Velma-Alma	Jl-15	35.69	5.10	5.48	12.26	4.09	62.62
		Empire	Jl-21	36.48	5.21	20.70	12.26	4.09	78.74
		Central High	Jl-34	36.08	5.15	28.80	12.26	4.09	86.38
		Bray-Doyle	Jl-42	35.96	5.14	6.59	12.26	4.09	64.04
		Grandview	Jl-82	36.22	5.17	-	12.26	4.09	57.74
		Sterling	I-3	36.32	5.19	19.20	14.42	4.09	79.22
		Fox	I-74	37.00	5.29	14.47	15.71	4.09	76.56
		Walters	I-1	36.55	5.22	10.18	12.26	4.09	68.30
		Temple	I-101	35.00	5.00	10.49	12.26	4.09	66.84
		Elmore City	I-72	35.18	5.03	8.39	11.06	4.09	63.75
		Waurika	I-23	35.00	5.00	-	12.26	4.09	56.35
		Ringling	I-14	36.42	5.20	11.38	15.91	4.09	73.00

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

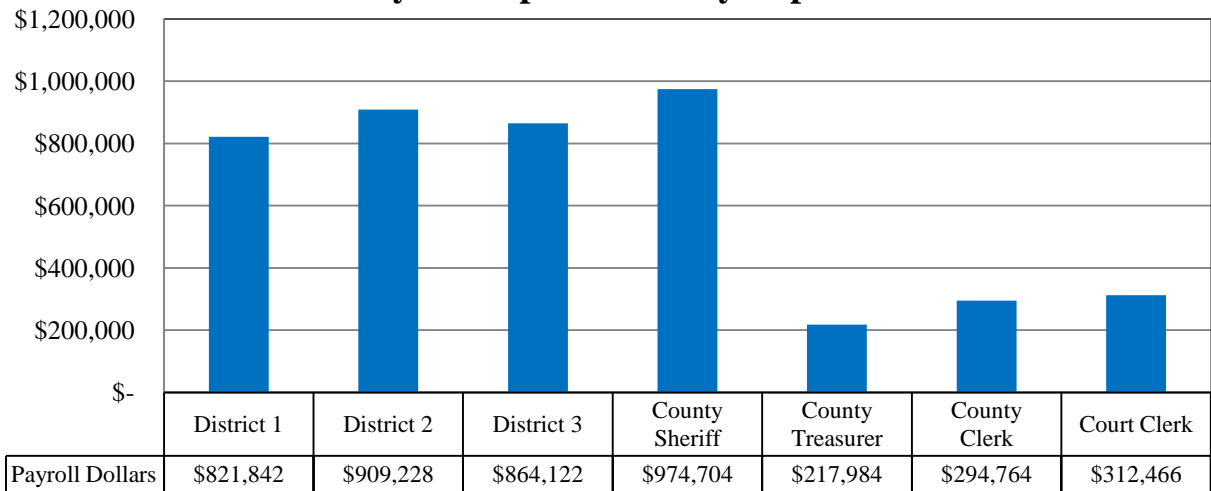
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2012	\$93,980,589	\$27,645,559	\$187,025,354	\$13,535,431	\$295,116,071	\$2,675,586,611
1/1/2011	\$82,858,957	\$28,225,896	\$180,985,278	\$13,368,362	\$278,701,769	\$2,522,110,852
1/1/2010	\$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



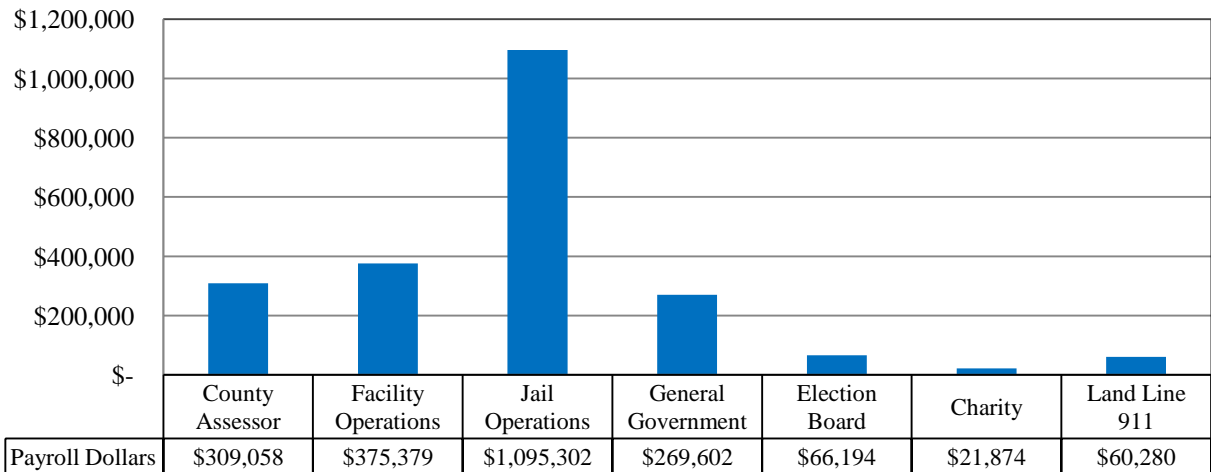
**STEPHENS COUNTY, OKLAHOMA
COUNTY PAYROLL EXPENDITURES ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

Payroll Expenditures by Department



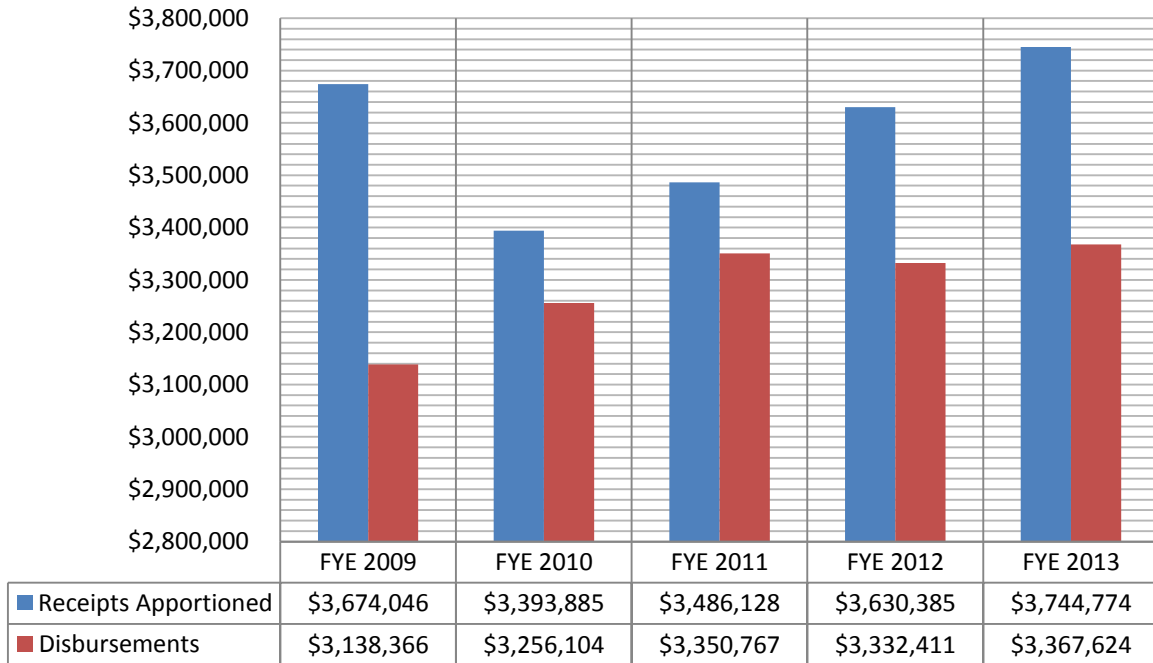
Payroll Expenditures by Department



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

County General Fund

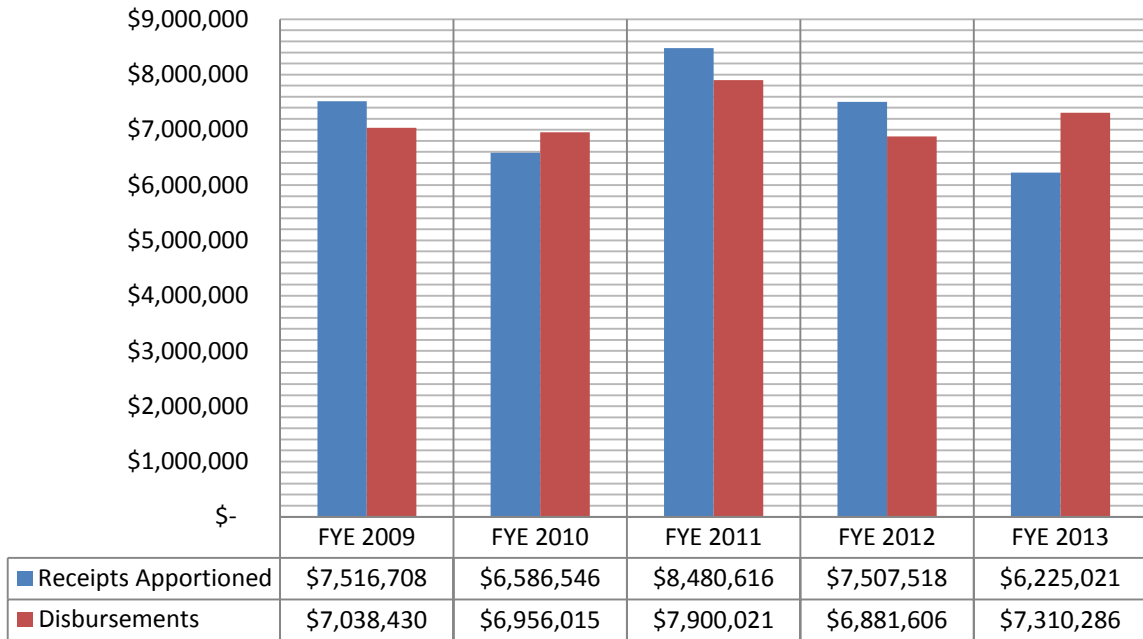
The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the county's primary source of operating revenue. The County General Fund is typically used for county employees' salaries plus many expenses for county maintenance and operation. It also provides revenue for various budget accounts and accounts that support special services and programs. The Board of County Commissioners must review and approve all expenditures made from the County General Fund. The primary revenue source for the County General Fund is usually the county's ad valorem tax collected on real, personal (if applicable), and public service property. Smaller amounts of revenue can come from other sources such as fees, sales tax, use tax, state transfer payments, in-lieu taxes, and reimbursements. The chart below summarizes receipts and disbursements of the County's General Fund for the last five fiscal years.



**STEPHENS COUNTY, OKLAHOMA
COUNTY HIGHWAY FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

County Highway Fund

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



FINANCIAL SECTION



Oklahoma State Auditor & Inspector

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

Independent Auditor's Report

TO THE OFFICERS OF
STEPHENS COUNTY, OKLAHOMA

Report on the Financial Statement

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

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

Opinion on Regulatory Basis of Accounting

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

Other Matters

Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

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

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

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

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, 2013

	Beginning Cash Balances July 1, 2012	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2013
Combining Information:				
Major Funds:				
County General Fund	\$ 4,520,450	\$ 3,744,774	\$ 3,367,624	\$ 4,897,600
County Highway Fund	12,652,208	6,225,021	7,310,286	11,566,943
County Health Department	1,117,773	761,085	578,774	1,300,084
Community Development Block Grant (CDBG)	-	105,049	74,189	30,860
Violence of Crime Advocate (VOCA) Grant	9,521	6,531	8,552	7,500
Governmental Building Authority Jail Operations	642,409	1,475,024	1,468,323	649,110
Governmental Building Authority Facility Operations	105,714	471,000	400,686	176,028
Governmental Building Authority Jail Sales Tax	2,736,273	467,278	31,535	3,172,016
Governmental Building Authority Facility Sales Tax	2,271,396	1,128,833	862,962	2,537,267
Stephens County Fire Departments and Nutrition Centers	-	83,659	-	83,659
Rural Economic Action Plan (REAP) Grant	-	59,205	59,205	-
Sheriff Housing	1,172,278	893,639	923,062	1,142,855
Sheriff Service Fee	830,974	321,960	392,247	760,687
Remaining Aggregate Funds	1,162,265	1,411,923	1,066,516	1,507,672
Combined Total - All County Funds	\$ 27,221,261	\$ 17,154,981	\$ 16,543,961	\$ 27,832,281

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, 2013**

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, 2013**

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.

Stephens County Fire Departments and Nutrition Centers – accounts for the collection of sales tax money and is disbursed for the purpose of maintenance and operation of the Stephens County Fire Departments and Stephens County Senior Centers, excluding personal services and travel expenses.

Rural Economic Action Plan (REAP) Grant – accounts for grant monies received from the State of Oklahoma for the conservation district and 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.

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

C. Basis of Accounting

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

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

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

D. Budget

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

E. Cash and Investments

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

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

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

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

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."

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

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

3. Other Information

A. Pension Plan

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

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

B. Other Post Employment Benefits (OPEB)

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

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.

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

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 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 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 and Governmental Building Authority Facility Operations.

On November 6, 2012, the voters of Stephens County approved a fifteen-one-hundredths percent (.15%) sales tax for the support of the Stephens County Fire Departments and the Stephens County Senior Centers. This sales shall be used for the purpose of acquiring, purchasing, continuing, equipping, repairing, renovating, operating, maintaining, training, and advancing fire protection, prevention and/or communication services or equipment, including maintenance and/or construction of buildings or facilities, but not to include salaries in the County of Stephens County, State of Oklahoma, to support the fire departments in Stephens County, and the maintaining, continuing, equipping, repairing, renovating or operating the Stephens County Senior Centers. The sales tax is accounted for in the Stephens County Fire Departments and Nutrition Centers 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, 2013

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 4,520,450	\$ 4,520,450	\$ -
Less: Prior Year Outstanding Warrants	(16,530)	(16,530)	-
Less: Prior Year Encumbrances	(93,817)	(80,051)	13,766
Beginning Cash Balances, Budgetary Basis	<u>4,410,103</u>	<u>4,423,869</u>	<u>13,766</u>
Receipts:			
Ad Valorem Taxes	2,741,897	2,991,650	249,753
Charges for Services	175,000	281,373	106,373
Intergovernmental Revenues	424,372	422,543	(1,829)
Miscellaneous Revenues	12,000	49,208	37,208
Total Receipts, Budgetary Basis	<u>3,353,269</u>	<u>3,744,774</u>	<u>391,505</u>
Expenditures:			
District Attorney	4,000	3,869	131
County Sheriff	611,365	515,622	95,743
County Treasurer	205,417	198,740	6,677
County Commissioners	3,000	2,346	654
OSU Extension	95,882	95,851	31
County Clerk	349,009	333,034	15,975
Court Clerk	212,311	211,619	692
County Assessor	182,217	180,211	2,006
Revaluation of Real Property	311,787	294,247	17,540
District Court	15,000	13,356	1,644
General Government	5,582,422	1,519,453	4,062,969
Excise-Equalization Board	7,552	7,234	318
County Election Board	86,458	84,883	1,575
Charity	37,177	34,042	3,135
Wildlife Trapper	2,400	2,400	-
County Audit Budget Account	45,375	16,810	28,565
Free Fair	12,000	12,000	-
Total Expenditures, Budgetary Basis	<u>7,763,372</u>	<u>3,525,717</u>	<u>4,237,655</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	4,642,926	<u>\$ 4,642,926</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Outstanding Warrants		53,225	
Add: Current Year Encumbrances		201,449	
Ending Cash Balance		<u>\$ 4,897,600</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, 2013**

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 1,117,773	\$ 1,117,773	\$ -
Less: Prior Year Outstanding Warrants	(47,562)	(47,562)	-
Less: Prior Year Encumbrances	(74,982)	(51,337)	23,645
Beginning Cash Balances, Budgetary Basis	995,229	1,018,874	23,645
Receipts:			
Ad Valorem Taxes	686,815	752,461	65,646
Charges for Services	-	5,935	5,935
Intergovernmental Revenue	5,934	167	(5,767)
Miscellaneous Revenues	-	2,522	2,522
Total Receipts, Budgetary Basis	692,749	761,085	68,336
Expenditures:			
Health and Welfare	1,687,978	656,787	1,031,191
Total Expenditures, Budgetary Basis	1,687,978	656,787	1,031,191
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	1,123,172	\$ 1,123,172
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		175,020	
Add: Current Year Outstanding Warrants		1,892	
Ending Cash Balance		\$ 1,300,084	

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, 2013

	Beginning Cash Balances July 1, 2012	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2013
Remaining Aggregate Funds:				
Resale Property	\$ 452,825	\$ 328,607	\$ 197,273	\$ 584,159
Treasurer Mortgage Tax Certification Fee	25,415	10,625	2,144	33,896
County Clerk Lein Fee	171,359	62,387	27,146	206,600
County Clerk Records Management & Preservation	214,132	79,875	12,324	281,683
Assessor Revolving Fee	29,430	12,552	20,375	21,607
Assessor Visual Inspection	8,335	6	-	8,341
Sheriff Grant Fund	7,301	-	1,600	5,701
Sheriff Commissary	19,347	67,073	45,784	40,636
Sheriff Training	1	-	-	1
Community Service Sentencing Program	1,038	-	-	1,038
Drug Abuse Resistance Education (DARE)	8	-	-	8
Free Fair	49,491	240,270	216,097	73,664
Civil Defense	71,882	331,139	317,415	85,606
Courthouse Building	598	-	-	598
County Reward Fund	1,023	100	-	1,123
Wireless 911 Fee	73,436	79,856	125,633	27,659
Land Line 911 Fee	32,499	176,419	100,694	108,224
County Education Authority Acceptance Fee	4,145	22,975	-	27,120
Disability Reimbursement Insurance Fund (DIRF)	-	39	31	8
Combined Total - Remaining Aggregate Funds	\$ 1,162,265	\$ 1,411,923	\$ 1,066,516	\$ 1,507,672

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

1. Budgetary Schedules

The Comparative Schedules of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis for the General Fund and the County Health Department Fund present comparisons of the legally adopted budget with actual data. The "actual" data, as presented in the comparison of budget and actual, will differ from the data as presented in the Combined Statement of Receipts, Disbursements, and Changes in Cash Balances with Combining Information because of adopting certain aspects of the budgetary basis of accounting and the adjusting of encumbrances and outstanding warrants to their related budget year.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in these funds. At the end of the year unencumbered appropriations lapse.

2. Remaining County Funds

Remaining aggregate funds as presented on the financial statement are as follows:

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

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

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.

Disability Reimbursement Insurance Fund (DRIF) – accounts for the collection of insurance premiums to be repaid to county employees.

INTERNAL CONTROL AND COMPLIANCE SECTION



Oklahoma State Auditor & Inspector

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

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

TO THE OFFICERS OF
STEPHENS COUNTY, OKLAHOMA

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

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Stephens County's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2013-2.

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 Findings

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

Purpose of this Report

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

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



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

December 15, 2014

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

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

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

Condition: County-wide 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.

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.

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.

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, 2013**

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 2013-2 – 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).
- Three instances were noted in which goods and/or services were received prior to the encumbrance of funds.

The audit of disbursements for the County Sheriff revealed the following:

- Two instances were noted in which funds for Sheriff's disbursements totaling \$1,231 did not have supporting documentation of the disbursement attached to the purchase order (i.e., invoice and receiving report).
- Thirty-two instances were noted in which funds for Sheriff's disbursements totaling \$287,562.15 were not encumbered prior to the receiving of goods and/or services in accordance with state statutes.

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

Effect of Condition: These conditions result in noncompliance with state statutes. Further, these conditions could result in unrecorded transactions, misstated financial reports, undetected errors, and misappropriation of funds.

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

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.

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. 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.

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

County Sheriff: The finding of thirty-two instances totaling \$287,562.15 in which funds were not encumbered prior to receiving goods or services.

- Nine instances totaling \$12,480.00 were paid to Juvenile Housing under the direction of the County Clerk's Office.
- Two instances totaling \$250,445.00 were paid to Hudiburg Chevrolet for seven vehicles and was incorrectly encumbered for unknown reasons.
- One instance totaling \$7,995.00 to Federal Equipment for purchase that was encumbered 2/5/13, received 3/10/13 but showed a ship date of 2/4/13 for unknown reason.
- Four instances totaling \$950.40 were paid for inmate care to vendors that were used by the hospital and billed separately without our knowledge.
- One instance totaling \$4,681.00 was paid to Whitten Insurance for a policy dated 4/18/2013 and encumbered 4/19/13 for unknown reasons.
- Fifteen instances totaling \$11,020.75 for miscellaneous purchases that were incorrectly encumbered for unknown reasons.

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.

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

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

Further, 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.”

Oklahoma Constitution Article X § 26 states in part, “...no county, ...shall be allowed to become indebted, in any manner, or for any purpose, to an amount exceeding, in any year, the income and revenue provided for such year without the assent of three-fifths of the voters thereof, voting at an election, to be held for that purpose, nor, in cases requiring such assent...”

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

Finding 2013-3 – 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 Fund 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.

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

- 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 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

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

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."

Finding 2013-4 – Inadequate Internal Controls and Noncompliance Over Fixed Assets and Consumable Inventories (Repeat Finding)

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.

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

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 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.

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

County Sheriff: The County Sheriff will perform an annual count of fixed assets to ensure that equipment is identified in compliance with state statues. 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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